

BROWARD OFFICE OF THE INSPECTOR GENERAL



FINAL REPORT

OIG 14-020-B
October 2, 2017

*Gross Mismanagement in the Control of Information Technology
Equipment in the Town of Davie*



BROWARD OFFICE OF THE INSPECTOR GENERAL

FINAL REPORT RE: *GROSS MISMANAGEMENT* *IN THE CONTROL OF INFORMATION TECHNOLOGY EQUIPMENT* *IN THE TOWN OF DAVIE*

SUMMARY

During the course of a Broward Office of the Inspector General (OIG) investigation into the Town of Davie's use and administration of procurement cards (p-cards),¹ we were unable to determine if the town had custody and control of information technology (I.T.) equipment it had purchased and became concerned whether the town was properly accounting for those assets. Thus, the OIG opened a second investigation into whether the town engaged in gross mismanagement in the control of its I.T. equipment.

We set out to determine why the town could not account for equipment worth \$275,898.44 that it purchased between October 2012 and July 2014. During the OIG's investigation, we substantiated the allegation that gross mismanagement occurred and determined that town staff failed to track and inventory I.T. equipment as required by the town's own fixed asset policy. This lack of control exposed the town to unnecessary risk and generally made it difficult for the town to accurately prepare budgets and track asset life cycles. It also resulted in staff's failure to capitalize, on the town's annual financial statements, items that met the town's capitalization policy.

However, as detailed in this report, once town administration became aware of the problems the OIG identified, it acted swiftly and effectively to address them. The town's fixed asset specialist and acting I.T. director resigned. The town hired a new I.T. director and its first I.T. security manager, who developed a process, along with I.T. policies and procedures, to adequately account for future I.T. purchases. In addition, the town completed a full physical inventory of its I.T. assets that will serve as a baseline for future inventories. During this inventory, the town located most of the items that it originally was unable to account for, and now only \$12,512.28 worth of equipment is missing.

This report describes the details that established the gross mismanagement we found as our investigation progressed, but it also identifies the town's significant progress in responding to these problems. Although we do have additional recommendations for the town, the OIG commends the administration's efforts to improve its controls, and we encourage its leaders to continue down the path they have set out for themselves.

¹ See "Final Report on Misconduct and Gross Mismanagement in the Use and Administration of Procurement Cards in the Town of Davie," in OIG 14-020-A (September 8, 2016), at www.browardig.org.

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OIG CHARTER AUTHORITY

Section 10.01 of the Charter of Broward County empowers the Broward Office of the Inspector General to investigate misconduct and gross mismanagement within the Charter Government of Broward County and all of its municipalities. This authority extends to all elected and appointed officials, employees and all providers of goods and services to the County and the municipalities. On his own initiative, or based on a signed complaint, the Inspector General shall commence an investigation upon a finding of good cause. As part of any investigation, the Inspector General shall have the power to subpoena witnesses, administer oaths, require the production of documents and records, and audit any program, contract, and the operations of any division of the County, its municipalities and any providers.

The Broward Office of the Inspector General is also empowered to issue reports, including recommendations, and to require officials to provide reports regarding the implementation of those recommendations.

INDIVIDUALS COVERED IN THIS REPORT

Former Fixed Asset Specialist

The Former Fixed Asset Specialist worked for the town in this role from November 2012 until February 2015. She was a part-time employee whose responsibilities included tagging and physically verifying all assets that the town purchased.

Former I.T. Director

The Former I.T. Director was the town's I.T. director for five years, from January 2009 to May 2014. She was responsible for supervising the I.T. department, assigning workloads and schedules, supervising assigned staff, and implementing administrative policies. The town's fixed asset policy required her department to track all I.T. equipment that the town purchased.

Former Acting I.T. Director

The Former Acting I.T. Director started with the town in August 2001. She became the acting I.T. director in May 2014, upon the Former I.T. Director's departure. The Former Acting I.T. Director resigned from the town after serving in that role for one year. Her major responsibilities in that role included supporting I.T. systems and users, including managing the town's public access websites, managing the department's budget, and making purchases for the department.

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RELEVANT ADMINISTRATIVE AUTHORITY

Town of Davie Fixed Asset Policy

The town's fixed asset policy's stated purpose is "to provide for the safeguarding of fixed assets and to provide town personnel with accounting guidance applicable to the several categories of fixed assets."² Relevant sections follow:

Policy Statement

... Equipment includes moveable property of a relatively permanent nature and of significant value, such as mobile equipment, office equipment, data processing equipment, machines, tools and office furniture and fixtures. "Relatively permanent" is defined as a useful life span of one year or longer. "Significant value" is defined by Rules of the Auditor General, Chapter 10.400. The town may consistently exercise the option to include other items, which it desires to maintain accounting control over. Exceptions to the "significant value" definition and the one-year life rule should be applied consistently. ...

Procedure

A. Fixed Asset Accounting Transactions

1. Chapter 274, Florida Statutes and the Rules of the Auditor General, Chapter 10.400, Local Government Owned Tangible Personal Property shall be adhered to.³
2. The Budget and Finance Department will create and maintain proper subsidiary ledgers to record fixed asset acquisitions, deletions, and changes. In certain cases if historical cost is not available, it will be estimated.
3. Information for updating the subsidiary records will be provided to the Budget and Finance Department's Fixed Asset Specialist as follows:

² This was the town's first written policy regarding fixed assets, which documented capitalization and inventorying thresholds that the town always used in its financial statements, according to the town's finance director, who issued the policy on March 18, 2013. (Exhibit 1)

³ The laws contained in Florida Statutes chapter 274 do not appear to be enforceable against municipal governments. See Florida Attorney General Legal Opinion number AGO 98-04 (January 22, 1998). Nonetheless, the town's fixed asset policy incorporates them. One such law is Florida Statutes Section 274.02, which states in part, "(2) Record and Inventory of Certain Property – The Chief Financial Officer shall establish by rule the requirements for the recording of property and for the periodic review of property for inventory purposes." Another is F.S.S. 274.03, Property supervision and control. It states in relevant part, "A governmental unit shall be primarily responsible for the supervision and control of its property but may delegate to a custodian its use and immediate control and may require custody receipts. A governmental unit may assign to or withdraw from a custodian the custody of any of its property at any time.... Each custodian shall be responsible to the governmental unit for the safekeeping and proper use of the property entrusted to his or her care. ..."

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- (A) Department [sic] will determine retired, partially retired, changes and transfers (which should include permanent transfer location) of fixed asset as well as new purchases over \$1,000. Once determined, departments will submit information to Fixed Asset Specialist.

- (B) Purchasing will submit by e-mail all fixed asset purchases greater than \$1,000 to Fixed Asset Specialist. Fixed Asset Specialist will maintain a list of all newly purchased assets, original costs, etc. Items will be tagged and the list will be crossed reference [sic] to each tagged item.

B. Capitalization Threshold

Assets of \$1,000 or more will be inventoried but for accounting purposes only assets as qualify below will be capitalized. The following capitalization thresholds have been established. They are in accordance with Government Finance Officers Association⁴ [sic] recommended practice, “Establishing Appropriate Capitalization Thresholds for Capital Assets.”

