

**Follow-Up Audit of
Surplus Property
Orange County Comptroller's
Property Accounting
Department**

**Report by the
Office of County Comptroller**

**Martha O. Haynie, CPA
County Comptroller**

County Audit Division

J. Carl Smith, CPA
Director

Christopher J. Dawkins, CPA
Deputy Director

Rhonda Haney
In-Charge Auditor

**Report No. 317
September 2002**

TABLE OF CONTENTS

Transmittal Letter.....	1
Implementation Status of Previous Recommendations For Improvement	2
Introduction	4
Follow-up To Previous Recommendations For Improvement	6
1. Accountable Property Should Be Approved For Disposal Prior To Being Auctioned.....	7
2. The Property Accounting Department Should Ensure Property Records Are Updated For Accountable Items That Are Surplused And Sold	8
3. Management Should Be Notified Of Non-Accountable Property Removed By Their Representatives.....	10

September 26, 2002

Martha O. Haynie, CPA

We have conducted a Follow-up of the Audit of Surplus Property in the Orange County Comptroller's Property Accounting Department. Our original audit included the period of October 1, 1997 to March 31, 1999. Testing of the status of the previous Recommendations for Improvement was performed for the period June 1, 2001 through December 31, 2001. Our follow-up audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous condition and the previous recommendation. Following the recommendations is a summary of the current status as determined in this review. Responses to our Recommendations for Improvement were received from the Manager of the Property Accounting Department and are incorporated herein.

We appreciate the cooperation of the personnel of the Orange County Comptroller's Property Accounting Department during the course of the audit.

J. Carl Smith, CPA
Director of County Audit

c: Mark A. Fostier, Assistant Comptroller, Fiscal Division
Laurie Bowes, Manager, Property Accounting Department

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS
FOR IMPROVEMENT**

FOLLOW-UP AUDIT OF SURPLUS PROPERTY IN THE ORANGE COUNTY COMPTROLLER'S
PROPERTY ACCOUNTING DEPARTMENT
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the Property Accounting Department ensures all accountable items are approved for disposition by the Orange County Board of County Commissioners prior to sale at a public auction.	X			
2.	We recommend the Property Accounting Department develops procedures to ensure property records are accurately updated when items get moved to the surplus warehouse, are approved for sale, and are inventoried or sold.	X			
3.	We recommend the Property Accounting Department notifies department managers of all non-accountable property removed from the warehouse.	X			

INTRODUCTION

**Scope and
Methodology**

The audit scope was limited to an examination of the status of the previous recommendations for improvement from the original audit of Surplus Property in the Comptroller's Property Accounting Department dated August 2000. The period tested was from June 1, 2001 through December 31, 2001.

To determine if all accountable items were approved for disposition by the Orange County Board of County Commissioners (BCC) prior to sale at a public auction, we selected a sample of 35 sale numbers from the Final Sales List – Orange County Comptroller Property Accounting Public Auction – Warehouse Equipment report for June 4, 2001. The asset number(s) associated with each sale number was compared with the BCC approved Request for Action for the June 4, 2001 auction to ensure that approval was received prior to disposition.

To determine if procedures were developed to ensure property records are accurately updated when items are moved to the surplus warehouse or sold, sales transactions were reviewed to determine if the property accounting records contained the appropriate authority, disposal date and location. We also selected a sample of items from the Warehouse Inventory List report and traced the items to the warehouse floor by tag and asset number, and vice-versa. Additionally, we selected the warehouse property and issue receipts for two calendar dates during the audit period. We reviewed the Orange County Advantage/LGFS property accounting records to determine if the inventory date and location were updated subsequent to the receipt or issuance of each asset.

To determine if department managers were notified of all non-accountable property removed from the warehouse by their respective department representatives, we reviewed the Property Accounting support documents for the issue receipts noted above to determine if a memo to the department manager was present notifying them that their representative had removed non-accountable property from the surplus warehouse.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT**



1. Accountable Property Should Be Approved For Disposal Prior To Being Auctioned

In the previous audit, we found that two percent (1 of 45) of the items were sold at the March 18, 1998, Surplus Property Auction prior to receiving approval for disposal by the Orange County Board of County Commissioners. The item was inadvertently omitted from the Request for Action to the Board that was submitted for the March 1998 auction.

We Recommend the Property Accounting Department ensures all accountable items are approved for disposition by the Orange County Board of County Commissioners prior to sale at a public auction.

