

**Department of Public Works
Assets Audit
January 2014**



City of Baton Rouge Parish of East Baton Rouge
Finance Department Internal Auditing Division
P.O. Box 1471 Baton Rouge, LA 70821
Phone (225) 389-5159 Fax (225) 389-8639
www.brgov.com



**Department of Finance
Internal Auditing Division**

City of Baton Rouge
Parish of East Baton Rouge

222 St. Louis Street, Room 490
Post Office Box 1471
Baton Rouge, Louisiana 70821

(225) 389-5159
Fax (225) 389-8639

January 21, 2014

MEMORANDUM

TO: William Daniel, Audit Committee Member
Casey Cashio, Audit Committee Member
Marsha Hanlon, Audit Committee Member
Chandler Loupe, Audit Committee Member

FROM: Carol Marcantel
Auditing Manager

SUBJECT: DEPARTMENT OF PUBLIC WORKS ASSETS AUDIT

Enclosed is our report of the Department of Public Works Assets audit. The audit was conducted in accordance with the 2013 annual work program. This report presents all audit issues and the corresponding recommendations.

The Internal Auditing Division will conduct a follow-up review regarding implementation of corrective action. The result of the follow-up review will be reported to the Audit Committee.

We would like to thank the Department of Public Works staff for their cooperation and assistance during the audit.

Carol Marcantel
Auditing Manager

TABLE OF CONTENTS

CHAPTER ONE - AUDIT ISSUES 1

- Assets1
- Purchases..... 2
- Complaint Resolution 2
- Transfer/Disposition of Assets..... 3
- Municipal Building 3
- Supplies..... 4
- Exit Conference 4

CHAPTER TWO – BACKGROUND, OBJECTIVES, SCOPE, & METHODOLOGY 5

- Background..... 5
- Objectives 5
- Scope and Methodology 5

CHAPTER ONE - AUDIT ISSUES

ASSETS

Fifty-seven of 64 assets, 89%, were located during the audit. These items were valued at \$469,265 and represent approximately 96% of the sample value.

Seven of the sample items with a value of \$21,523 could not be located. These items are listed in the table below:

Division	Property Tag #	Item Description	Acquisition Amount	Acquisition Date
Administration	117075	Laptop, Dell Latitude E6500	\$3,063	3/10/2009
Complaint Resolution	117054	Laptop, Dell Latitude E5500	\$1,233	2/6/2009
Environmental	110137	Computer, Dell Optiplex GX620	\$1,896	2/6/2006
WWC	106730	Computer, Dell Optiplex GX270	\$1,280	3/5/2004
WWC – Pump Stations	111428	Computer, Dell Optiplex GX 620	\$1,568	9/14/2006
WWT	95250	Phone System Nitsuko America 124i	\$11,175	7/23/1997
Central Garage	109935	Computer, Dell Optiplex GX620	\$1,308	12/31/2005

Six of the seven items not located were computers. Department of Public Works (DPW) divisions sent their computers to the DPW Computer Systems Manager in Engineering but did not complete a FMA form or track the computer by any other means. DPW Engineering normally sends a computer back but it may not be the same computer. An FMA form is not completed for this transfer also. Engineering sometimes dismantles the computers for parts and they may never be taken off the divisions' asset listing.

Other issues noted during the inventory process were as follows:

- City-Parish property tags could not be located on six sample items.
- For 15 items, the Fixed and Movable Asset system included incorrect identifying information. These items had the property tag number shown as the serial number also.

Recommendation

All DPW divisions will locate items assigned to them on the FMA listing during the annual inventory as required by City-Parish policy. Any items not located should be reported to the Fixed Assets Manager with the Purchasing Department. DPW should also contact the Baton Rouge Police Department and complete a "Theft Report of City Owned Property" for any items not located.

For assets missing tags, DPW staff will record the property tag number on or attach a label with the property tag number to all assets over \$1,000 which are missing property tags.

DPW staff will supply other identifying information in addition to serial numbers on the documentation provided to the Purchasing Department. If a serial number is not available for the item, the space will be marked as "not available".

DPW must report the transfer of assets between property managers to the Fixed Assets Manager immediately.

PURCHASES

Thirteen sample items, 87% of the sample purchases with a unit cost ranging between \$500 and \$1,000, were located. These items were valued at \$9,712. One drainage gate could not be verified due to its location. A chainsaw purchased in 2012 could not be located. Its purchase price was \$827.

Only two of the DPW divisions had a departmental asset tracking list as required by Section XII of the Purchasing Manual.

Recommendation

DPW divisions will maintain a listing of items costing less than \$1,000. This listing will contain the serial number and other identifying information for all listed items.

Divisions will also assign each item to a supervisor or employee who will be responsible for each item.

Each division will perform an inventory annually or as needed on items costing less than \$1,000.

DPW should contact the Baton Rouge Police Department and complete a "Theft Report of City Owned Property" if the chainsaw cannot be located.

