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**Audiovisual Equipment
Accountability Audit**

November 30, 2018



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

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Fort Worth, Texas 76102

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The Audiovisual Equipment Accountability Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2018 Amended Annual Audit Plan.

Audit Objective

The objective of this audit was to determine whether existing controls help ensure accountability for City-owned audiovisual equipment.

Audit Scope

Our audit covered a period from October 1, 2015 through September 30, 2017. Assets purchased in prior years, and records up to the start of the audit in June 2018, were also reviewed.

Opportunities for Improvement

Complete and accurate inventory listing(s)

Disposal of obsolete equipment

Protected storage of production vans

Audiovisual equipment checkout process

Executive Summary

As part of the FY2018 Amended Annual Audit Plan, the Department of Internal Audit conducted an audit of Audiovisual Equipment Accountability. The scope of our audit was limited to verifying the location of the City's Cable Office audiovisual equipment and determining whether the equipment was adequately controlled. Internal Audit testing was performed at City Hall, Radio Shop and the City's Cable Office.

The Department of Internal Audit concluded that departmental equipment records were not maintained to allow necessary accountability of City-owned audiovisual equipment. Although the Cable Office staff provided reasonable explanations for most items, Internal Audit was not able to verify the existence of all sampled equipment due to incomplete/inaccurate record keeping.

Our sample of 102 of over 1,069 equipment items was based on cost and other factors, such as ease of conversion to personal use. The sample had a cost of approximately \$2,490,000.00 and included equipment with purchase dates beginning in 2000.

Based on our audit results, the Department of Internal Audit observed approximately 74% (75 of the 102) of the equipment items in our sample. It should be noted that all assets selected for testing and reportedly purchased after 2008 were verified by serial number, or observed based on the description or other information provided by the Department.

We verified 16 of the 75 items by serial numbers. However, serial numbers were not verified for the remaining 59 items (which represented a majority of the assets observed) because the asset listings did not consistently include serial numbers or the equipment and/or serial numbers were inaccessible (e.g., studio lenses attached to studio cameras).

The remaining 27 (of the 102) with a cost of approximately \$165,000.00 were not located. Of the 27 that were not located, 20 were reportedly auctioned, but remained on the asset listings.

We also concluded that capital assets with a total cost of over \$1 million were inadvertently assigned, within the assets register, to the City Manager's Office (CMO) Executive or other CMO divisions. Communications Department staff indicated that an organizational change in FY2018 might have contributed to the inaccurate recording.

We observed equipment that appeared to be obsolete. We also observed a production van stored outside exposed to the elements. Additionally, there was no checkout process to indicate the location or person responsible for loaned equipment.

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

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Background

The City's Communications & Public Engagement Department (Communications Department) is comprised of three teams: Community Engagement, Community Cable Services and the Call Center. The Communications Department primarily:

- coordinates communication and public engagement activities and programs for the City; and,
- works with elected officials, City leadership, and department representatives to ensure a comprehensive and coordinated public message via printed material, social media, website updates, and live broadcasting.

To perform these duties, the Communications Department uses a significant amount of audiovisual equipment including studio cameras, camera tripods, etc.

Community Cable Services, referred to herein as the City's Cable Office, is located at 401 W 2nd Street (on the north side of the Fort Worth Central Library). The City's Cable Office has a studio and video production facilities. Cable Office staff operate and manage audiovisual equipment located in and around the City Council Chambers and the City Council Room 290 (Pre-Council Conference Room) at Fort Worth City Hall. The City's Cable Office staff also operate remote production vans.

The Communications Department procures audiovisual equipment from Public Education Government (PEG) funding that is received from fees charged by cable and video providers. Since federal law requires that PEG fees be spent on capital costs related to public programming, PEG funding is deposited in the City's Cable Office accounts, within the Special Purpose Fund. Communications Department staff indicated that their employee staffing was substantially decreased after PEG funds could no longer be used for payroll.



