DALLAS COUNTY
COUNTY AUDITOR

Memorandum

TO: Stanley Victrum, Chief Information Officer

FROM: Virginia Porter, County Auditor

SUBJECT: IT Property Control

DATE: Issued: December 4, 2012
Released: January 31, 2013

SCOPE

Review of contract files and subsidiary computer inventory records maintained by IT contractor and existing property procedures. Review period focused on FY2012 through April 30.

PROCEDURES

Review procedures included:
- Comparison of Desktop Support Service Contract, Amendment No.1 SOW, related Request for Proposal and IT subsidiary records in the asset management system (WASP).
- Comparison of WASP, computer equipment on hand and related county records including:
  - items assigned county tags as evidenced on the property control log
  - selected physical inventories completed by audit staff
  - Oracle property purchases for computer equipment less than capital limit

FINDINGS

12-IT-01-01
1. Review of vendor contract files and associated computer inventory records revealed basic elements necessary for financial accountability specified in the Scope of Work (SOW) have not been provided. Asset database configuration and specific procedure/training deficiencies impact accuracy and inquiry access/reporting.

12-IT-01-02
2. Query/inspection of WASP database for completeness and accuracy of transaction history on capital, non-capital purchases, and various grant inventories revealed critical control fields including purchase order number, receipt date, in service date, active date, department assigned, auditor's tag number and grant number have not been consistently incorporated into the database. Transfers initiated by county departments to remove computer equipment are not consistently, timely completed and returned to purchasing to trigger Oracle fixed asset update. Purchasing records indicate ongoing lapses in IT return of completed transfers.

Status: IT contractor began physical inventory of county's computer equipment during third quarter FY2012. WASP accuracy should improve as result of resolving WASP variances and refining procedures with appropriate detailed staff training/documentation and management oversight.

RECOMMENDATIONS

Expand existing inventory system and available view to include fields identified in SOW, such as funding source, purchase order number and relevant dates including received, verified, or disposed.

1. Provide general asset screen and drill down report functionality specified in the Desktop Support Service Contract, Amendment No. 1 SOW (approved on Court Order 2011-1801 dated 10/18/2011 on page 7). Reports queried by user entered parameters should be available electronically and for print.

2. Establish required written procedures for property received, distributed and disposed including database updates. Procedures should include providing an annual listing for self-inventory certification of computer equipment. Flowcharting process can facilitate understanding necessary to identify weaknesses and promote adherence.

3. Review existing control weaknesses, create corrective action plan to incorporate all key elements, determine how to correct missing/incomplete data and establish a calendar for periodic count/reconciliations.

4. Conduct periodic (at least annually) spot reviews by County IT management.

SUMMARY

The report is intended for the information and use of the department managing inventory and the IT contractor contracts. It is the responsibility of the department to establish and maintain effective internal controls regarding computer related equipment and provide reliable reports for other county officials.

Property control over computer resources is rated high risk due to the involvement of third party contractor for receiving, movement and tracking of high dollar, easily moved computer equipment/warranties. High risk is mitigated by existing asset control procedures where capital purchases are identified, assigned a county property tag number and tracked in the Oracle fixed asset module. Alternate controls for purchases valued less than the capital limit include annual certification by requesting department and available non-capital equipment logs maintained by grant administrators.

Development of and adherence to a corrective action plan addressing the recommendations should provide for improved processes.

cc: Darryl Martin, Commissioners Court Administrator
    Ryan Brown, OBE

Finding Number:	12-IT-01-01
Date:	May 31, 2012
Audit:	IT: Property Control, System
Auditor(s) Assigned:	LA, YW, KJ