Equipment	\$1,500
Land	Capitalize all
Buildings	\$10,000
Improvements	\$10,000
Infrastructure	\$10,000
Software	\$10,000
Easements	\$10,000
Right of Way	\$10,000

C. Physical Tagging of Fixed Assets ...

- 2. Asset control decals will be consecutively numbered tags supplied by the Fixed Asset Specialist.

- 3. The asset control tag will be physically attached to the item of equipment at the time of its addition to the subsidiary ledger. The Fixed Asset Specialist will be responsible for coordinating the tagging of equipment.

- 4. All tags will be affixed to the asset in a visible and convenient location that is easily accessible for scanning and inventory purposes. Asset tags assigned should only be replaced if damaged. ...

⁴ The mission of the Government Finance Officers Association (GFOA) is to promote excellence in state and local governmental financial management. It promulgates best practice guidance in furtherance of that mission for its members, 19,000 public finance officials in federal, state, and local government in the United States and Canada. www.gfoa.org.

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G. Equipment Control

1. Each department is responsible for the equipment assigned to that department. The Fixed Asset Specialist will add all new equipment purchased with Town funds to the appropriate department's inventory. All equipment additions, transfers and other changes shall be reported to the Fixed Asset Specialist by the departments.
2. The Fixed Asset Specialist, in coordination with each department, will conduct an annual inventory of equipment. Any discrepancies between the subsidiary ledger and the actual inventory shall be explained by the department and, if unreconciled, will be reported to the Town Administrator.
3. Lost, missing or stolen assets should be reported as soon as possible. Stolen assets should be reported to the appropriate department director and the Police Department. If the fixed asset is not recovered it should be listed as "Retired" and removed from the active asset listing. The Fixed Asset Specialist will retain all the fixed asset forms reporting lost, missing, and stolen assets for documentation purposes.
4. At fiscal year end, the Fixed Asset Specialist will send detail listings of equipment to the departments to verify. Once the list has been updated, it will be available on the town hall server for viewing.

INVESTIGATION

Investigation Overview

The OIG has concluded its investigation into whether the Town of Davie engaged in gross mismanagement in the control of its I.T. equipment. The OIG substantiated the allegation, determining that, for the I.T. equipment it purchased between October 2012 and July 2014, the town failed to have a written policy for their control until March 2013 and then failed to follow the policy it adopted. This lack of control exposed the town to financial and security risks and generally made it difficult to accurately prepare budgets and track asset life cycles. Furthermore, the town failed to capitalize equipment that met the town's capitalization policy.⁵

This investigation involved the review of substantial documentation, including but not limited to fixed asset reports, check registers, p-card transaction lists, invoices for the purchase of equipment, and inventory reports. The OIG also interviewed various town employees. Finally, the OIG conducted an on-site inventory of a sample of items after the town completed its full inventory of I.T. equipment.

⁵ Although the OIG is without sufficient information to determine whether this failure resulted in material errors in the town's financial statements, the town should undertake to make that determination.

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The Town's Failure to Have and Then to Follow Its Fixed Asset Policy

Because government I.T. equipment is easily lost or stolen when controls are missing or ineffective, best practices require the strongest controls for such assets. In fact, the GFOA recommends that every government undertake a systematic effort to identify all of its controlled, capital-type items and specifies that these require special attention to compensate for the heightened risk of theft. The GFOA also cautions governments to exercise control over these items by establishing and maintaining adequate control procedures at the departmental level.⁶

The town did not have a written policy for the control of its assets until March 2013. According to the town's finance director, under whose authority the March 2013 policy was issued, that policy documented capitalization and inventorying thresholds that the town had always followed.

Following GFOA best practices, the fixed asset policy articulates the importance of control over property and describes requirements for control. (Exhibit 1) Specifically, the policy requires:

- departments to inform the fixed asset specialist of purchases over \$1,000;
- departments and the fixed asset specialist to independently maintain lists of newly acquired assets purchased for over \$1,000;
- the fixed asset specialist to tag those assets;
- the town to capitalize equipment of \$1,500 or more but to inventory equipment of \$1,000 or more; and
- the fixed asset specialist to perform annual inventories in coordination with each department and to report unreconciled differences to the town administrator.

Yet, with respect to I.T. equipment, our investigation found that the town began doing some of these things only after we began inquiring about the issue.

In the original investigation into Davie's practices in the use of p-cards, the OIG selected 15 p-card transactions made between October 2012 and July 2014 that totaled \$335,848.44. The selection included 208 pieces of I.T. equipment such as laptops, desktops, and scanners.⁷ By reviewing the town's fixed asset accounting reports and inventories, the OIG attempted to verify whether the town maintained possession of the items its staff had purchased. The OIG expected to find that staff had capitalized as assets all items purchased for at least \$1,500 and recorded them in the town's fixed asset accounting reports, as the fixed asset policy required.⁸ We also expected to find that staff had recorded all equipment purchases of \$1,000 or more in subsidiary ledgers or inventory reports.

⁶ GFOA Best Practice on "Maintaining Control over Items that Are Not Capitalized" (2005).

⁷ These 15 transactions were part of a sample of 150 transactions in the prior investigation.

⁸ The town's Comprehensive Annual Financial Reports state that "Property, plant, and equipment purchased or acquired at a minimum cost of \$1,500 is carried at historical cost."

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Instead, the town's fixed asset reports only documented the purchase of two pieces of I.T. equipment for a total of \$59,950. The rest of the equipment that was purchased using p-cards, for \$275,898.44, was missing from the fixed asset reports.⁹

1. The Former Fixed Asset Specialist Failed to Follow the Town's Fixed Asset Policy

The OIG interviewed the town's Former Fixed Asset Specialist in order to understand why she did not record equipment in the town's records. We found that, despite the pre- and post-March 2013 requirement that she track items for which the town paid \$1,000 or more, she did not track any items the town purchased for less than \$1,500. Regarding her failure to track most of the town's I.T. equipment, she told the OIG that she believed computers generally fell under her \$1,500 inventory threshold. She also stated that she believed it was the I.T. department's responsibility—not hers—to log and track I.T. equipment. Further, she relied solely on purchase order reports to track new assets, which meant that she missed many items that staff purchased with p-cards and without purchase orders.

We determined that the Former Fixed Asset Specialist did not coordinate with any departments to conduct annual inventories of all assets, as required by the written policy. Rather, she simply tagged and verified assets that staff purchased through purchase order reports during the fiscal year. She did not inventory existing assets—those that the town had purchased, verified and tagged in the prior fiscal years—to ensure that they were still in the town's control and in working condition.

She asserted it was each department's obligation to let her know when assets became missing, lost, stolen, or retired. She said she developed a form that she required departments to use to report retired items, but she had only received four such forms completed. When visiting departments, the Former Fixed Asset Specialist periodically discovered that assets were missing. She said that, on such occasions, she marked the missing asset as "retired" because staff generally did not know what happened to the item. Specifically, she stated that "a lot of times no one really knows, so I make an assumption that it was retired."

The Former Fixed Asset Specialist resigned in February 2015, during the OIG's first investigation into the town's use and management of p-cards.

2. The I.T. Department Failed to Follow the Town's Fixed Asset Policy

The OIG attempted to speak with the Former I.T. Director, who was in charge of the department from January 2009 until she resigned in May 2014. However, she declined our offer to interview.