Objective

The objective of this audit was to determine whether existing controls help ensure accountability for City-owned audiovisual equipment.

Scope

Our audit included a review of audiovisual assets purchased through the procurement system and by City procurement card (p-card), through June 2018. The audit was limited to verifying the existence of audiovisual equipment and the adequacy of existing controls.

Methodology

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

- obtained records of capital assets from the Financial Management Services (FMS) Department;
- obtained records of audiovisual equipment purchases (through June 2018) from the City's procurement system and p-card records;
- reviewed vendor invoices supporting audiovisual equipment purchased for/by the Communications Department;
- obtained an asset listing from the Communications Department;
- obtained Communications Department records of equipment auctioned since FY2008;
- reviewed the CFW's Capital Assets (FD-13) and Inventory (FD-12) Financial Directives, as well as the Capital Assets Policy Statement;
- interviewed personnel within the Communications Department;
- conducted a physical inventory; and,
- evaluated internal controls related to audiovisual equipment accountability.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Overall Evaluation

High	Medium	Low
<u>Asset listings do not establish accountability</u>		
	<u>Obsolete audiovisual equipment</u>	
	<u>Video production vans and equipment exposed to the elements</u>	
	<u>No audiovisual equipment checkout process</u>	



Detailed Audit Findings

1. Audiovisual equipment records do not maximize asset accountability.

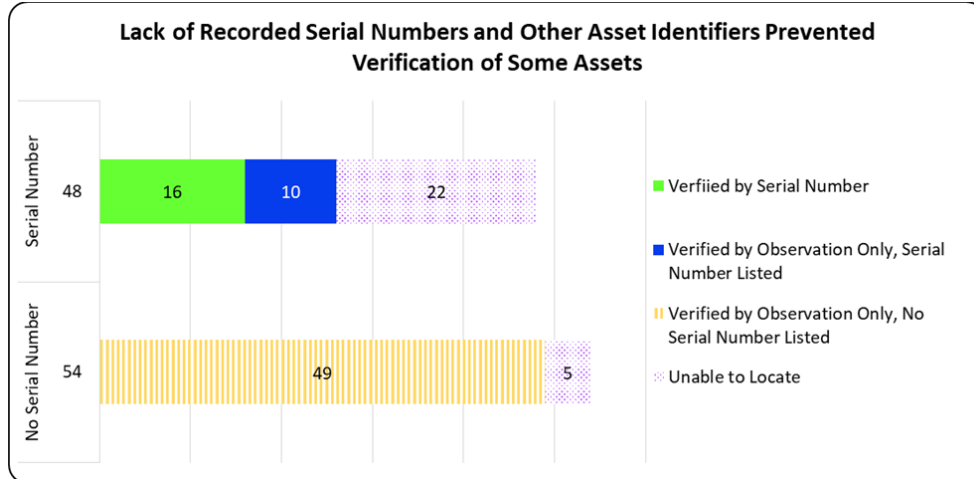
The Department of Internal Audit utilized three sources of records to determine our audit population:

- an asset listing provided by the City's Cable Office;
- an assets register/listing provided by FMS; and,
- City procurement records from the purchasing system and p-card records.

Internal Audit then attempted to consolidate asset information from the three sources to create a single equipment listing. However, descriptive information required for asset verification was not consistent between the three sources. For example, one listing may have had an asset description but no serial number, while the other listing may have had a serial number but a different description (e.g., camera versus camera model number, etc.). Additionally, the City's Cable Office listing did not include all procured assets or all assets included in FMS's fixed capital assets register/listing. Audit testing was, therefore, based on records from all three sources. We selected a sample of 102 equipment items, from over 1,069 assets included in those three source listings.