Finding:	Review of vendor contract files for computer inventory records and system configuration 1. Contract approved with QNet to provide an asset management system (WASP) on court order 2011-1801 (Desktop Support Service Contract, Amendment No.1) dated 10/18/2011. 2. Contract compliance with conditions stated in Scope of Work (SOW) indicate the following exceptions: • specific attributes are not identified including purchase order number, receipt date, in service date, active date, department assigned, auditor's tag number and grant number if appropriate • drill down functionality for reporting , discovery-based reports based on user defined parameters including dates • date last verified is not captured in the database • warranty information is not tracked/available on view provided 3. Product set-up/configuration does not provide inquiry access to required control fields: • general asset "screen" instead asset details are displayed in one cumbersome long record • database does not allow the existing equipment record to be updated with date verified/inventoried. Scan of existing barcodes creates a new database record for each item which is compared to the existing records assigned to the department/location being inventoried. (i.e. inventory records created "-SDGC" records are compared to the existing "SDGC" location) 4. Written procedures and/or flowcharts for asset management and system updates denoting consistent process/enhancing controls were not provided: • maintenance of inventory accuracy including central receiving, distribution, deployment, annual inventory • proposed procedures for proper disposal of assets including transfer processing from originating department to presentation for auction/trade-in
Workpaper Reference: (or other method by which finding was identified)	Comparison Desktop Support Service Contract, Amendment No. 1 SOW (approved on Court Order 2011-1801 dated 10/18/2011), related Request for Proposal (2010-090-5232) and IT subsidiary inventory records
Condition: (Describe the current condition)	Functional parameters included in SOW as required are not evident: 1. Critical fields including property funding source, purchase order number, department and any grant numbers and dates (i.e. received, verified) have not been incorporated into the database. 2. General asset "screen" is not available 3. Drill down functionality for reporting is not available Prior inventory counts were migrated to WASP. IT staff reportedly reconciled the new file and initiated a process whereby new purchases were updated on receipt, albeit training and documentation from vendor was not provided. Computer equipment and peripherals are received at central receiving warehouse and various county locations with control vested in contractor IT asset tags are not always assigned, affixed and scanned into WASP Field Technicians do not obtain signature of receiving department staff on equipment delivery Vendor has not completed annual physical inventory of all computer equipment There is no evidence of contract performance review by Dallas County IT management.
Criteria: (Describe the optimal condition)	Key principles for inventory internal control system include: 1. Asset reconciliation/tagging to inter-reference or denote purchase authorization, funding source, physical location, asset delivery date, transfer history, cost, serial number and warranties 2. Procedures and report documentation include attributes, naming convention and types for consistency and accuracy 3. Asset deliver/acceptance or transfer forms include authorized signature 4. Documents including shipping documentation and supporting transfers should be retained in accordance with records retention statutes or until audit is complete whichever is later 5. A supervisor should periodically reviews asset management procedures, database updates and staff adherence in performance of assigned duties and affirm controls.

Cause: (Describe the cause of the condition if possible)	Lack of attention to the inventory control system and periodic review by supervisor. Lack of designated, responsible County IT management staff accountable for contract performance, documenting and reporting deficiencies. Lack of established specific procedures and training. Incomplete database configuration. Incomplete annual physical inventory of all county locations.
Effect: (Describe or quantify any adverse effects)	Computer assets are not adequately controlled Records may be insufficient to ensure existing warranties are known and used as available. Potential loss of grant funding due to failure to comply with grant provisions for control (including physical location) reporting and disposition.
Recommendation: (Describe corrective action)	Expand existing inventory system and available view to include fields identified in SOW, such as funding source, purchase order number and relevant dates including received, verified, or disposed. Provide general asset screen and drill down report functionality specified in the Desktop Support Service Contract, Amendment No. 1 SOW (approved on Court Order 2011-1801 dated 10/18/2011 on page 7). Reports queried by user entered parameters should be available electronically and for print. Establish required written procedures for property received, distributed and disposed including database updates. Flowcharting process can facilitate understanding necessary to identify weaknesses and promote adherence. Update procedures to ensure effectiveness and contractor adherence in performance of work. Develop a corrective action plan to ensure contract compliance. Plan should include 90 day incremental reviews by Dallas County IT management until reportable conditions are resolved.
Responsible Department or Organization:	Dallas County IT Management and IT contractor
Management's Response:	☐ Agree ☒ Disagree **Respondent:** Adeeb Hyder **Date:** 1/23/2013
Comments:	We are constantly evaluating and improving our procedures and data. This is an ongoing task for the life of the inventory.
Disposition:	☒ Audit Report ☐ Oral Comment ☐ Deleted From Consideration

Finding Number:	12-IT-01-02
Date:	May 31, 2012
Audit:	IT Property Control, Transaction Logs
Auditor(s) Assigned:	LA, YW, KJ