The Former Acting I.T. Director, who headed the department from May 2014 to May 2015, stated that it was the fixed asset specialist's job to track and inventory assets, although she did not know what the fixed asset specialist's duties were or exactly what she was supposed to inventory. At the time she interviewed with the OIG, five months after the Former I.T. Director resigned and she took over as the

⁹ For purposes of our review, the OIG considered assets trackable when the invoiced value for all items purchased was over \$1,000. We recognize that some of these assets may have individually cost less than \$1,000.

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department's acting director, her department had not conducted an inventory for "a really long time," and she could not produce any inventories for the prior three years.

She stated that an I.T. librarian was responsible for entering all I.T. equipment purchases into her department's computerized inventory system called "Track-It."¹⁰ According to the Former Acting I.T. Director, the librarian was responsible for assigning these items asset tags and for logging the user, operating system, product, and serial number. When we sought to obtain Track-It inventory reports, the Former Acting I.T. Director said that she had not reviewed them and did not trust that they were accurate or complete.

The Track-It reports contained four fields: serial number, asset name, user department, and asset type. We could not determine whether the software accounted for assets purchased on p-cards. Even though there was a serial number field, the serial number was missing for several items. There were no fields for purchase dates, asset tag numbers, costs, models, or any other relevant information. The OIG recognizes that every piece of I.T. equipment purchased and in use may have been on these reports, but they were not detailed in a manner that was useful or understandable. The OIG did note that some pieces of equipment under the "asset name" field contained asset tag numbers; however, there is no way to cross reference those asset tag numbers back to any invoice, as acquisition dates were not recorded on these reports. If the Track-It report had contained asset tag numbers, acquisition dates, and prices, the OIG may have been able to verify the existence and location of equipment through use of the reports.

By the time the OIG conducted a second interview of the Former Acting I.T. Director, seven months after the first, the department still had not conducted an inventory of all I.T. assets. At that time, the Former Acting I.T. Director told the OIG that the town had had an inventory problem for a while, which she found problematic because it was difficult to purchase equipment without knowing what the town in fact owned.

The Former Acting I.T. Director resigned within a month of her second interview, in May 2015.

The Town Instituted and Followed New Procedures and Conducted an Inventory

In May 2016, the OIG met with the new, Current I.T. Director who replaced the Former Acting I.T. Director, and he confirmed the inventory issues described in this report. He did not believe that the department's inventory issues were the fault of current staff members' conduct; rather, he felt that prior I.T. leadership had not made asset control a priority.

He informed us that, upon starting with the town in May 2015, he found a rudimentary I.T. inventory that was neither current nor reliable and believed that the town badly needed to address the problem. In addition, he found that his department was not tracking many pieces of I.T. equipment that should have been tracked under the rudimentary process that did exist. He stated, "I don't think anybody could have made heads or

¹⁰ Track-It! is a commercially available software program designed to track and account for I.T. items.

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tails with some of the information that was in” the Track-It reports. He found equipment that was outdated and also located equipment—in good working condition—that departments did not know existed.

At the outset of his employment, the Current I.T. Director decided that the best approach to solve the inventory problems was to delete all items in Track-It and to start from scratch by performing a town-wide inventory of all I.T. equipment. He implemented additional improvements, as follows:

- activated the Track-It software program’s feature for tracking software connected to the town’s network;
- developed an I.T. inventory control system, including drafting policies and procedures;
- assigned I.T. inventory management to staff;
- implemented proper segregation of duties among I.T. staff; and
- instituted weekly staff meetings to ensure operational priorities.

In August 2016, the town hired its first I.T. Security Manager, to whom the Current I.T. Director assigned the responsibility of managing the town’s I.T. inventory.

Following our review, the OIG has found that these drafted and planned procedures extensively cover what town employees should do to comply with the fixed asset policy. If followed as written, the I.T. Security Manager’s process appears adequate to track all I.T. assets and record all relevant information about them.¹¹

Most of the Unaccounted-for Items were Located during the Town-Wide Inventory

After implementing these changes, in December 2016, the town provided the OIG with an inventory of I.T. assets that catalogued over 1,500 pieces of equipment, including laptops, desktops, scanners, phones, tablets, and servers. Various data fields comprised the details for each piece of equipment, such as its asset tag number, manufacturer, serial number, location, and custodian.

To test the inventory’s accuracy and, thus, its reliability for the town, the OIG selected 62 items from our earlier sample and physically inspected each asset and its asset tag with the I.T. Security Manager. The OIG discovered no material deficiencies during the inspection of this limited sample.

We then determined that a wider review period was necessary due to the length of time that had passed since the town concluded the physical inventory. The OIG expanded its earlier sample to include items that

¹¹ In accord with the town’s fixed asset policy, the fixed asset specialist’s duties still include tracking all town equipment, including I.T. assets. The current fixed asset specialist told the OIG that she did not conduct an inventory of I.T. equipment in the preceding year, allowing the I.T. department to carry out its own inventory. She said she intended to use that inventory as a baseline to track I.T. assets going forward.

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staff purchased through September 2016, resulting in a total sample of 480 items of I.T. equipment valued at \$844,148.95.¹²

For all 34 purchase transactions involving 480 assets that the OIG selected, we took note of the manufacturer's serial number from the invoice or other supporting documentation that the town provided. Some supporting documentation, such as order sheets and website printouts, did not include serial numbers. For those instances, the OIG contacted the vendor directly and obtained an invoice that included the serial number. In total, the OIG was unable to identify serial numbers for 183 pieces of equipment valued at \$259,289.65.

Thereafter, the OIG traced the serial numbers we identified from the paperwork and vendors to the serial numbers provided in the town's inventory listing, discussed issues we identified with the I.T. Security Manager, and concluded that the town was able to locate during its 2016 inventory most of the items that it could not account for at the start of our investigation. For items for which the OIG did not obtain a serial number, we compared the quantity in the invoices against the quantity in the inventory report. However, the town was still unable to account for ten pieces of equipment valued at \$12,512.28. These items were as follows:

- One Hewlett Packard scanner, \$764.52. The town purchased this in October 2014 in a batch of nine scanners. The inventory accounted for the other eight scanners. The I.T. Security Manager stated that, based on information that an I.T. employee provided him, he believed that the town auctioned the scanner in 2015. There was no auction list or other documentation to corroborate this.
- One Lenovo desktop, \$899.99. The town purchased this in September 2014 in a batch of 21 desktops. The inventory accounted for the other 20 desktops.
- Five Dell OptiPlex 790 desktops, \$957.10 each. The I.T. Security Manager stated that, based on information that an I.T. employee provided him, he believed that the town auctioned these in 2014 or 2015. There was no auction list or other documentation to corroborate this.¹³
- One Dell Mobile Precision laptop, \$2,353.65. The town purchased this in February 2012 in a batch of six laptops. The inventory accounted for the other five laptops. He speculated that the laptop may currently be at the end of its useful life.
- One Dell Latitude E5520 laptop, \$1,711.82. The town purchased this in April 2012 in a batch of ten laptops. The I.T. Security Manager hypothesized the town auctioned it, but he had no documentation to corroborate this.