- Only 48 of the 102 (47.1%) sample items had serial numbers recorded.
 - We verified 16 of the 102 sample items by matching serial numbers on the equipment to serial numbers on the asset listings or purchasing records.
 - We observed 10 of the 102 sample items based on information provided by City's Cable Office staff, since the equipment and serial numbers were inaccessible (e.g., studio lenses attached to studio cameras, cameras attached to the ceiling, transceivers installed in equipment racks, etc.).
 - The remaining 22 items with serial numbers on the equipment listing were not located.
- There were 54 sample items without serial numbers listed. We observed 49 sample items based on the description of the item, model number, etc. The remaining five (5) were not located.

The 27 assets that were not located consist of the 22 items with serial numbers and the five (5) items without serial numbers previously referenced. Cable Office staff indicated that 20 of the 27 assets had been auctioned. The Cable Office staff provided auction records, which consisted of Excel spreadsheet logs, emails, and auctioneer records. Internal Audit reviewed the auction records (based on serial number and key words), but could only locate possible matches. For example, a Waveform Monitor and a DV 5000 were matched to a Leader Waveform/Monitor and a JVC DV5000U on an auction list based on description name. Other item descriptions listed were too vague (e.g., 'camera', 'monitor', etc.) for positive identification.



Source: Auditor-Generated

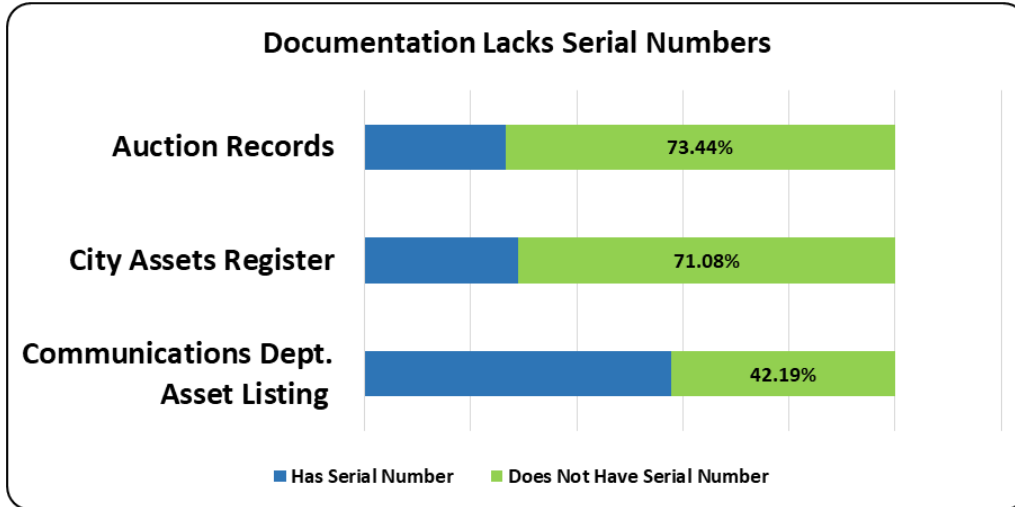
Incomplete/ Inaccurate Equipment Listing

The equipment listing appeared to be incomplete and in some instances, inaccurate.

- The City’s Cable Office maintains an electronic file that lists equipment with purchase costs totaling approximately \$2 million. It should be noted that some of the records do not include a purchase price and are, therefore, not accounted for within the approximate \$2 million.
 - Of the 1,069 assets on the City’s Cable Office listing, 1,009 assets are listed as having a purchase date of 2015 or older; 33 have a purchase date of 2017; 27 have either no date or a future purchase date (e.g., 2020).
 - Per our review of FY2016 - FY2018 procurement records, items were not always included on the City’s Cable Office inventory/equipment listing. However, the purchased items were included in the City’s asset registers.
 - Items that the City’s Cable Office staff stated were auctioned remained in the Cable Office inventory/equipment listing.

