

**Travis County Information Technology Services  
Fixed Asset Review  
Report of Findings and Recommendations  
#15-46**

**March 4, 2016**

TRAVIS COUNTY  
AUDITOR'S OFFICE

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To: Tanya Acevedo  
Chief Information Officer, Information Technology Services

From: Nicki Riley, CPA  
Travis County Auditor

Date: March 4, 2016

Subject: Fixed Asset Review

Scheduled as part of our statutory requirements, particularly those in Section 115 of the Local Government Code, the Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed an examination of the fixed assets held by Travis County Information Technology Services (ITS). We conducted our examination in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations.

## **BACKGROUND**

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The Information Technology Services department provides technology support and services to County offices and departments. ITS maintains County technological infrastructure systems, providing information availability and security for County personnel. ITS also strives to expand, automate, and improve County services to constituents via technological advancements.

## **SCOPE OF EXAMINATION**

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The primary objective of this examination was to verify the reasonableness of the internal controls and accounting protocols in place at ITS to tracking and maintain fixed assets assigned to this department.

## **EXAMINATION METHODOLOGY**

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Our work was based on applying sampling procedures to office records and on verbal and written representations from this office. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all concerns in ITS's financial records and financial controls that might be material weaknesses or misstatements. In regards to the written and verbal representations made by ITS personnel, unless otherwise noted in this report, office management maintains that the assertions we relied upon were correct to the best of their knowledge.

## **OPINION ON INTERNAL CONTROLS AND ACCOUNTING PROTOCOLS RELATED TO FIXED ASSETS**

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Based upon our examination, we give the internal controls and accounting processes for fixed assets maintained by ITS a rating of "Good". This rating is indicative of a well-established internal controls environment with few, if any, minor weaknesses noted. See Attachment A on page 5 for our ratings key.

## **SUMMARY OF FINDINGS**

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Based on our testing, ITS had an over 98% success rate in tracking the assets assigned to this department. We noted minor issues related to updating SAP location codes, documenting IDF closets, and reconciling SAP to the department's internal equipment tracking system. Our findings, recommendations, and the responses from ITS management can be found in Attachment B, starting on page 6.

## **EXAMINATION TEAM**

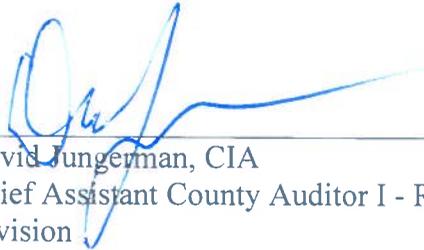
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David Jungerman, CIA, Senior Auditor  
Josh Kubiak, CPA, Staff Auditor

## **CLOSING**

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This report is intended solely for the information and use of ITS and the Commissioners' Court. We greatly appreciate the cooperation and assistance received from the management and staff of ITS during this review. Please contact us if you have any questions or concerns regarding this report.



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David Jungerman, CIA  
Chief Assistant County Auditor I - REC  
Division



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Patti Smith, CPA  
First Assistant County Auditor



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Nicki Riley, CPA  
Travis County Auditor

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Managers, Travis County Auditor's Office  
Examination File

## ATTACHMENT A – INTERNAL CONTROLS RATING KEY

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A good internal control system reduces the risk of errors, defalcations, and misappropriations of funds. Weak internal control systems provide an environment in which errors, defalcations, and misappropriations of funds can go undetected. The following details the various grades we assign to internal control systems:

<b>RATING</b>	<b>RATING DESCRIPTION</b>
Good	Well-established internal controls with few, if any, minor weaknesses noted
Adequate	The overall solid system of internal controls is sufficient to outweigh noted weaknesses
Requires Improvement	Internal control weaknesses exist that moderately impact the overall system of internal controls
Requires Significant Improvement	Significant internal control weaknesses exist that negatively impact the overall system of internal controls
Inadequate	The existing system of internal controls is materially ineffective

## ATTACHMENT B – FIXED ASSET FINDINGS

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Capitalized fixed assets are assets that have been recorded on the County's financial statements with the intention of depreciating their value over the estimated life of the asset. Typically, capitalized assets are valued at over \$5,000 and may include buildings, building improvements, equipment, and vehicles.

Conversely, trackable assets are defined as non-capitalized items that are inventoried because of the likelihood of theft or loss. Typically, these lower-value assets are medical, communications, or computer equipment, specialized law enforcement items, or audio/visual in nature.