¹² Again, the OIG selected 208 pieces of equipment valued at \$335,848.44 in the original sample from p-card purchases and selected 272 pieces of equipment valued at \$508,300.51 in the additional sample from both p-card purchases and check payments.

¹³ These assets would be at the end of their useful life today, as the town purchased them in October 2011.

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- One ThinkPad W520, \$1,996.80. The town purchased this in November 2011 along with a second ThinkPad, which was in the inventory.

INTERVIEW SUMMARIES

As a part of the investigation, the OIG conducted numerous interviews. Significant interviews are summarized below:

1. Interview of the Former Fixed Asset Specialist

The Former Fixed Asset Specialist started working for the town in November 2012.¹⁴ She has a bachelor's degree in finance and had worked in finance for approximately twelve years before accepting a position with the town. As the town's only fixed asset specialist, she was responsible for tagging and physically verifying all assets that the town purchased. Prior to starting in her role, the town contracted out the responsibility for asset tagging and verification to a private company called American Appraisal. Upon starting her position, the Former Fixed Asset Specialist spent approximately six to eight months verifying American Appraisal's prior reports, which contained some errors.

She was part of the Purchasing Division. She was her own boss and determined how to best log, verify and inventory town assets. She first stated that there were some policies and specific procedures on what she was supposed to do when performing her job function but later stated that there were no written policies. With regards to her job function, she stated that "I'm just basically going off of what was done before. There is nothing written." Finally, she stated that that she created her own steps of what to do and that "it is simple." The property "is either there or it's not."

The Former Fixed Asset Specialist used a threshold of \$1,500 when deciding which individual assets to record on her inventory log. When advised about the town's fixed asset policy requirement to inventory assets over \$1,000 but not to capitalize assets unless over \$1,500, she stated that she didn't really look at assets under \$1,500 and that she thought that computers would be the only asset that generally fell under \$1,500. The I.T. department tagged and tracked computers, which she did not always include in her inventory reports. The reason she used \$1,500 as her threshold was because that was the threshold that American Appraisal used when it tracked the town's assets.

There were two ways she ensured recording all required assets in her reports. First, when visiting the departments, she visually noted any assets that were not recorded. She usually focused on one department at a time and verified and tagged all assets there before moving on. For example, she might have focused on tagging and verifying assets that the parks and recreation department purchased from January through March and then moved on to the police department for April

¹⁴ The Former Fixed Asset Specialist gave her interview in September 2014, eighteen months after the town issued its fixed asset policy. She resigned and left the town's employment in February 2015.

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through May. Sometimes the department made purchases after she left the department; she tagged, verified, and logged those purchases whenever she was able to revisit the department. Second, the Former Fixed Asset Specialist used a Purchase Order Report to obtain a listing of all assets that the town purchased for a time period. She did not have a standard time period for the reports; rather, she stated that she ran them “every couple of weeks.” She looked through the Purchase Order Report for potential assets that town employees purchased and then went out to the department to physically locate the item, determine if it was an asset, and tag it. She stated that “I’m not someone they are necessarily happy to see” when describing interactions with department staff. She would not know of p-card purchases without purchase orders.

The departments did not generally report asset purchases to her in advance. The policy stated that the departments were responsible to do so, but she stated she did not want to rely on someone else for this information and did not request it from them. The police and fire departments were pretty good at logging purchases and providing her with information, and the public works department used some sort of log as well. However, none of the other departments did this.

The Former Fixed Asset Specialist did not inventory all assets on an annual basis. Rather, she simply tagged and verified assets that the town purchased during that fiscal year. She did not inventory assets that the town purchased, verified, and tagged in prior fiscal years to ensure that they were still under the town’s ownership and in working condition. Instead, it was the department’s obligation to let her know when assets were missing, lost, stolen or retired. She developed a form for departments to use to report missing, lost, stolen or retired assets. She had only received four forms since she implemented the form’s use but periodically determined that assets were missing when she visited departments. She marked missing assets on her log as “retired,” because employees generally did not know what happened to them. Specifically, she stated that “a lot of times no one really knows, so I make an assumption that it was retired.”

The tags that she used for assets were generally in numerical order. Once she tagged the asset, she recorded the tag number and numerous other fields, including the following:

- Identification Number - Sequential number used to count assets;
- Activity Code - Describes if the assets were new, changed, retired or an addition;
- Property Number - Code used to describe the location of the asset;
- Account Number - Code used by accounting;
- Department Number - Department where the asset was located;
- Building Number - Building where the asset was located;
- Asset Description - Description of the asset;
- Date Acquired - Date the asset was purchased;
- Original Cost - Cost paid for the asset;
- Reproduction Cost - Approximate cost if the asset had to be reproduced; and
- Accumulated Depreciation - Total amount the asset had been depreciated.

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She had to do this by September 30 of each year. Her final report was usually available to the town by December. She estimated that she recorded approximately 600 entries for fiscal year 2014. Once she completed the report, she sent it to American Appraisal to be entered into its system, because the town doesn't have the necessary software system to log the assets. American Appraisal sent her a final copy of the report in PDF form, which she reviewed to ensure it matched her original report. She then sent the report to finance for recording and reconciliation.

Regarding two invoices for p-card purchases of property made in fiscal year 2012 and where she recorded the items in her log, she could not immediately describe how to locate the items in her log and stated that the town made the purchases before she started.

Regarding an invoice for the purchase of 55 computers for \$70,015, its existence on the log depended on how the Purchase Order Report presented it. Specifically, she stated that "it would depend on whether it was shown on the PO as \$1,100 or \$60,000. For \$1,100 I am not responsible to do anything with that." She later stated that normally she recorded that type of purchase as a group rather than individually. She explained that she had a personal log she used to record the serial numbers of items in a group. Nobody cared about the serial numbers on the assets except for her, since it was a secondary way of identifying the property. The OIG requested a copy of this personal log and she responded that "it's something that's all muddled like when you're brainstorming" and therefore would not be helpful if she submitted it.

2. Interviews of the Former Acting I.T. Director

This individual started with the town in August 2001 as Supervisor of Information Systems and worked in the police department for approximately ten years. She took over as the acting director in May 2014 after the former I.T. director left the town's employment.¹⁵ The town provided her with no prior training. Her major responsibilities included managing the town's public access websites, managing the department's budget, and making department purchases.

I.T. was unable to receive and deliver items; thus, when the town purchased an item, it usually arranged for the supplier to ship the item to the primary location where it was needed. A designated staff member who did not have a p-card always received items for the I.T. department. That person opened the items, verified their contents, signed the packing slip or bill of lading, and gave the paperwork to the I.T. librarian for filing. She filed the paperwork and was responsible for entering all purchases of computers, servers, and the like into a computerized inventory system. She assigned asset numbers and logged the user name, operating system, product, and serial number into the computer system. She neither logged nor inventoried pilferable items, such as iPads, iPhones, or cameras. I.T. did not have any surplus or spares lying around as they all were assigned to staff.

I.T. was supposed to perform an inventory count of equipment about once each year. The Former Acting I.T. Director could not provide the OIG with inventories for the past three years because

¹⁵ The Former Acting I.T. Director resigned her employment with the town effective May 2015.

