AUDITOR
GREG KIMSEY

MEMORANDUM

Date:	**March 17, 2020**
To:	**Kathleen Otto, Deputy County Manager**
From:	**Arnold Pérez, Performance Auditor, Auditor's Office**
Subject:	**Follow-up Report #17-02:**
	2017 Facilities Management Audit of High Risk Material Management

The purpose of this memo is to provide the status of actions taken by Internal Services in response to our performance audit of the Facilities Management High Risk Material Management, issued October 31, 2017.

The initial audit determined Facilities Management did not have a sufficient system of internal controls over assets and essential internal controls of keys & access cards policy were not implemented. The report provided 12 recommendations.

We conducted a follow-up to determine the progress being made with the most critical issues; we found five recommendations done, four are in progress, and three remain open.

The following includes a status update for each of the recommendations provided.

Recommendation 1: **Establish an assessment process that includes high risk items, in keeping with current County Policy and Budgeting, Accounting & Reporting System, and apply it to existing/future assets to determine property classification.**	**Progress**

Status update: The department established a financial threshold of $100 for high risk items that focuses on tools and equipment. The threshold was applied to the previous inventory and purchases since then.

What remains: Facilities Management should adopt a written policy and procedure within their warehousing policy that states the established financial threshold for high risk items

identification.   Without written policy and procedures, the application of the threshold could be inconsistent.

Recommendation 2: **Expand and implement necessary tracking & controls efforts over identified high risk assets.**	**Progress**

Status update: Tools and equipment at and above the established financial threshold are cataloged within software and assigned to staff, vehicle or assigned area. Keys and access card stock are also tracked. Additionally, newer items have a listed value. Staff has also begun tracking the final disposal of items (i.e. auction, recycled, or trashed).   Periodic inventory reviews are performed by management.

What remains: Facilities Management should adopt a written policy and procedures within their warehousing policy that states management's controls over identified high risk assets. Though staff currently follows good practices, without a written policy and procedures, the application of the practices could be inconsistent, diminishing their intended design's effectiveness.

Recommendation 3: **Create written procedures for disposition of excess supplies to reduce the accumulation of expensed supplies.**	**Open**

Status update: Facilities Management has stated written procedures to address the disposition of excess supplies will be included in their final warehousing policy and procedures.

A review of the current inventory totals compared to 2017 inventory totals and values shows an increase in tenant owned inventory by 1,330 items.   The growth of the excess supplies may be due to factors such as; remainder of initial inventory input, low usage need of items in stock, not disposing of obsolete/unneeded items (auction, scrap, trash) or new items are being added due to unchanged practice on excess supplies after completed work orders.

What remains: Facilities Management must finalize within their warehousing policy language that communicates the department's procedures on excess expensed supplies to staff. The absence of written procedures could increase the risk of accumulating expensed supplies once again.

Recommendation 4: **Create a written warehousing policy & procedures and consult with Finance Department to address any future reporting needs.**	**Progress**

Status update: The formal written warehousing policy and procedures document is still in the process of being developed. Facilities Management has stated that procedures are being drafted, and training has been provided to staff on; warehouse access and security, request for new warehouse stock items, building owned materials, shared tool check out process; mobile software (parts requests & disbursement for inventory tracking) and purchasing protocol including P-card purchases. Year-end inventories were conducted and provided to the Finance Department's reporting group.

A review of the current inventory totals compared to 2017 inventory totals and values shows a decrease of the overall parts count total of 13,517 and an increase in parts estimated value by $1,819.59 with the tenant owned inventory set a zero value. The reduction of parts count and increase of value may be due to; the purchase of less items, stocking of higher value items, or changes in the market cost of items. The assessment of the whether the count or value of the inventory on hand is appropriate has not been determined by Facilities Management and is beyond this audit engagement.

What remains: Facilities Management must finalize, adopt and communicate their warehousing policy/procedures. Without the use of a written policy or procedures, Facilities Management increases the risks of; accumulation of expensed supplies inventory, inaccurate stock levels, not meeting annual inventory reporting requirements, inconsistency of tracking procedures, and/or inefficient item reorder points.

Recommendation 5: **Expand current efforts in the pilot tool inventory program and warehousing component.**	**Done**

Status update: Facilities Management has expanded the pilot tool inventory from 1 vehicle at the start of the audit to currently 26 vehicles. A review of the most recent tool inventory list includes 1,017 items with additional fields that can account for; tag #, description, type, assigned tech, attached to vehicle, data purchased, location ID, purchase price, inventory technician and popup message. The system also tracks the usage of tool room inventory and accounts for tools in shared areas. Facilities Management stated that all new tool purchases are made through the warehouse, issued an asset tag and placed in the inventory which is periodically reviewed by management.

Impact: Facilities Management has expanded a program that allows them greater accountability of their small tools and equipment. Management's goal is to link all phases of tools from request, custody to disposal. These efforts are in alignment with the State Auditor's Budgeting, Accounting and Reporting System's Small and Attractive Assets 3.3.11.50.

Recommendation 6: **Conduct a review of all issuance records to update the disposition of keys and access cards.**	**Done**

Status update: A review of security records for keys and access cards was conducted by Facilities Management after the audit. Staff conducted outreach to county departments and associated external agencies to discuss issuance records. After their review, 1,648 records were updated.