Serial Numbers

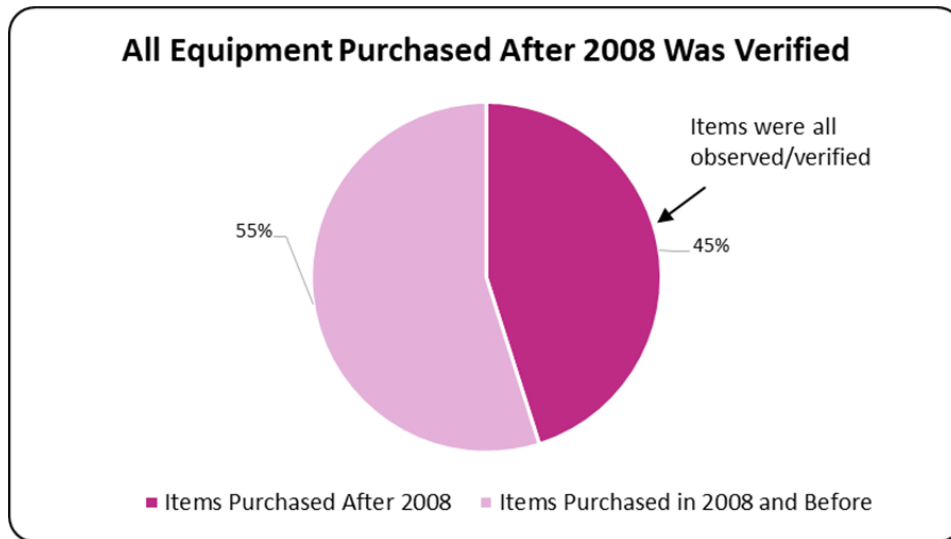
Based on records reviewed, equipment serial numbers were not always captured. It should be noted that some items would not have a serial number (e.g., studio curtains, equipment racks, etc.). The following chart includes assets that would and would not typically have a serial number. Government Accountability Office guidelines require accurate detailed inventory records.



Source: Auditor-Generated

Asset Verification

All 46 sample items purchased after 2008 were verified or observed. However, due to the lack of serial numbers, other identifying information, and incomplete inventory listings, Internal Audit was unable to verify all audiovisual equipment items in our sample that were purchased in and before 2008.



Source: Auditor-Generated

Within the City assets register, audiovisual equipment assets with a total value of over \$1 million (including a \$587,901.47 virtual studio) were assigned to the City Manager’s Office (CMO) – Executive and other CMO divisions, rather than the Cable Office division. Communications Department staff indicated that an organizational change in FY2018 (that moved the Communications & Public Engagement Department from the CMO to a standalone department) might have contributed to the inaccurate recording.

FD-13 states that a department designee is responsible for maintaining a record of capital asset purchases that meet the capitalization threshold. The Directive also states that this department designee is responsible for maintaining the accuracy of capital assets recorded.



FD-13 also states that the PeopleSoft Financial System Asset Management module stores capital asset information in two types. The first type is financial information that includes cost, ledgers, depreciation method/convention, and useful life. The second type is non-financial information, which includes asset numbers, location, custodian, specifications, and manufacturer. The department coordinator is responsible for maintaining non-financial data such as asset serial numbers.

The lack of accurate records could result in inaccurate recording, the failure to identify missing equipment and/or a misunderstanding about the availability of assets.

Recommendation 1A: *The Communications & Public Engagement Director should direct staff to update the equipment inventory listing by removing assets that have been disposed of and adding asset purchases that are not listed.*

Auditee's Response: Concur. The CPE [Communications & Public Engagement] Cable Services staff does have a database that they created. We recognize that it is incomplete. We will develop and maintain one central equipment inventory list and put steps in place to make sure it is complete. We will inventory all items over value of \$500 and are considered Capital in view of FCC [Federal Communications Commission], and all items that are considered Capital by City. We will also [work] with Purchasing to ensure that documentation is received when items are sent to be auctioned. This documentation will include when the items go to auction, and when the items are sold.