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she was not the director. It was not her responsibility, and she was unsure whether I.T. even performed inventories. She stated that “it has been a really long time since an inventory has been performed” and that the department had not conducted one for the current year. There rarely is any new inventory, and I.T. periodically used its reports to look at “what hit the system” when users logged on. She could provide a full report of the inventory I.T. has logged into its system, but she had not reviewed it, did not know if it was accurate, and did not trust that it was. I.T. wasn’t really involved in tracking and inventorying assets because the Fixed Asset Specialist handled that function. The Former Acting I.T. Director did not know what the Fixed Asset Specialist’s process was or exactly what she inventoried.

Regarding an invoice for the purchase of 23 monitors at a total cost of \$24,161.04, she thought that the town might have bought them for specific applications that town engineers or building inspectors needed in order to review engineering drawings or architectural plans. I.T. should have included them in the town’s Track-It report. During a break in the interview, she was able to identify a monitor in the town’s Engineering Department that she believed would match the invoice the OIG showed her. She could not be sure if the monitor was the same model, because it was too large for her to spin around and check the model number on the back. The monitor did not have a town asset tag and would not be included in any Track-It report. The other monitors on the invoice were not in Engineering and might have been scattered around the town.

The Former Acting I.T. Director suggested that she could look in Track-It and throughout the town for all of the equipment that that was not recorded in the system. The town has had an inventory problem for a while and she has been trying to inventory things as she makes new purchases and replaces equipment. It has been a big problem for her as it is difficult to purchase equipment when she cannot rely on I.T. records to determine what is actually in place.

3. Interview of the Current I.T. Director

The current director of the I.T. department began working for the town in May 2015 and reported to the deputy town administrator. His prior experience included working as the I.T. director for the City of Miami Beach for approximately ten years and working in I.T. roles for a number of major corporations.

Town officials informed him about some of the challenges he would be facing, so he understood that significant problems existed before he accepted his position. However, those officials did not give him specific details about the property inventory deficiencies that existed. He understood that town management expected him to identify the nature and scope of inventory deficiencies and to develop a strategy to resolve them. After beginning employment, the Current I.T. Director began to understand the magnitude of the challenges he faced.

He determined that a rudimentary I.T. inventory existed, but it was not current or reliable. In many instances, I.T. failed to track equipment it should have, merely because it cost less than \$1,000. For example, I.T. failed to track telephones for the purposes of identifying replacement schedules

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and for budgeting. He needed to identify I.T. equipment owned by the town, its location, and its custodian within a small percentage of error.

Staff greeted the Current I.T. Director's initial efforts to handle the I.T. inventory control problem with "deer in the headlights" reactions, saying that "the inventory here was in a dire state of need of being addressed." The inventory control deficiencies were severe enough that "I don't think anybody could have made heads or tails with some of the information that was in there." He believed that the I.T. problem was not the fault of I.T. staff working for the town. Instead, the Current I.T. Director believed that leadership of the I.T. organization did not make it a priority.

He identified many I.T. items as outdated; these items sat unused in storage or on shelves, and thus were, essentially, lost. He also identified many other items that were in good working condition but whose existence was basically unknown to the departments. He did not detect any evidence of shrinkage or theft of I.T. items during his inventory control efforts; however, he acknowledged that because he lacked a baseline starting point of inventory, he based his perception primarily on the personalities he encountered.

The Current I.T. Director began to address the I.T. inventory control problem at the outset of his employment with the town. As with any organization, his strategy and recommendations had to fit within town budget constraints; therefore, he had to prioritize the problems. He utilized a number of employees temporarily assigned to I.T. for an initial inventory count, and he has been working to identify the necessary number and mix of I.T. professionals to permanently staff the department. He expected that he would fill some field positions with staff who could supplement their routine duties with periodic physical audits and inventory checks. Additionally, he intended for the department to track and audit any I.T. equipment connected to the network in the software system called Track-It. The department used the Track-It software system in the past but deactivated it at some time prior to his starting with the town.

He has been working to configure the Track-It system and add items to it, for example, the town's telephone system and equipment. As a part of creating the inventory control system, policies, and procedures, he created a worksheet to capture necessary information about I.T. items from the time the town received them. The first step was to add the item to Track-It. Next, all items were to be physically taken to one of two storage rooms for holding and I.T.'s further processing. The department was to use Storage Room A for any items that I.T. was going to reassign to another department. The department was to use Storage Room B to collect any new items until I.T. deployed them. The deployment process required staff to identify and record the receiving employee, department, and location for every item. There was no methodology in I.T. to capture and record such information prior to him implementing it.

The Current I.T. Director believed that the department was violating inventory control principles in a variety of ways prior to his coming on board. For example, he learned that staff printed asset tags rather than issue them from a central point with sequential numbers. That led to employees attaching duplicated asset tag numbers to equipment. He instituted a procedure of purchasing and utilizing preprinted labels for equipment and prohibiting staff from printing unapproved labels.

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Although he had begun creating written policies and procedures for I.T., he had not completed the process.

The new process required I.T. personnel to receive and process all I.T. items. The procedure required staff members in all departments to assign each item to the I.T. Department initially regardless of which department purchased the item. I.T. staff were to add the items to Track-It and assign preprinted asset tags and numbers. I.T. initiated an inventory worksheet at that time. The worksheet was to be routed to the I.T. supervisor, who was responsible for ensuring that I.T. staff had properly recorded the item in Track-It and assigned the user, department, and location. He also required I.T. staff to employ a worksheet with the date received, the amount paid, the manufacturer, and the serial number. The new process required the end-user to sign for receipt of the item.

A significant purpose for the town to develop an accurate I.T. inventory involved the town's equipment replacement and budgeting requirements. It would be impossible to develop an accurate budget for I.T. without an accurate inventory that included the projected life-cycle replacements dates for all items. Lacking an accurate inventory would lead to a failure in replacing items on a timely basis and to the town purchasing duplicated or unnecessary items. The Current I.T. Director was already able to identify entire categories of I.T. equipment due for replacement within the next year.

He had completed an inventory of the police and fire departments, which represented approximately half of the I.T. equipment in the town. He projected that by the end of fiscal year 2016 he would have a complete and accurate inventory of all town I.T. equipment. He intended to provide the inventory to accounting staff to enable them to update the town's fixed assets records.

Since starting, the Current I.T. Director has consolidated oversight and control of all I.T. activities in the town under his responsibility and direction. This included the police department, whose I.T. managers remain primarily dedicated to that department's needs but may respond to other town I.T. needs as well. He changed the prior system whereby the police department's I.T. staff operated autonomously. He deemed centralization to be necessary to achieve proper segregation of functions and duties in I.T. The system was designed to require collusion of at least two town employees in order to violate standards, a condition which he noted did not exist when he started employment. The situation he found when he started was an underfunded department which lacked internal controls and security. Town management seemed committed to his efforts to turn around the department and steer it in the right direction.

The Current I.T. Director initiated the practice of holding weekly staff meetings to communicate operational priorities, because, in the past, I.T. staff did not appear to have been given any. I.T. staff also did not appear to have an understanding of the significance of internal controls so he has explained the policies and described the reasons why they were important.

