

Kimberly M. Buchanan, CPA
Tarrant County Auditor

Linda R. Castillo
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August 27th, 2024

Melissa Lee, Tarrant County Purchasing Agent
Andre Mendes, Tarrant County Chief Information Officer
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – County Owned Inventory and Disposition Process

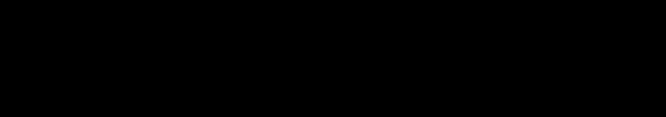
In accordance with the Local Government Code, the Auditor's Office performed a review of the controls over the County's asset inventory process. The objective of the review was to determine whether adequate controls were in place to ensure the annual inventory process complied with statute and County policy. As a result of our review, we observed that controls over the annual asset inventory process need improvement. This issue and management's action plans are described in further detail on the following pages.

Local Government Code Section 262.011(i) requires the Purchasing Agent to submit the list of assets representing the inventory of all County property by July, 1st of each year. The County Auditor is required to reconcile the inventory list provided by the Purchasing Agent to the County's financial records. Due to the volume of assets owned by Tarrant County, the annual process relies on self-assessments by the individual departments. Each department head and elected official is responsible for the equipment and furnishings assigned to their department.

The Purchasing Department is responsible for the inventory of non-computer related assets and updating the assets into SAP. The Purchasing Department provides each County department an Annual Asset Inventory Report that lists equipment and furnishings assigned to their department. The Information Technology Department (ITD) is responsible for the inventory of computer-related assets. As of the date of the inventory, January 31, 2024, the County's Asset Management System included 29,758 assets consisting of vehicles, equipment, furniture, computers and software with an acquisition cost of \$235,846,014 (excluding CSCD). The net book value of these assets, after depreciation, total \$63,924,412.

We appreciate the cooperation of your staff during our review. If you have any questions, please do not hesitate to contact me.

Sincerely,


Kimberly M. Buchanan, CPA
Tarrant County Auditor

Distribution: Chandler Merritt, Tarrant County Administrator
Christopher Lax, Assistant Purchasing Agent
Russell Scott, Deputy CIO

INTERNAL AUDIT REPORT
COUNTY OWNED INVENTORY AND DISPOSITION PROCESS
August 27th, 2024

CONTROLS OVER THE ANNUAL ASSET INVENTORY PROCESS NEED IMPROVEMENT

Background: The County-Owned Asset Policy and Procedures defines the various categories of County assets and department responsibilities regarding the accounting and safekeeping of assets. If an asset needs to be transferred or disposed, *Form FA-01 Transfer or Disposal of County Assets Report (Form FA-01)* is required to be used by each department. This form is remitted to Purchasing who enters the change in SAP. An electronic transfer form is used by ITD for computer-related assets, which automatically updates SAP.

Section 28.10 of the Tarrant County Purchasing Policies and Procedures states, *“The Purchasing Department will send a formal inventory request and an Asset Inventory Report listing all Capital Assets and Low Value Furniture and Equipment Assets to each Department Head as of January 31 annually”* and *“ITD will prepare a Technology Asset Inventory Report listing all capitalized, grant purchases, and low value technology assets (including hardware and software) assigned to county departments as of January 31 annually.”*

What is the issue: Controls over the annual asset inventory process need improvement. Specifically, we observed:

1. The SAP reports used and provided to Asset Coordinators were incomplete and made it difficult for Assets Coordinators to confirm existence of certain assets. Additionally, when an asset had no location code or had a “do not use” location code, it was not captured for confirmation.
2. *Form FA-01* was not consistently used to update asset master data in SAP causing confusion with asset locations.
3. Items sold at auction were not removed from SAP and were still reflected in reports provided to Asset Coordinators.
4. Training was not available to new or existing Asset Coordinators. Additionally, the Asset Coordinator list maintained by Purchasing was not up to date. We observed four coordinators had either terminated from County service or transferred to other departments.
5. Five hundred and fifty-five low value technology assets were not inventoried by ITD as required. The Auditor’s Office is in the process of confirming the existence of these assets to determine whether or not they should be deactivated.
6. During implementation of Governmental Accounting Standards Board’s Statement No. 96, the Auditor’s Office identified 300 software related assets that are no longer required to be tracked and have a book value of zero.

Why it matters: Without adequate controls over asset inventory there is a risk that theft or loss will go undetected, or asset balances could be misstated.

Recommended actions:

1. We recommend Purchasing:
 - a. Update and document procedures used to create the reports provided to the Asset Coordinators.
 - b. Work with the Auditor’s Office to review the list of assets to be inventoried for completeness before distribution to Asset Coordinators.
 - c. At least quarterly, review master data for completeness (i.e., location codes).
 - d. Implement the electronic transfer sheet to ensure asset master data movement and disposal is updated seamlessly and in a timely manner.
 - e. Provide annual training for the Asset Coordinators. This training could be provided using the Learning Management System.

INTERNAL AUDIT REPORT
COUNTY OWNED INVENTORY AND DISPOSITION PROCESS
August 27th, 2024

- f. Update the asset policy to allow deactivation of assets that are no longer required to be tracked or a change in asset classification without requiring Commissioners Court approval.
2. We recommend ITD:
- a. Incorporate all low value technology assets (including hardware and software) in the annual report from ITD to the Asset Coordinators for verification.
 - b. Use the NOIT (IT Not Tracking) Asset Status when requisitions are submitted to the Auditor's Office. The Auditor's Office will be responsible for issuing asset tags for low value technology assets.



TARRANT COUNTY PURCHASING DEPARTMENT

100 E. Weatherford St. #303 • Fort Worth, TX 76196 • (817) 884-1414 • (817) 884-2629 (Fax)

Melissa Lee, C.P.M., A.P.P.
Purchasing Agent

Chris Lax, CPSM, CPCP
Assistant Purchasing Agent

September 3, 2024

Kimberly M. Buchanan, CPA
Tarrant County Auditor

Re: Response to Auditor's Report – County Inventory Owned Inventory and Disposition
Process

I would like to thank you and your team for reviewing the County Owned Inventory and Disposition Process. We have reviewed your observations and recommendations.

We will work closely with the County Auditor's Office on the recommended actions.

Sincerely,

A black rectangular box redacting the signature of Melissa Lee.

Melissa Lee, C.P.M., A.P.P.
Tarrant County Purchasing Agent



INFORMATION TECHNOLOGY

**Chief Information
Officer**
André Mendes

**Executive Assistant
to CIO**
Cecilia Webb

Deputy CIO
Russell Scott

**Information Security
Officer**

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Management Office
Director**
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**IT Service Delivery
Director**
Carolyn J. Bogan

**Network & Data
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Director**
Anthony Jackson

**Business Application
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*Our vision is to be the best IT
organization in state and
local government within the
United States.*

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August 27, 2024

Ms. Kimberly M. Buchanan
Tarrant County Auditor

Re: Auditor's Report - County Owned Inventory and Disposition Process

Dear Ms. Buchanan:

Tarrant County Information Technology Department (ITD) is in receipt of the August 27, 2024, draft Auditor's Report. ITD concurs with the findings and has no suggested changes to the proposed language.

Respectfully,

André V. Mendes
Chief Information Officer

Cc: Mr. Chandler Merritt, County Administrator