Target Implementation Date: August 19, 2019

Responsibility: Jack McGee, Cable Services Supervisor

Recommendation 1B: *The Communications & Public Engagement Director should direct staff to update the fixed asset register with non-financial data, including adding serial numbers where applicable and ensuring that the correct department/division is listed.*

Auditee's Response: Concur. When we do the inventory listing, we will also update the fixed asset register. This list will include the serial numbers, where applicable and the correct department listing. Because the Communications & Public Engagement office has only been around for one year, some of the documentation does not reflect this change. The new inventory will list the correct department.

Target Implementation Date: August 19, 2019

Responsibility: Jack McGee, Cable Services Supervisor

Recommendation 1C: *The Communications & Public Engagement Director should consider the feasibility of using additional features that are available within the PeopleSoft fixed asset module to help manage audiovisual equipment inventory or consider purchasing an asset inventory system, which would include an equipment checkout function to track equipment and address Finding #4 within this report.*

Auditee's Response: Concur. We will reach out to staff to look at the feasibility of using the new PeopleSoft fixed asset module to manage our audiovisual equipment. If this is not feasible, we will look for another asset inventory system. This new system will include a checkout feature.

Target Implementation Date: August 19, 2019

Responsibility: Jack McGee, Cable Services Supervisor

2. Cable Office inventory includes obsolete equipment.

During our audit, we observed monitors, computer keyboards, etc. that were considered obsolete, as shown in the following photographs. One audit sample item was located on the corner of a shelving area, amongst other items that were to be auctioned.



Source: Auditor-Generated

While the City’s Cable Office inventory listing included purchases from the year 1999, Cable Office staff indicated that it is sometimes necessary to retain older equipment. For example, the Communications Department needs older equipment to read non-digitized videos or provide parts for older equipment still in use.

Obsolete equipment that has no future use occupies storage space, and makes it more difficult to locate usable equipment. Additionally, the revenue potential from auction proceeds diminishes the longer the obsolete equipment is stored.

Government Accountability Office best practices indicate that, in order to increase the efficiency and effectiveness of a physical inventory count, staff should identify excess/obsolete inventories. Government Finance Officers Association best practices indicate that it is essential that governments establish and maintain appropriate inventory systems for tangible capital assets. Such systems help protect capital assets from the danger of loss or misuse.



Recommendation 2A: *The Communications & Public Engagement Director should ensure that obsolete equipment is retired, auctioned, or properly disposed.*

Auditee's Response: Concur. We will identify items that are obsolete and will put them in the next auction. We currently have a large number of items that have already been identified for auction. Some older equipment we do keep for spare parts and maintenance needs. We will ensure that we receive documentation from Purchasing when the items are put up for auction. This will include the documentation of the sale. Purchasing does not currently provide this information on a consistent basis.

Target Implementation Date: The next scheduled auction.

Responsibility: Jack McGee, Cable Services Supervisor

Recommendation 2B: *The Communications & Public Engagement Director should ensure that asset listings reflect the disposition of obsolete equipment.*

Auditee's Response: Concur. We have worked with Fixed Assets to ask them to remove items. When we finish our inventory in August 2019, we will once again coordinate this with Fixed Assets to make sure their lists are up-to-date and complete.

Target Implementation Date: September 19, 2019

Responsibility: Jack McGee, Cable Services Supervisor

Recommendation 2C: *The Communications & Public Engagement Director should ensure that an annual inventory of audiovisual equipment be performed and documented.*

Auditee's Response: Concur. Once our inventory is updated in August 2019, we will perform an annual inventory to make sure that all audiovisual equipment is accounted for. This will be completed in August of each year. Although we do not do an annual inventory, all of the equipment could be accounted for from 2008 to the present. Prior to 2008, different staff handled the inventory and it was shared with the Community Access Channel. Under the current Cable Services Supervisor, all of the items were accounted for.