He implemented a component on Track-It for the disposition of I.T. inventory items, assigning a category called "I.T. End-of-Life" to items being replaced. When all such items have been

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replaced, I.T. will retire the grouping; however, the department will maintain a listing of the replaced items and their disposition as a permanent record in the system. I.T. will provide the listing to the purchasing department as a record of everything that I.T. will have sent to auction. I.T. will then store the physical items in a container in the Public Works area.

4. Interview of the I.T. Security Manager

The I.T. Security Manager had worked for the town since August 2016. He previously worked for various banks in I.T.-related roles, including I.T. security consulting and I.T. auditing. His responsibilities included both the physical and logical security of the I.T. department, such as managing I.T. software access control, closed-circuit television cameras, and the inventory process.

The Current I.T. Director directed I.T. staff to conduct a full inventory of I.T. property prior to the I.T. Security Manager starting employment. The Current I.T. Director had reviewed inventory reports from Track-It and found the information was incomplete, unreliable, and not usable for budgetary purposes. He determined that the best approach was to delete everything in Track-It and start fresh with a physical inventory. He arranged for I.T. staff to identify all I.T. assets department by department and to enter asset information into Track-It.

In September 2016, the Current I.T. Director assigned the task of drafting policies and procedures for the I.T. department to the I.T. Security Manager because of his audit and I.T. security background. At that point, staff had completed the I.T. inventory and compiled the information in Track-It. The town did not have any formal policies or procedures in writing, so the I.T. Security Manager documented the current process in place and improved on it. He drafted 30 policies, of which 28 were already finalized. These 30 policies included not only inventory controls, but all policies related to the I.T. department's functions. The procedures included how the department was to receive items from vendors, how to register them in Track-It, and how to store them before deploying them to staff.

All I.T. items were to be purchased, received and managed by the I.T. department. Department staff members were now supposed to make I.T. equipment purchase requests through the town help desk. Employees created a help desk ticket describing what they needed to purchase, and I.T. staff verified the information. The department director now approved the purchase, and the MIS Librarian created a purchase order. She was to submit the purchase order to the purchasing department for approval and, once approved, I.T. made the purchases. The I.T. Security Manager generally requested internal I.T. purchases, and these required the approval of town management or the town council.

The new procedures did not permit employees at the department level to use their p-cards to purchase I.T. equipment, to allow I.T. to maintain the control of the items. When I.T. identified an unknown item during an inventory of a department, it was to report the matter to the I.T. director for further action.

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I.T. is to receive equipment purchases through the Clerk's office. Staff in the Clerk's office is to contact I.T. when items arrive there. I.T. department employees are to inspect the items and compare them against the packing slip. Although the I.T. Security Manager was aware that segregation of duties needed to be maintained, the procedure allowed anyone from I.T. to go down to receive the items. I.T. staff was to store equipment that was to be deployed in the future in Storage Room B. They were to print tags, tag the assets in Storage Room B, and complete a Town of Davie New Equipment Form. Information on this form included the town tag number, manufacturer, serial number, vendor name, date of purchase, warranty expiration date, and maintenance expiration date. I.T. staff was to enter the information on the form into Track-It, and the I.T. Security Manager was to later review the document for accuracy.

The town has added an additional layer of control with items that have an operating system, such as laptops and servers. I.T. staff tags and enters these items into Track-It, but they are also connected to the network and I.T. staff performs a manual audit on them. By doing this, the information about the equipment saved in the operating system is merged into Track-It. This process will ensure that accurate information exists in the system and that confusing duplicated records won't exist.

Assets that will be tracked by I.T. include most I.T. equipment, such as desktops, laptops, phones, switches, routers, servers, monitors, scanners and printers. Items over \$1,000 would be included in the inventory by I.T., but items under \$1,000 would not always be recorded, depending upon the nature of the item. For example, the I.T. department would not track computer bases and keyboards.

Under the new policy, I.T. will perform an annual inventory of all I.T. equipment. Using Track-It, I.T. can run reports of all items by department. I.T. staff will perform an inventory based off these reports. The I.T. Security Manager advised the Current I.T. Director that a best practice would be for the town to assign a custodian in each department and have the custodian be responsible for their own department's inventory; however, since this was going to be the first time the town was inventorying assets, it was decided that only I.T. staff would conduct the inventory that year and then they could use the experience to teach the departments how to do it the following year. The I.T. Security Manager plans to perform the first physical inventory in January 2018.

I.T. staff members are to create an end-of-life form for all assets to be removed from departments. If the asset is a computer, I.T. will remove and destroy the hard drive. Items to be disposed are kept in an area within Storage Room B. The staff must complete an inventory update form and update the information in Track-It. The department is to keep a list of items that are auctioned.

After reviewing the inventory documents provided, the OIG still could not account for \$32,489.88 worth of equipment, and after reviewing the inventory form the OIG presented the I.T. Security Manager, he described that:

- He marked a Hewlett Packard scanner as "Not in Inventory" because it was not listed in Track-It and he did not know its location.

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- He marked a Lenovo laptop as “Not in Inventory” because it was not listed in Track-It and he did not know its location.
- He marked Five Dell OptiPlex 790s as “Not in Inventory” and “Auctioned 2014-15 No List.” He could not find an auction list for 2014 and 2015. He noted that he did not know if the laptops were auctioned for sure, but an I.T. employee believed that they were auctioned during that time. The town should have auctioned the equipment by then because it had made the purchase in October 2011.
- He marked two Dell Mobile Precision laptops as “Not in Inventory” and “Not in Auction.” He noted that the laptops were neither in the town’s inventory nor on the town’s auction list. However, on the 2017 auction list, he found a different Dell mobile precision laptop that the town purchased on the same invoice as the two in question. He speculated that the two laptops may have been at the end of their useful life, but he did not know what happened to them.
- He marked a Dell Latitude E5520 laptop as “Not in Inventory.” The laptop was not in Track-It, and he did not know its location.
- He marked a Dell Latitude E5420 laptop as “Not in Inventory” and “Laptop on PD belonged to the Previous I.T. Director.” He believed the laptop belonged to the Former I.T. Director, but he could not locate it.
- He marked a Lenovo ThinkPad T430 as “Not in Inventory.” He noted that he found other Lenovo ThinkPad T430s that were purchased on the same invoice but could not locate this one.
- He marked a Dell PowerVault as “Not in Inventory” because it was not listed in Track-It. He stated that the town was changing drives and he thought he might know where the item was.

Regarding specific items on the inventory report¹⁶:

- As to the town purchasing two ThinkPad W520s, only one of which was listed in the Track-It report, the inventory form may have been mistakenly marked as “Not in Inventory.”
- As to the town purchasing 55 ThinkPad T420s, only 54 of which were listed in the inventory report, it would be hard to identify this item without a serial number.
- As to the town purchasing 65 Dell Latitude E6540s, but the inventory report showing only a batch of 61 with sequential asset tag numbers, the inventory report did show more Dell

¹⁶ During the I.T. Security Manager’s interview, the OIG showed him a copy of the inventory report, which had failed to list a number of assets that appeared to be identified in invoices. Although neither the town nor the vendor could identify the serial number of those assets, the OIG was able to determine the discrepancies after comparing the quantity listed on the invoice against the quantity listed in the inventory report.