As of July 28<sup>th</sup>, 2015, ITS held 719 capitalized assets with a purchase price of \$18,963,803.40 and 859 trackable assets with a purchase price of \$1,708,570.81. During our testing, we attempted to physically verify 53 (7.4%) capitalized assets and 115 (13.4%) trackable assets with a purchase cost of \$2,011,259.80 (10.6%) and \$196,200.93 (11.5%) respectively.

### Overall Results:

Of the items in our sample, we were able to verify 51 (96.2%) capitalized assets and 115 (100%) trackable assets. The remaining two items with a purchase cost of \$23,333 could not be located. These items are detailed below:

Description	SAP #	Purchase Price
Meridian Northstar Phone System Upgrade	1000312	\$8,075
Nortel Meridian Remote Carrier Interface Card	1002221	\$15,258
	<b>Total</b>	<b>\$23,333</b>

Based on our testing, it appears that ITS is tracking and maintaining its assets in an appropriate manner. The above results are also a significant improvement on previous fixed asset reviews of this office. We encourage ITS to continue to search for the two items noted above.

### Other relatively minor items noted:

#### *Location Codes:*

Of the 53 capital items selected for testing, 20 (37.7%) assets had an incorrect location listed in SAP. Of the 115 trackable assets selected for testing, 58 items (50.4%) had an incorrect location listed in SAP.

We recommend that ITS work with the appropriate personnel from the Purchasing Office to timely update asset location codes as needed.

### *System Reconciliation*

In late calendar year 2014, ITS implemented the current version of the Wedge Advanced Software Product (WASP system). WASP is primarily a barcode inventory system, used by ITS to track and record information related to its computer and telecommunications equipment.

After performing a comprehensive asset inventory using WASP in late 2014 and early 2015, ITS personnel determined that a number of items had been inventoried that were not recorded in SAP as either trackable or capitalized assets. ITS immediately began to work with the Purchasing Office to determine how to properly account for these items. As of September 29, 2015, there were approximately 938 items of equipment tracked in WASP that were not recorded in SAP. Given the time and resources required to review each of these items, this will likely be a lengthy project.

We recommend that ITS continue to work with the Purchasing Office to reconcile the WASP system to SAP. The Auditor's Office is happy to assist with properly accounting for any assets that are determined to be capital in nature. For any items in WASP that are added to SAP, we encourage ITS and the Purchasing Office to try to determine why these items were not recorded in SAP when they were initially received. Based on this review, new controls and processes should be implemented as appropriate to limit the number of items not recorded in SAP going forward. The Auditor's Office would be happy to assist in this process as well.

### *IDF Closets*

IDF closets are rooms that house networking equipment. Network drops (connection sites) located throughout a given location are linked to the IDF closets, allowing for connectivity to and from the central data center.

During our testing, we noted that there was limited documentation for the contents of the assets held in IDF closets in more remote Travis County locations. We also noted that the number of ITS employees with direct knowledge of these remote IDF closets was limited in some cases.

We recommend that ITS improve its documentation of the contents of the more remote IDF closets. This could, for example, be achieved using shared, soft-copy equipment diagrams that are updated when equipment changes occur. We also suggest that ITS consider cross-training more employees on the contents and function of these remote IDF closets.

### **Management Response:**

ITS conducts an annual physical inventory of our fixed assets to ensure asset locations are accurate and that the assets are accounted for properly. In addition to the physical inventory, we conduct ongoing research as to why an asset may not have been properly recorded. When assets are identified that were not recorded properly at the time of purchase, we work with the Fixed Asset Manager to get these items updated in our inventory. This is an ongoing challenge due to the limitations based on the timing of the discovery and the financial system constraints.

Additionally, internal controls have been implemented that include procedures to track and properly record warranty returns and replacements and proper recording of parent / child relationships on assets that cannot be tagged or scanned during the inventory process. ITS also

works closely with the Financial Auditor Analyst prior to entering a shopping cart to ensure proper asset accounting for capital assets will occur at the point of purchase.

With regards to the IDF Closets, ITS does not agree that the documentation for the assets held in IDF closets in remote locations is limited. All IDF closets are treated with the same asset tracking policies and procedures, regardless of location. Regarding the knowledge of remote IDF closets, ITS has three separate teams of individuals that regularly access these remote IDF closets for maintenance activities. We believe that the documentation and in-house knowledge of these rooms is sufficient.