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**Fixed Assets Dispositions
Audit**

May 4, 2018



**City of Fort Worth
Department of Internal Audit**

200 Texas Street
Fort Worth, Texas 76102

Audit Staff

Patrice Randle, City Auditor

Terry Holderman, Assistant City Auditor

Nicole Lugo, Auditor



The Fixed Assets Dispositions Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2017 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to assess the adequacy of internal controls related to the disposition of fixed assets and to ensure the accurate reporting of fixed asset dispositions.

Audit Scope

Our audit covered the period from October 1, 2015 through June 30, 2017.

Opportunities for Improvement

Utilization of PSAM and completeness of information

Proper recording of disposed assets

Revision of internal policies and procedures

Executive Summary

As part of our 2017 Annual Audit Plan, the Department of Internal Audit conducted a Fixed Assets Dispositions Audit of capital and non-capital assets purchased from grant and asset forfeiture funds, and capital assets purchased from bond funds.

Based on physical inventory observations, we concluded that capital assets were adequately tracked within the PeopleSoft Asset Management (PSAM) module. Bond-funded assets were supported and properly recorded within PSAM.

The Department of Internal Audit concluded that the City's utilization of two separate asset management systems results in a duplication of effort and operational inefficiencies.

Some Fort Worth Police Department (FWPD) assets were recorded in PSAM, but were not recorded in Mission Critical Management (MCM), the asset management system utilized by the FWPD to track police assets.

Conflicting information existed within PSAM. For example, some assets were listed as both "Disposed" and "In Service". We also found instances where two or more asset identification numbers were listed for the same asset.

We confirmed with the Financial Management Services Capital Asset Accounting Team that PSAM is configured to track both capital and non-capital assets. However, the non-capital asset module has not been implemented for City use.

These findings are discussed, in further detail, within the [Detailed Audit Findings](#) section of this report.

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Background

City of Fort Worth (CFW) Capital Assets Financial Directive (FD-13) identifies the various classes of assets owned by the City, outlines controls necessary to account for such assets, and defines departmental responsibilities. These responsibilities include identifying, recording, valuing, and safeguarding assets, as well as filing results of physical inventory counts, and submitting required forms. FD-13 also establishes various types of capital asset dispositions which include alterations, improvements, transfers, impairments and retirements. During the audit, Finance management indicated that a new policy had been developed to supersede FD-13.

The PeopleSoft Asset Management Module (PSAM) is the CFW's system of record for capital assets. PSAM is managed by the Capital Asset Accounting Team of the Financial Management Department Services (FMS). Capital asset updates are based on information reported by departments within the general ledger and the City's procurement system, BuySpeed.

In addition to the Asset Management module, PeopleSoft contains both Inventory and Purchasing modules. The PeopleSoft Inventory module, which is scheduled for full implementation in 2022, is proposed to track and reconcile the physical location of non-capital assets. The PeopleSoft Purchasing module, which is presently in the pre-implementation phase, will replace BuySpeed Online in October of 2018 and is intended to improve the reliability of procurement related data and transactions.

The Fort Worth Police Department (FWPD) utilizes the Mission Critical Management (MCM) system as its departmental system of record. MCM maintains detailed information such as asset location, description, tag, serial and purchase order number, as well as pictures of the asset. FWPD manages MCM, but relies on the FWPD's Information Technology Solutions Department for system support. Assets are procured by the FWPD's administrative support command and approved within the Accounts Payable Division of the FMS.

FWPD receives grant funding from federal granting agencies, as well as pass-through grants from the State of Texas. These grants are intended to purchase police vehicles and other equipment, fund crime prevention programs, hire additional officers, finance overtime, etc. Grants reviewed were commonly used for the procurement of vehicles and equipment. While the FWPD is responsible for the management and oversight of their grant programs, FMS Grant Accounting also has roles in the administration of grant funds.

The CFW issues bonds to finance large capital improvements. Bond issuances fund projects that serve the same common, overarching single purpose such as fire safety, streets and transportation.



Objectives

The objectives of this audit were to:

- assess the adequacy of internal controls related to the disposition of fixed assets; and,
- ensure accurate reporting of fixed asset dispositions.