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Latitude E6540s, but these appeared to be part of a different purchase, since as the asset tag number was much later in sequence.

The I.T. Security Manager explained that some items that were not originally on the inventory listing provided to the OIG were now on the updated listing because they may have been out for repair or missed the first time around. He was still working on getting the inventory 100 percent accurate on an item-by-item basis. Over the last four years, different people in I.T. were not managing the inventory the correct way.

I.T. did not originally consider monitors an asset and thus did not tag and record them separately in Track-It. Instead, I.T. considered most monitors as part of a desktop. This made them very difficult for I.T. to track and identify in the system. However, I.T. was now tracking the monitors separately as an asset with their own entry in Track-It.

He did not know when an inventory was performed by I.T. prior to him or the Current I.T. Director starting with the town. Based on what he had seen, he did not believe that I.T. ever performed an inventory.

I.T. staff have worked hard to fix the inventory problem and look forward to any OIG recommendations. The security manager reiterated that the first thing he would try to do would be to change the culture of the town and teach staff that everyone is responsible for equipment, not just I.T.

RESPONSES TO THE PRELIMINARY REPORT AND OIG COMMENT

In accordance with Section 10.01(D)(2)(a) of the Charter of Broward County, a preliminary version of this report was provided to the Town of Davie for their discretionary written responses. The OIG received a response from the town (through the town administrator), which is attached and incorporated herein as Appendix A. We appreciate receiving the response.

1. Response of the Town of Davie

The town, through Town Administrator Richard J. Lemack, stated that the town “welcomes [the OIG’s] findings and has made the necessary changes you identified beforehand, which will set a mandated standard for future expectations.” Mr. Lemack also lauded the town council, stating that “the positive and progressive changes you so prudently recognized would not have been possible without their support.” He described the town’s remedial actions taken by the new IT director and security manager, including the implementation of security controls and accountability measures, upgrade of equipment and policies, and provision of town-wide training.

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CONCLUSIONS AND RECOMMENDATIONS

While conducting an investigation into the Town of Davie's use and administration of p-cards, the OIG discovered that the town was not properly accounting for I.T. equipment that its staff purchased with taxpayer dollars, and the OIG was unable to determine whether the town had custody and control of those assets. During our subsequent investigation, we established that the town was unable to account for or easily locate \$275,898.44 worth of its own equipment. The OIG substantiated that the town grossly mismanaged its control of I.T. equipment by failing to keep an accurate and reliable listing of town I.T. equipment and failing to inventory the equipment annually, as required by its policy.

We found the root of the problem when the Former Fixed Asset Specialist and the Former I.T. Director each said they believed that the other had the responsibility for tracking and inventorying I.T. assets. In fact, the town's fixed asset policy made them both responsible.

The town's lack of control over these assets exposed it to unnecessary risk and generally made it difficult for the town to accurately prepare budgets and track asset life cycles. It also resulted in the town's failure to capitalize some items that were required to be capitalized according to its own policy.

The OIG is pleased to report that, once the town was made aware of the problems that we identified, management quickly began to remedy them. The town hired a new I.T. director and its first I.T. security manager, who developed a process, along with I.T. policies and procedures, which should allow the town to adequately account for newly purchased I.T. equipment. In addition, the town completed a full physical inventory of its I.T. assets and can now use this as a baseline for future inventories.

Along with the improvements the town has already made, the OIG recommends that the town:

1. monitor compliance with the fixed asset policy;
2. train staff on the procedures established to implement the policy and evaluate their performance on those procedures;
3. evaluate control over and ensure staff is properly following the town's fixed asset policy regarding non-I.T. assets;
4. evaluate the materiality of not recording equipment valued at \$1,500 or more to the town's financial statements; and
5. keep proper and complete invoices of purchases in its records.

OIG 14-020-B

EXHIBIT 1



BUDGET AND FINANCE DEPARTMENT

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Policy Title: Fixed Assets
Policy No.: BF014
Effective Date: March 18, 2013
Revision Date(s):
Latest Review Date:

Policy Statement:

To provide for the safeguarding of fixed assets and to provide Town personnel with accounting guidance applicable to the several categories of fixed assets.

Definition: Terms relating to the accounting for fixed assets are defined in the following paragraphs.

Fixed Assets. Fixed Assets are tangible assets of significant value having a useful life that extends beyond one year. The fixed assets included in this accounting system are land, buildings, improvements, infrastructure, equipment, leasehold improvements and intangible assets as further defined.

Land. Land includes the investment, fee simple in real estate other than building and/or improvements.

Buildings. Buildings include all local government owned buildings except those whose condition prevents their serving any present or future useful purpose. Permanently installed fixtures to or within the building, such as lighting fixtures and plumbing are considered a part of the building. The costs of major improvements to a building, such as additions and renovations, should be capitalized and recorded as a part of the building asset value.

Improvements. Improvements are physical property of a relatively permanent nature. Examples include storage tanks, parking areas and park facilities.

Infrastructure. Infrastructure includes capital expenditures relating to roads, curbs and gutters, streets, sidewalks, shoulder safety, drainage systems and lighting systems.

Equipment. Equipment includes moveable property of a relatively permanent nature and of significant value, such as mobile equipment, office equipment, data processing equipment, machines, tools and office furniture and fixtures. "Relatively permanent" is defined as a useful life span of one year or longer. "Significant value" is defined by Rules of the Auditor General, Chapter 10.400. The Town may consistently exercise the option to include other items, which it

desires to maintain accounting control over. Exceptions to the “significant value” definition and the one-year life rule should be applied consistently.

Intangible Assets. Intangible assets include software, easements, and right of ways. An intangible asset can only be recognized as an asset if it is identifiable, meaning it can be sold, transferred, licensed, rented, exchanged or it arises from contractual or other legal rights as per GASB Statement No. 51.

Leasehold Improvements. Costs used to increase the service capacity of a leased asset, such as additions, alterations, remodeling or renovations.

Maintenance. Maintenance is defined as expenditures that neither materially add to the value of an asset nor appreciably prolongs its life. Rather, maintenance keeps an asset in ordinary efficient operating condition. As such, maintenance costs should not be capitalized.

Betterments. Betterments consist of the replacement of a unit of an existing asset by an improved or superior unit, usually resulting in a more productive, efficient or longer useful life. Significant betterments are considered as fixed assets and should be added to the value of the asset that is improved. Replacement of a part of an existing asset by another of like quality is not betterment, even though the useful life is maintained or extended.

Land Costs. The acquisition cost of land includes all expenditures in connection with its procurement, such as:

- Purchase price
- Appraisal and negotiation fees
- Title search fees
- Surveying fees
- Costs of consents
- Payment of damages
- Clearing land for use
- Demolishing or removing structures
- Filing costs

Building and Other Improvements. The acquisition cost of buildings, improvements, leasehold improvements and infrastructure includes all expenditures in connection with its procurement, such as:

- Purchase price or construction costs
- Fixtures attached to the structure
- Architect’s fees
- Costs of permits and licenses
- Payment of damages
- Insurance costs during construction
- Interest incurred for the purpose of the project –
- interest on debt

Equipment Costs. The acquisition cost of equipment includes all expenditures in connection with its procurement, such as:

- Purchase price or construction costs, before trade-in allowance, less discounts
- Freight or other transportation costs
- Installation costs

Software Costs. The acquisition cost of software created by the government itself (internally generated) by a contracting party acting on the government’s behalf, or the purchase of “off-the-shelf” software.