Impact: Facilities Management's initial review and updating efforts helped reduce the risk of unauthorized access within County properties. Their actions are a part of the overall County effort to provide a safe environment for county staff, its partners and the general public.

Recommendation 7: **Fully implement P290 and prioritize the annual inventory of keys & access cards.**	**Progress**

Status update: The policy has not been fully implemented. The policy contains language on vendor/contractor paperwork before a key will be issued that has not been established. Current practice is to follow the usual departmental request procedures used by county departments with no additional documentation requirements for vendors/contractors.

An annual inventory was conducted in 2017-18 by Facilities Management which resulted in 1,648 security records being updated. Updates to security records fields included changes such as; custody, returns, deactivation, department, obsolete, and items categorized as "lost". Current efforts are underway for the 2019-20 inventory review.

We conducted a limited review of security records of recently separated employees and found that challenges persist. In 2017 staff indicated that they would be working with Human Resources to obtain a monthly separation list to aid them in identifying keys/access cards that have not been reported inactive or turned in. Staff mentioned that

they had performed quarterly reviews for a time and that they had stopped receiving HR reports so reviews had ended beyond the annual reviews. There were several records within the keys and an access card database that were still attributed to separated employee that were not caught by the 2018-19 annual inventory performed by Facilities Management.

What remains: Vendor/Contractor paperwork, as described in P290, is to be used for the evaluation by Facilities Management on the appropriate level of access to be issued and to communicate to the vendor/contract their responsibilities and liability. Without establishing this process as designed by policy, the risks of assigning inappropriate access or of not conveying vendor liability, increases. Facilities Management should also review existing controls (monthly reports & annual reviews) over deactivating or collecting keys/access cards to determine if they are operating as designed. Without a periodic review of these continual processes, the risk of unauthorized access of county buildings remains.

Recommendation 8: **Increase awareness of policy P290 among their staff, County departments and key/access card recipients.**	**Open**

Status update: Facilities Management stated that upon approval and signature of the revised policy by the County Manager they will request assistance from his office to communicate the policy's importance in maintaining the security and safety of all county buildings and properties to the various departments.

What remains: Facilities Management should implement efforts to increase awareness of policy P290. Efforts should not be dependent on the timing of its update. Facilities Management should explore opportunities to increase awareness within existing resources (FYI newsletter, emails, new employee orientation training session, etc.) provided by internal services within the county. Without policy awareness the risk of noncompliance from county employees and non-county employees increases.

Recommendation 9: **Correct documentation deficiencies and end the practice of exempting documentation requirements.**	**Done**

Status update: Key and access cards requests have been primarily automated via a web portal and integrated with inventory tracking software. Additional fields have been added

to include work order numbers within the key and access card databases to increase the ability for staff to conduct cross reference checking. They stated that they have ended the practice of exempting documentation for keys and access cards requests.

Impact: By integrating the systems; request, work order, inventory and issuance databases, Facilities Management has greater capacity to track the complete cycle of a key/access card.

Recommendation 10: **Security records should include a unique identifier to differentiate between recipients. Use of legal names on records should also be considered.**	**Done**

Status update: Facilities Management stated that they are utilizing an electronic key and access card request form that has been modified to require the employee's legal name and County employee number as an identifier. This information is included in the key and access card data base. In the event that the key or access card is being issued to a non-county agency or contractor, the identifier used is a valid driver's license number or the non-county agency's employee number for the employee receiving the key or access card. We compared a list of former employee to the key/access databases and found that the names predominantly matched the employee's legal name with few exceptions.

Impact: The reliability of the security records has increased alongside with ease of comparison between systems has improved.

Recommendation 11: **Resolve data anomaly and validate key & access card recipients' records.**	**Done**

Status update: Facilities Management stated that based on their research and consulting with the software support, it appears the anomaly was the result of deactivating an access card from previous users and then reactivating the same card in a new user's name. This practice was stopped by Facilities Management after the anomaly was discovered. We conducted a review of activity records for a selected number of cards and they did not show evidence of the 2017 data anomaly.

Impact: By determining that the cause of the data anomaly was due to a previous practice and not a system failure, Facilities Management has increased the reliability of their security records.

Recommendation 12: Update policy P290 to reflect current security best practices.	Open

Status update: Facilities Management stated that Policy P-290 was re-written in 2018 to reflect current practices, including the access card practices of the Sheriff's office to their system. Before P-290 was finalized, departmental reorganization took place which replaced the General Service department. Since then, Policy P-290 has been modified to reflect additional changes and to incorporate Internal Services as the replacement for General Services. The current version of the policy is under review by the Deputy County Manager and is awaiting final approval by the County Manager.

The audit provided 6 recommended elements based on best practices, we were able to review the current draft policy and determined that they integrated the majority of them.

What remains: Policy P290 should be updated, finalized and adopted. The policy was adopted in in 2007, at the time of the audit; sections had not been updated to reflect security changes that had occurred within the County and security industry. At the time of this follow-up in 2020, Facilities Management stated that they still face challenges in the policy's implementation partly due to not having an updated policy that reflects current operational practices and/or needs.