Scope

Our audit included a review for the period October 1, 2015 through June 30, 2017. We reviewed assets purchased with bond funds, asset forfeitures funds and federally-funded grants that were acquired and managed by various City departments. The audit consisted of assets purchased from the 2008 and 2014 Bond Programs, assets acquired with Treasury Asset Forfeiture Funds, Federal Asset Forfeiture Funds, Homeland Security Grant Programs and the Paul Coverdell Forensic Sciences Improvement Grant Program.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- obtained capital asset information from the PSAM module;
- obtained capital and non-capital asset information from the FWPD's MCM system;
- conducting physical observations to verify the existence of capital and non-capital assets;
- reviewed the CFW's Inventory Financial Directive (FD-12) and FD-13;
- reviewed federal guidelines related to the procurement and use of awarded funds;
- reviewed procurement documents (purchase orders, grant contracts, etc.) for capital and non-capital assets;
- reviewed CFW auction results, PeopleSoft asset retirement records, and Fleet Services Division records to identify capital assets that were disposed;
- interviewed key personnel within the FMS and FWPD;
- reviewed policies and procedures governing the FWPD;
- reviewed the FMS' Financial and BuySpeed training materials; and,
- evaluated internal controls related to capital and non-capital assets.



Audit Results

During our audit, we were able to locate and observe all capital and non-capital assets in our samples. No exceptions were identified related to the procurement and verification of assets. However, asset recording discrepancies were identified.

We found assets that were auctioned, but were listed as “In Service” in the PSAM system. We also found instances where the PSAM system had two or more asset identification (ID) numbers for the same asset, with conflicting dispositions. Another vehicle was currently in service, but was listed with a status of “Disposed” in the PSAM system. These issues were brought to the attention of FMS management, and were corrected during audit fieldwork.

Internal Audit tested a sample of 104 assets from asset forfeiture funds. Seventy-six (76) non-capital assets were sampled from MCM. The remaining 28 capital assets were sampled from BuySpeed. It was determined that the 28 assets, assigned to FWPD, were recorded in PSAM, but not in MCM.

In addition to the 104 assets previously mentioned, we tested a sample of 76 assets purchased with grant funds. Each asset in the sample was physically verified and properly recorded in the MCM system.

Internal Audit tested a sample of 77 invoices paid with bond funds. Based on our audit testing, we determined that the recorded dispositions of capital assets, purchased with bond funds, were accurate.



Overall Evaluation

High	Medium	Low
<u>Inaccurate asset dispositions within PSAM</u>		
<u>Utilization of two separate asset management systems to track assets</u>		
	<u>Inconsistent policies and procedures</u>	



Detailed Audit Findings

1. The City’s PeopleSoft Asset Management disposal processes were ineffective and inefficient.

Asset management systems should be used to adequately and accurately track the status of assets from acquisition until final disposition. As noted in the following table, our audit results indicated that 24 of 423 assets auctioned by the CFW, during FY2015 and FY2016, were listed as “In Service” within PSAM.

Auctioned Assets with “In Service” Status, as of August 24, 2017					
Fleet Disposition	PSAM Asset ID#	CFW Equip. #	Fleet Asset Description	Date Sold	Department
Retired	5059	2020545	2003 Ford F150	10/2/2014	Planning & Development
Retired	13342	1471296	2007 Ford Crown Vic	1/26/2015	Municipal Court
Retired	11008	1471522	2010 Ford Crown Vic	1/26/2015	Police
Retired	12185	1471576	2010 Ford Crown Vic	1/26/2015	Police
Retired	9162	1270003	2002 Toyota Prius	2/12/2015	Code Compliance
Retired	10215	1450040	2008 Chevrolet Impala	5/27/2015	Code Compliance
Retired	11282	1471320	2009 Ford Crown Vic	5/27/2015	Police
Retired	11033	1471549	2010 Ford Crown Vic	5/27/2015	Police
Retired	11039	1471556	2010 Ford Crown Vic	5/27/2015	Police
Retired	50607	2020359	1996 Dodge BR1500	7/16/2015	Aviation
Retired	9019	2420176	1990 Ford F800	7/16/2015	Transportation & Public Works
Retired	16302	5480039	1988 Interstate 18DT Trailer	7/16/2015	Park & Recreation
Retired	9188	8000067	1986 Ingersol Rand P160WD	7/16/2015	Transportation & Public Works
Retired	38767	1580031	2011 KIA Sedona	9/14/2015	Police
Retired	11204	1471271	2007 Ford Crown Vic	1/07/2016	Police
Retired	71362	4100198	1999 Omaha 10860	1/07/2016	Water
Retired	10231	1450046	2010 Chevrolet Impala	2/22/2016	Code Compliance
Retired	11011	1471525	2010 Ford Crown Vic	4/20/2016	Police
Retired	12300	1471719	2011 Ford Crown Vic	4/20/2016	Police
Retired	78515	1560348	2002 FORD F150	8/08/2016	Police
Retired	9092	2040189	1997 Chevrolet 3500HD	8/18/2016	Code Compliance
Retired	9342	2420196	1996 International 4700	8/18/2016	Transportation & Public Works
Retired	9090	3020043	1997 Omaha Truck Body	8/18/2016	Transportation & Public Works
Retired	9240	3200377	1996 Davis HPT610	8/18/2016	Transportation & Public Works