Status:

Implemented. We traced 286 of the 315 items sampled on the June 4, 2001 Final Auction Sales List to a Board approval for disposition. The 29 items we were unable to verify were no longer listed in Advantage/LGFS (LGFS); and as such, we were unable to determine if Board approval was required. Further review revealed that 12 of these 286 items were approved for sale by the Board at a prior auction. We were unable to determine if the item had actually sold at the prior auction although the items were recorded in LGFS as sold prior to June 4, 2001.

Prior to each sale, the Property Accounting Department processes a focus report based on information obtained from the Orange County Asset Management System comparing all items to be sold at auction to items recorded in the LGFS system. Exceptions in this report (items not in the LGFS system or assets with prior sale dates, etc.) are excluded from the Request for Action for Board approval. All 41 (29 + 12) of the assets listed above were identified and included by Property Accounting on the report processed prior to the June 4, 2001 auction. Although Property Accounting researches items on this report to determine why the item was not found in LGFS, additional follow-up is needed for some items with a possible original cost in excess of \$500.



Property Accounting should attempt to determine the reason(s) for each discrepancy.

We Recommend Property Accounting attempts to determine the reasons for exceptions between the items to be sold at auction and the items recorded in the LGFS.

Management's Response:

We concur. Our office will continue to prepare the reconciliation from the original listing created by the Orange County Asset Management System at the surplus warehouse and the Request for Action that is submitted to the Board of County Commissioners for their approval. Any reconciling assets will be researched as to whether or not they require Board approval and if not, the reasons why will be documented. For each asset that is deemed to have originally cost \$500 or more we will attempt to determine the reasons why the asset is not found in the Advantage 3.0 (formerly known as LGFS) and rectify the situation when necessary.

2. The Property Accounting Department Should Ensure Property Records Are Updated For Accountable Items That Are Surplused And Sold

We noted the following concerns with the Property Records during the previous audit:

- While reviewing the records for surplus property auctions, we noted four percent (2 of 45) of the items were not adjusted correctly in the property records to reflect the sale.
- While tracing property items at the warehouse to the property records to determine whether their recorded location was correct, the records for 10 percent (2 of 20) of the items had not been updated.

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up Audit of Surplus
Property

-
- While reviewing property records for the proper surplus date, six percent (2 of 30) of the items sampled had not had their locations updated to the warehouse. Another item had its location changed to the warehouse after the date of the auction.

We Recommend the Property Accounting Department develops procedures to ensure property records are accurately updated when items get moved to the surplus warehouse, are approved for sale, and are inventoried or sold.

Status:

Implemented. Property Accounting updated the written procedures to address the recommendation. A review of assets listed as sold on the June 4, 2001 Auction Detail report revealed that the appropriate BCC authority, disposal date, and location were recorded in the property record; although we did note a few minor exceptions in these data fields. During our testing we did note that eight percent (9 of 120) of the Property Accounting warehouse receipt/issue forms did not have the appropriate inventory history date and/or location recorded in the property record.

We Recommend the Property Accounting Department ensure the correct history date and location are recorded in the property records.

Management's Response:

We concur. Our office will continue to ensure that the property records are updated for accountable items that are surplus and sold. Of the eight percent exceptions that were noted in the follow-up audit, most of these were due to keying errors. We have since implemented an auditing procedure for the data entry of location changes for assets received in and issued from the surplus warehouse weekly.



3. Management Should Be Notified Of Non-Accountable Property Removed By Their Representatives

During the previous audit, we noted that department representatives can come to the surplus warehouse, show a County ID, pick out property, and take it away. There is no documentation mailed to the department to verify that the property was actually transferred to the department. Accountable property (value in excess of \$500) will appear on the department's next annual inventory, however, non-accountable property is not recorded in the department's inventory.

We Recommend the Property Accounting Department notifies department managers of all non-accountable property removed from the warehouse.

Status:

Implemented. All ten of the Property Accounting warehouse issue receipts reviewed had an accompanying memo to the department manager included in the property accounting files. In addition, the Property Control Supervisor Warehouse Procedures include the issuance of a memo to the Division manager for all items issued from the warehouse and for all items brought to the warehouse by Facilities Management in the section "Warehouse Duties."

Management's Response:

We concur. We will continue to send the Division Manager a memo detailing all assets that were brought to and removed from the surplus warehouse each week by their Division representatives.