Finding:	Query/inspection of WASP "Active Assets Top Level" database for completeness and accuracy of transaction history on capital, non-capital purchases, and various grant inventories revealed: • required attributes are not consistently or uniformly entered into WASP to effectively enable tools for quick search, extract or lookup. WASP does not accurately reflect equipment on hand including description, component parts, for example "Purchase Order" has been entered as: 193203 or PO 193203 or PO19203 or P.O.193203 or PO 244347 Grant 8630 • "owner" department and grant purchase have not been designated - (distinction necessary for mandated grant audits) • county tag numbers have not been committed to the database - (inter-references necessary for financial accountability) • database records include numerous employees names captured as the "asset description" • asset description is not consistently or uniformly captured in categories available for query (i.e. Laptop, Tablet, etc) • asset tags are not assigned/used sequentially to promote database integrity • transaction details shown on transaction list forms are not fully integrated into the database • physical location of computer equipment including building and room has not been updated on the inventory control system. Some location control numbers are used in database without indicating physical location • migrated database from prior vendor has not been sufficiently reviewed/corrected to ensure data integrity • computer purchases, including grant equipment are not consistently added to the inventory control system • equipment transferred between departments or sections has not been updated on inventory control system including equipment disposed, transferred to surplus, replaced or traded-in which remain in the inventory • documents evidencing equipment transfer to requesting department not signed by the department and/or retained by IT contractor. • computer equipment on hand has not been tagged with asset control numbers – (both held in inventory and distributed to county departments) • equipment located in controlled server rooms were excluded from the inventory control system • transfers initiated by county departments to remove computer equipment are not consistently, timely completed and returned to purchasing to trigger Oracle fixed asset update. Purchasing records indicate ongoing lapses in IT return of completed transfers. • warranty information is not tracked/available on view provided
Workpaper Reference: (or other method by which finding was identified)	Comparison of WASP, computer equipment on hand and related county records: Items assigned county tags as evidenced on the property control log Selected physical inventories conducted by audit staff Oracle property purchases for computer equipment less than capital limit
Condition: (Describe the current condition)	Written procedures delineating naming conventions, required fields have not been updated or provided as a checklist for system entry. Computer equipment is received at central receiving warehouse and various county locations IT asset tags are not always assigned, affixed and scanned into WASP. Critical fields including property funding source, purchase order number, department and any grant numbers, warranty information and date received have not been incorporated into the database. Field Technicians do not obtain signature of receiving department staff on equipment delivery. Physical inventory, updates and reconciliations have not been performed since installation of latest system. ExpectedTransfer processing and document flow for "suplus" unused/outdated IT equipment: • county department or fleet manager initiates property transfer • purchasing assigns transfer/work order number then directs pick-up depending on type of items: computer equipment is picked up by IT contractor, non-computer is picked up by Public

	Service program, ASC or county department staff move vehicles. • IT contractor compiles electronic batches of equipment picked-up and hard drive is reformatted. Original transfer initiated is not consistently, timely signed off/ reconciled to items returned to the county by reassignment or in pallet ready for auction. • IT contractor changes equipment status/ "condition" in WASP to "surplus" then "disposed of" once equipment is not viable for re-assignment and palletized for sale.
Criteria: **(Describe the optimal condition)**	Key principles for control/reconciliation of physical assets: Attributes, naming conventions and types are documented in procedures to ensure data integrity and consistency. Funding detail captured is sufficient to identify any conditions on disposal including disposition of proceeds (critical for grant funded equipment). Tracking elements must allow testing/tracing asset, serial number, funding source from invoice to control system to actual asset. Requesting department staff signs in acceptance of equipment from the IT contractor. Documents are retained in accordance with records retention statutes or until audit is complete whichever is later. Each department/grant is provided an annual listing for self-inventory certification of computer equipment. Equipment acquisition, transfer/removal and inventory procedures identify critical control elements and provide for inventory system updates (at least weekly). Palletized computers (ready for sale at auction) are separated into grant and non-grant funding sources. A supervisor periodically reviews procedures, database updates and staff adherence in performance of assigned duties.
Cause: **(Describe the cause of the condition if possible)**	Lack of attention to the inventory control system and periodic review by supervisor. Lack of established specific procedures and training. Incomplete database configuration
Effect: **(Describe or quantify any adverse effects)**	Computer assets are not adequately controlled. Records may be insufficient to ensure existing warranties are known and used as available. Potential loss of grant funding due to failure to comply with grant provisions for control (including physical location) reporting and disposition.
Recommendation: **(Describe corrective action)**	• Review existing control weaknesses, create corrective action plan to incorporate all key elements, determine how to correct missing/incomplete data and establish a calendar for periodic count/reconciliations. • Timely update physical location of computer equipment including building/room according to signed transfer sheets. • Remove items from departments as surplused/replaced/transferred accounting to signed transfer sheets. • Timely return of transfers initiated by county departments and capture of work order number to facilitate inventory control. • Include warranty information and develop report to aid in resolution of maintenance issues. • Update procedures to include providing an annual listing for self-inventory certification of computer equipment. Resolve variances and provide confirmed copies to Internal Audit property staff. • Conduct periodic (at least annually) spot reviews by County IT management.
Responsible Department or Organization:	Dallas County IT Management and IT contractor

Management's Response:	☐ Agree	☒ Disagree	**Respondent:**	Adeeb Hyer	**Date:**	1/23/2013

Comments:	We are constantly evaluating and improving our procedures and data. This is an ongoing task for the life of the inventory. There is also old data in the DB that has been carried over from previous years and has no additional information available other than what is in the DB. We have taken measures to remove the multiple variations of the phrase 'PO' and are entering the PO and grant numbers etc. We will continue to keep the data current and polished. At this point we are working on cleaning up the DB after the inventory.

Disposition:	☒ Audit Report	☐ Oral Comment	☐ Deleted From Consideration