Although no specific cause was determined, the FMS Capital Asset Accounting Team stated that some or all of the disposals for different auctions were never processed. FMS corrected the status of these assets when it was brought to their attention.

The Department of Internal Audit also found other discrepancies within PSAM. Once FMS approves an asset addition, PSAM assigns the next available asset ID. According to the FMS Capital Assets Accounting Team, during FY2015, a new ledger (FUNDADJ) was created to account for assets in proprietary funds. Previously, proprietary fund assets were included in the same ledger (ACTUALS) as assets from government funds. In order to move the assets from one ledger to the other, assets had to be retired (disposed) from the ACTUALS ledger and added (with a new Asset ID#) to the FUNDADJ ledger.



Examples of inconsistencies are depicted in the following tables. As noted, PSAM listed different statuses and two or more asset IDs for the same asset.

In Example A, a duplication was identified during the transfer of an asset from the ACTUALS ledger to the FUNDADJ ledger. The duplicate asset was properly classified as “Disposed” within the ACTUALS ledger, and properly transferred to the FUNDADJ as being “In Service”.

Examples	Ledger Name	PSAM Asset ID#	PSAM Tag #	Fleet Asset Description	PSAM Status
Example A	ACTUALS	18147	2140237	2012 Chevrolet Colorado	Disposed
Example A	ACTUALS	38224	2140237	Midsize Pick-Up (Chevrolet Col)	Disposed
Example A	FUNDADJ	51175	2140237	2012 Chevrolet Colorado	In Service

In Example B, a duplication existed, but was not identified during the transfer of an asset from the ACTUALS ledger to the FUNDADJ ledger. As a result, the asset status was improperly reflected as “In Service” within the ACTUALS ledger, but properly reflected within the FUNDADJ ledger.

Examples	Ledger Name	PSAM Asset ID#	PSAM Tag #	Fleet Asset Description	PSAM Status
Example B	ACTUALS	13391	2420322	Service Truck (Hybrid)	In Service
Example B	ACTUALS	38334	2420322	Service Truck (Hybrid)	Disposed
Example B	FUNDADJ	71260	2420322	Service Truck (Hybrid)	In Service

Additionally, we identified one “In Service” vehicle that was listed as disposed within the PSAM system. Once notified by Internal Audit, FMS corrected the status to “In Service”. The FMS Capital Assets Accounting Team indicated they were aware of prior inconsistencies regarding notifications, transfers, and recordings of capital assets in the City’s financial systems (specifically regarding fleet and equipment assets). Therefore, the team developed a Lean Six Sigma project dedicated to resolving and improving the process of sold and transferred capital assets.

Assets with more than one identification number may cause confusion and hamper reporting and determining accurate status. The FMS Capital Asset Management Division indicated that planning was underway to identify duplicate assets in PSAM and properly book the disposal.

Recommendation 1A: *The Chief Financial Officer should ensure that the Financial Management Services Capital Asset Accounting Team develops a process to identify duplicate assets and record the correct disposition.*

Auditee’s Response: Concur. The FMS Capital Assets Accounting Team will develop procedures to consistently and accurately detect any duplicated assets in the PeopleSoft Asset Management records. By using the current PeopleSoft Asset Register and the PeopleSoft Acquisitions Report to analyze items with duplicate tag numbers, descriptions, or dollar amounts, the FMS Capital Assets team will identify duplicate assets and ensure the disposition of any duplicates are recorded accurately. Once the initial analysis of the PeopleSoft Asset Management data records has been completed, the process will be completed on a quarterly basis going forward. Once the process is finalized, it will be documented and included in the Capital Assets User Guide.