COMPLAINT RESOLUTION

Assets are assigned to Complaint Resolution which is no longer an active DPW division. As of August 2, 2013, there were a total of 11 items on Complaint Resolution's asset listing with a value of \$39,272.

Recommendation

All assets currently assigned to Complaint Resolution should be located and transferred to the correct DPW division.

TRANSFER/DISPOSITION OF ASSETS

DPW has three assets in our sample that are obsolete. These items have an acquisition cost of \$47,821.

Division	Property Tag #	Description	Acquisition Amount	Acquisition Date
East Lot – Bridge & Canal	67580	AIR COMPRESSOR, INGERSOLL RAND	\$9,483	7/23/1987
Wastewater Collections	78597	TRAILER FOR SEWER CLEANING MACHINE	\$1,975	1/1/1991
Wastewater Treatment	69396	1987 TRAILER, RAM-E- JEC (SLUDGE)	\$36,363	1/7/1988

Two sample items disposed of or transferred by divisions were not submitted to Purchasing on the proper form. These items were a Muratec fax machine and Dell computer.

Recommendation

DPW staff should identify asset items that are obsolete during their annual inventory. These items should be sent to Purchasing for disposal or auction.

All items disposed of should have a correlating FMA form to support the transfer. DPW divisions should keep a copy of the FMA form on file to support the purchase, transfer, disposition, or donation of all assets.

FMA forms must be sent to Purchasing at the time of the transfer.

MUNICIPAL BUILDING

DPW has assets on the second floor of the Municipal Building that are to be auctioned off. Due to the large number of items, Purchasing will hold the auction inside the building. Some of the items have been taken off the division's asset listing and assigned to Purchasing. However, three sample items are still on the division's asset listing. These items are two Dell computers and a local network interconnect.

Recommendation

DPW staff should identify all DPW items in the Municipal Building to be auctioned off. The items should be taken off the division's asset listing with a FMA form and transferred to Purchasing. Department of Public Works employees should not have access to items once they are taken off of their inventory.

SUPPLIES

DPW Street Maintenance and Bridge and Canal Superintendents are not blacking out the bottom of the Withdrawal Authorization forms to prevent employees from adding items. In our sample of 32 forms, we identified thirteen instances where the bottom of the authorization form was not blacked out.

Recommendation

DPW Superintendents should black out the bottom of all Inventory Withdrawal Authorization forms

DPW Superintendents should reconcile the monthly Inventory Withdrawal Report received from the DPW Business Office to their Inventory Withdrawal Authorization tickets to determine if extra items were obtained from the Warehouse.

EXIT CONFERENCE

We held an exit conference on Friday, January 17, 2014 with the following persons in attendance:

- David Guillory, Director of Public Works
- Leo Bossier, Assistant Director of Management/Finance
- Carol Marcantel, Auditing Manager
- Devin Fernandez, Senior Auditor.

The contents of the report were fully discussed. DPW concurred with the findings and agreed to implement all recommendations.

CHAPTER TWO – BACKGROUND, OBJECTIVES, SCOPE, & METHODOLOGY

BACKGROUND

The Department of Public Works is responsible for a wide variety of activities within the Parish including maintenance of streets and roads, maintenance and operation of sewer collection lines and sewer treatment facilities, building code enforcement, maintenance of public buildings, operation of a central garage, engineering services for construction projects, and traffic control device maintenance and engineering. As of August 1, 2013, the Department of Public Works had over \$44 million in assets.

The Inventory Section of the Purchasing Division maintains the City-Parish Fixed and Movable Assets (FMA) inventory control.

The FMA System is designed to maintain proper fixed and movable assets values for capital items and to provide a system for tracking and accounting for all assets owned by the City-Parish of East Baton Rouge. All assets where the initial cost is \$1,000 or greater are considered capital assets and are inventoried and tagged. Each agency is responsible for verifying and locating each item on its list and reporting this information back to Purchasing annually. Each agency should also maintain their inventory of items costing less than \$1,000.

OBJECTIVES

The Department of Public Works Assets audit was approved by the Audit Committee as part of the 2013 Audit Plan. The audit objectives are to verify the existence and location of a sample of DPW assets, determine if asset dispositions are properly documented and in accordance with policy, and review departmental procedures for annual inventory of assets.

SCOPE AND METHODOLOGY

This audit is limited to the following:

1. Locating a sample of assets from nineteen DPW divisions on the City-Parish Fixed and Movable Asset system as of August 1, 2013 and verifying asset information is recorded and maintained in the FMA system correctly.
2. Locating assets from recent purchases by eight DPW divisions between January 1, 2013 to August 1, 2013 and verifying assets are being recorded in the department's inventory records.
3. Verifying disposed assets had proper documentation and were properly recorded.
4. Reviewing DPW procedures for the annual inventory and safeguarding of assets.