Procedure:

A. Fixed Asset Accounting Transactions

1. Chapter 274, Florida Statutes and the Rules of the Auditor General, Chapter 10.400, Local Government Owned Tangible Personal Property shall be adhered to.
2. The Budget and Finance Department will create and maintain proper subsidiary ledgers to record fixed asset acquisitions, deletions, and changes. In certain cases if historical cost is not available, it will be estimated.
3. Information for updating the subsidiary records will be provided to the Budget and Finance Department’s Fixed Asset Specialist as follows:
 - A. Department will determine retired, partially retired, changes and transfers (which should include permanent transfer location) of fixed asset as well as new purchases over \$1,000. Once determined, departments will submit information to Fixed Asset Specialist.
 - B. Purchasing will submit by e-mail all fixed asset purchases greater than \$1,000 to Fixed Asset Specialist. Fixed Asset Specialist will maintain a list of all newly purchased assets, original costs, etc. Items will be tagged and the list will be crossed reference to each tagged item.
4. The Budget and Finance Department will balance the subsidiary ledgers to the general ledger on an annual basis.

B. Capitalization Threshold

Assets of \$1,000 or more will be inventoried but for accounting purposes only assets as qualify below will be capitalized. The following capitalization thresholds have been established. They are in accordance with Government Finance Officers Association recommended practice, “Establishing Appropriate Capitalization Thresholds for Capital Assets”.

Equipment	\$1,500
Land	Capitalize all
Buildings	\$10,000
Improvements	\$10,000

Infrastructure	\$10,000
Software	\$10,000
Easements	\$10,000
Right of Way	\$10,000

C. Physical Tagging of Fixed Assets

1. Asset control decals will not be affixed to land, building, improvements, leasehold improvements, infrastructure, or intangible assets. These assets will have an asset control number assigned to them but no physical decal will be applied to the asset. Asset control decals will only be affixed to equipment.
2. Asset control decals will be consecutively numbered tags supplied by the Fixed Asset Specialist.
3. The asset control tag will be physically attached to the item of equipment at the time of its addition to the subsidiary ledger. The Fixed Asset Specialist will be responsible for coordinating the tagging of equipment.
4. All tags will be affixed to the asset in a visible and convenient location that is easily accessible for scanning and inventory purposes. Asset tags assigned should only be replaced if damaged.

D. Depreciation

Depreciation is recorded for fixed assets in accordance with Generally Accepted Accounting Principles. Fixed assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20-40 years
Improvements	20 years
Improvements – Water/Sewer lines	50 years
Infrastructures	40 years
Asphalt Overlay	5 years
Intangibles	per contractual provisions
Leasehold Improvements	life of the lease or life of the improvement whichever is shorter
Equipment	5-15 years

E. Land Control

The Fixed Asset Specialist will maintain a current land ledger and the Town Clerks’ Office will keep all original deeds of Town owned land.

F. Buildings, Improvements, Leasehold Improvements, and Infrastructure Control

The Fixed Asset Specialist will maintain a current building, improvement, leasehold improvements, and infrastructure ledger.

G. Equipment Control

1. Each department is responsible for the equipment assigned to that department. The Fixed Asset Specialist will add all new equipment purchased with Town funds to the appropriate department's inventory. All equipment additions, transfers and other changes shall be reported to the Fixed Asset Specialist by the departments.
2. The Fixed Asset Specialist, in coordination with each department, will conduct an annual inventory of equipment. Any discrepancies between the subsidiary ledger and the actual inventory shall be explained by the department and, if unreconciled, will be reported to the Town Administrator.
3. Lost, missing or stolen assets should be reported as soon as possible. Stolen assets should be reported to the appropriate department director and the Police Department. If the fixed asset is not recovered it should be listed as "Retired" and removed from the active asset listing.

The Fixed Asset Specialist will retain all the fixed asset forms reporting lost, missing, and stolen assets for documentation purposes.

4. At fiscal year end, the Fixed Asset Specialist will send detail listings of equipment to the departments to verify. Once the list has been updated, it will be available on the Town hall server for viewing.

OIG 14-020-B

APPENDIX A



OFFICE OF THE TOWN ADMINISTRATOR

6591 Orange Drive • Davie, Florida 33314

Ph: 954.797.1034 • Fx: 954.797.1182

www.davie-fl.gov

Via CERTIFIED MAIL # 7008 2810 0000 1728 2097
Return Receipt Requested

September 19, 2017

TOWN COUNCIL
Judy Paul
MAYOR

COUNCILMEMBERS

Bryan Caletka
Councilmember
District 1

Caryl Hattan
Councilmember
District 2

Susan Starkey
Councilmember
District 3

Marlon Luis
Vice Mayor
District 4

John W. Scott, Inspector General
Broward Office of the Inspector General
One North University Drive, Suite 111
Plantation, Florida 33324

Re: OIG Draft Investigative Report, Ref. No. 14-020-B

Dear Inspector General Scott:

The Town of Davie is in receipt of the Office of Inspector General's (OIG) draft investigative report regarding the control of the Town's information technology equipment. We appreciate the opportunity to provide comment on your draft report. When the OIG advised the Town of the investigation, I requested a meeting with your Office and encouraged more dialogue between our agencies as you conducted your review. This communication afforded me the opportunity to ensure full cooperation from staff including the presentation of requested documents, staff access and any other desired information in an effort to comply with Broward County Charter requirements as well as for expediency and transparency.

I am pleased the OIG has recognized the Town's receptiveness to your process as well as the investment in staff and equipment enabling the continued restructuring of our Information Technology Department. I am also appreciative of the acknowledgement of the Town's immediate actions to take steps once information became known.

The Town's new IT Director and Security Manager have implemented security protocols, inventory control, upgraded equipment, policies, town-wide training and accountability measures. Though your findings only identified \$12,512.28 out of \$844,148.95 or 1.5% worth of unaccounted inventory, we will continue to work diligently to track down, document and report on our additional internal investigative results. The Town's early efforts lead us to believe this equipment was not the subject of theft or misappropriation, but one of improper disposal documentation of obsolete item(s).

2017 SEP 26 AM 11:22
BROWARD
INSPECTOR GENERAL

These comprehensive efforts for accountability have required the expenditure of significant Town funds to ensure the protection of public assets, as well as service to our customers and employees. I applaud the Davie Town Council, who, after being informed of the challenges of the past, fully embraced the new direction. As such, the positive and progressive changes you so prudently recognized would not have been possible without their support.

In closing, the Town welcomes your findings and has made the necessary changes you identified beforehand, which will set a mandated standard for future expectations. As with the previous investigative findings and upon your final report, I will agenda a public presentation to the Davie Town Council regarding your investigative findings.

Sincerely,



Richard J. Lemack
Town Administrator

cc: Mayor and Town Council
Macciano K. Lewis, Deputy Town Administrator
Phillip R. Holste, Assistant Town Administrator
John C. Rayson, Town Attorney