Target Implementation Date: June 30, 2018

Responsibility: Catherine Perry, Capital Assets Supervisor

Recommendation 1B: *The Chief Financial Officer should ensure that the Financial Management Services Capital Asset Accounting Team reconciles capital assets to the FASTER software that is used by the Fleet Services Division of the Property Management Department.*

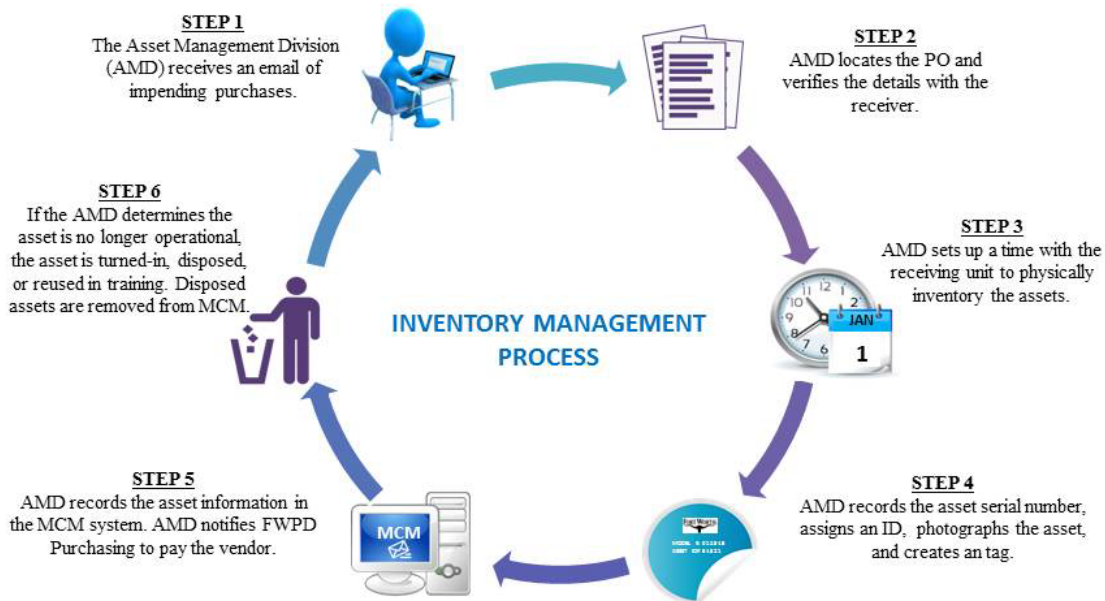
Auditee’s Response: Concur. The process for the reconciliation of disposals between the FASTER software used by Fleet Services Division and the PeopleSoft Asset Management module used by the FMS Capital Assets Team has been established and in use since August 2017. This procedure uses source documentation provided by the auctioneer, the monthly disposals report from the FASTER software, and the disposals report produced by the PeopleSoft Asset Management module to ensure all disposed vehicles recorded in the FASTER software are disposed of appropriately in the PeopleSoft Asset Management module. This process is performed each time a Fleet auction has closed, and in addition, it is performed on a quarterly and yearly basis in order to ensure vehicles disposed of in any manner other than by auction in the FASTER system have been disposed of accurately in the PeopleSoft Asset Management module. This process enabled the FMS Capital Assets Team to ensure disposals were recorded accurately during Fiscal Year 2017 and to identify vehicles which had been removed from service to be cannibalized for the maintenance of in service vehicles without proper notification to the FMS Capital Assets Team. The reconciliation process has been documented, will be included in the Capital Assets User Guide, and expanded to include a complete reconciliation of FLEET assets to ensure the PeopleSoft Asset Management module is synchronized with the FASTER software.

Target Implementation Date: Complete

Responsibility: Catherine Perry, Capital Assets Supervisor

2. Not all assets procured with Asset Forfeiture Funds were properly recorded in the MCM system.

The FWPD’s Asset Management Division is responsible for the receipt and oversight of assets purchased with forfeiture funds. The FWPD’s Asset Management Division process for managing its assets is depicted in the following illustration.





FWPD's Asset Forfeiture Policy, as well as Federal Treasury and Justice Asset Forfeiture Fund regulations require proper inventory management, regardless of the dollar threshold. Internal Audit tested a sample of 104 assets (76 non-capital assets identified from the MCM system and 28 identified through BSO). No exceptions were noted for the procurement and verification of assets. However, the 28 fixed assets, identified through BuySpeed, were not recorded within the FWPD's MCM system.

For example, six of the 28 assets were canines purchased on May 10, 2017 and received on June 6, 2017. Internal Audit was able to verify the existence of the canines. However, prior to audit testing, the FWPD's Asset Management Division had no knowledge of the purchase. The canines were, therefore, not listed within the MCM system after approximately three months from receipt.