Target Implementation Date: August 19, 2020

Responsibility: Jack McGee, Cable Services Supervisor

3. One video production van with enclosed equipment was stored exposed to the elements.

During our audit, we observed a production van with an approximate cost that exceeded \$400,000.00, containing equipment with a cost of approximately \$30,000.00 that was exposed to the elements. Another van, with an approximate cost that exceeds \$126,000.00, was stored in the Radio Shop. Since the Radio Shop is not necessarily its permanent location, the van (with equipment on top and inside) might also be exposed to the elements.

Production vans, with sensitive electronic equipment could suffer theft, vandalism or premature wear, thus, increasing the City's cost. Additionally, damaged production vans and/or equipment could result in the



City Cable Office not being able to provide support to City departments for offsite broadcasting, filming, etc. and/or could result in additional repair or replacement costs.

Assets should be protected from damage. City Cable Office staff stated that they were not provided with sufficient space to park production vans in covered parking. However, plans were reportedly underway to store the vans in a covered parking lot. After concluding our audit fieldwork, Communications and Public Engagement Department staff indicated that one van was under covered parking at the new location. However, as noted in management's response, both vans are now stored under covered parking.

Recommendation 3: *The Communications & Public Engagement Director, in conjunction with the Property Management Director, should ensure vehicle parking and storage space that properly safeguards production vans.*

Auditee's Response: Concur. In order to ensure the new production vans had adequate parking, we had to work with several departments. The Library department allowed us to use two of their indoor parking spaces so that the vans would have protection from the elements. We then had to work with Property Management to have electrical outlets put into the garage. The electricity is now in place for one of the parking spaces and the van is in the garage. The other electrical outlet was put in the incorrect location. Until the new outlet is installed, we are using an extension cord so that both vans can be in the covered parking spaces.

Target Implementation Date: Complete

Responsibility: Jack McGee, Cable Services Supervisor

4. There is no audiovisual equipment checkout process in place.

During our physical observation, Communications Department staff indicated that three assets were in the possession of Communications Department staff working at other locations and employees of other departments. However, there was no documentation available to support the current location or borrower of this equipment.

- One (1) camcorder was in the possession of a former Communications Department employee who now works in the Fire Department. The Communications Department was aware that the former employee was in possession of the camcorder. Internal Audit verified the existence of camcorder, by serial number.
- One (1) Go Pro Hero 5 and one (1) Go Pro Karma Grip tripod were assigned to a Communications Department staff member who sometimes works at the City's Hazel Harvey Peace Center for Neighborhoods. Internal Audit verified the existence of this equipment.

During our observations, we also observed an empty camcorder box. Communications Department staff indicated that the camcorder might possibly be with the Police Department.

Government Accountability Office best practices state that proper inventory accountability requires that detailed records of produced or acquired inventory be maintained and recorded in the financial management records and reports. In addition, best practices state that these physical controls, and accountability, reduce the risk of undetected theft and loss, unexpected shortages of critical items, and the unnecessary purchase of items already owned by the department. Without a formal audiovisual equipment checkout process, there is an increased risk of undetected theft and loss, unexpected shortages of critical items, and unnecessary purchases of items already owned by the department.



Recommendation 4: *The Communications & Public Engagement Director should ensure that a formal audiovisual equipment checkout process be implemented, and that staff document other equipment currently being used by other staff. The process should include, but not be limited to, documenting the name and signature of the borrower, name of Cable Office staff acknowledging the transfer, building and room location (if applicable), asset number, etc.*

Auditee's Response: Concur. Most of the Audiovisual Equipment is only used by the Cable Office when they are on assignment. We will institute a check-out policy so that when someone does need to borrow the equipment, there will be a formal process to follow. When the equipment is checked out, we will make sure the documentation includes the following items:

- Name and department of the person using the equipment
- Signature of the person checking out the equipment
- When the equipment will be returned.
- Location of the equipment while it is checked out.

Target Implementation Date: December 3, 2018

Responsibility: Jack McGee, Cable Services Supervisor



Acknowledgements

The Department of Internal Audit would like to thank the Communications & Public Engagement Department, the Financial Management Services Department and the Purchasing Division for their cooperation and assistance during this audit.