Internal Audit was informed that items are sometimes acquired by the FWPD's Financial Management Division and directed to the person/unit requesting the purchase, without notifying FWPD's Asset Management Division. In these situations, items sent directly to the requestor are not logged in the MCM system nor are they properly tagged. FWPD indicated that although a subsection of their standard operating procedures (SOPs) requires notification to their Asset Management Division, FWPD's Financial Management Division's operating procedures do not. During our audit, the Department of Internal Audit observed General Orders requiring that the FWPD's Asset Management Division be notified.

BuySpeed has an edit function which allows users to denote whether the asset being purchased is a fixed asset. When processing procurements, users may select a "fixed asset" box. However, the Department of Internal Audit noted that "fixed assets" had not been selected for each of the assets not captured within MCM, although each of the assets met the fixed asset threshold. Additionally, Internal Audit could not identify requirements within the BuySpeed training manuals instructing employees when to use this option.

Due to the inconsistencies in the notification processes, the FWPD's Asset Management, Financial Management, and Program Support Divisions provided Internal Audit with copies of a current Lean Sigma Training project dedicated to improving the management and accuracy of the asset management inventory process. The FWPD indicated that the Financial Management and Procurement & Contracts Divisions are updating their SOPs to ensure consistency and to ensure staff are adequately trained.

Awareness of asset procurements is essential to the asset management function. A Government Finance Officers Association Best Practice is that a complete inventory and measurement of the physical condition of all assets is essential to proper asset management. Items that are not properly inventoried are subject to financial loss, misuse, and theft.

Recommendation 2: *The Chief of Police should require that the Police Department's Asset Management Team be notified of any property items received, whether purchased, donated, confiscated, retained for FWPD use or forfeited to the Police Department by a court.*

Auditee's Response: Concur. Police Department will ensure that all staff is following policies and procedures for assets as outlined in the Department's General Orders.

Target Implementation Date: June 30, 2018

Responsibility: Assistant Police Director



3. The PeopleSoft Asset Management system is not effectively utilized for tracking non-capital assets.

As noted in the [Background](#) section of this report, the CFW utilizes PSAM as its system of record for asset management, while the FWPD utilizes MCM as its departmental system of record. Both systems track detailed information such as asset description, asset tag and serial number, etc. However, PSAM is currently used to only track capital assets, while MCM tracks both capital and non-capital assets. MCM software and devices are used for radio services for the public safety communication system, with an emphasis on asset management.

During our audit, we confirmed that PSAM has the ability to track both capital and non-capital assets. According to the FMS Capital Asset Accounting Team, tracking non-capitalized assets in PSAM is part of a module to be implemented in a later Enterprise Resource Planning (ERP) phase. However, after considering cost versus benefit, the City delayed the implementation due to higher priority modules taking precedent. A stated goal of the City's ERP is to reduce redundant data entry, storage and paper processing. Internal Audit was informed that the PeopleSoft Inventory Management module is scheduled for full implementation in 2022. In the interim, FMS management indicated that the ERP team currently has a Request for Information for limited deployment until the system is fully-implemented.

Internal Audit contacted 12 operating departments to identify software used to track non-capital assets. Six (6) out of 12 departments confirmed they use Excel to track non-capital assets; four (4) departments indicated that they use multiple software applications; and two (2) departments stated that they use a combination of Mobius/mainframe and Excel. We also determined that the CFW purchased an enterprise asset management software, VUEWorks, from Data Transfer Solutions LLC. VUEWorks tracks non-capital assets within the Property Management, Park and Recreation, and Transportation and Public Works Departments. VUEWorks also has the capability to track infrastructure capital assets.

Multiple tracking processes create a lack of consistent asset records throughout the City. Additionally, operating multiple stand-alone systems often results in additional costs (e.g., software procurement, maintenance fees, employee training, etc.).

Recommendation 3: *The City Manager should have staff consider the feasibility of using People Soft Inventory System module to track both capital and non-capital assets city-wide.*

Auditee's Response: Concur. The City's ERP department is currently preparing an RFI for limited deployment of the PeopleSoft Inventory Management System. Full implementation of the PeopleSoft Inventory Management System is currently scheduled for FY2022. After the PeopleSoft Inventory System is implemented, there will be structured training required for all employees in order to gain access and complete transactions in the PeopleSoft Inventory System.

Target Implementation Date: Fiscal Year 2022

Responsibility: ERP



Acknowledgements

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