

MARTHA INGLE



CLERK OF COURT, WALTON COUNTY, FLORIDA

Walton County
Clerk of the Court's Office
Fixed Asset Review

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Clerk of the Courts

Internal Audit Department

Johnny Street
Internal Audit Manager

Report 09-02

May 2009

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MARTHA INGLE



CLERK OF COURT, WALTON COUNTY, FLORIDA

August 3, 2009

Martha Ingle, Walton County Clerk of the Courts

The Internal Audit Department has conducted an audit of Walton County Clerk of the Courts' Fixed Assets. The fixed asset process was reviewed for the period of October 1, 2007 to September 30, 2008 to determine if internal controls for the purchase, recording and disposal of the property are adequate and working properly. In addition, the tangible personal property was reviewed to ensure it is properly protected. Also, the property records were reviewed to ensure they complied with State laws, rules and regulations and the Clerk's office policies and procedures.

The audit was conducted in accordance with generally accepted government auditing standards, and included such tests as considered necessary for the area under review. These standards require the audit to be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. Based on the audit objectives, Internal Audit believes the evidence obtained provides a reasonable basis for the findings and conclusions.

Internal Audit appreciates the cooperation of the personnel of the Clerk's office during the completion of this audit.

Johnny Street
Internal Audit Manager

c: Cindy Yates, Chief Deputy Clerk
William Pennington, Finance Director

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EXECUTIVE SUMMARY

Executive Summary

The Internal Audit Department conducted a review of the Clerk of Courts' (Clerk) controls for fixed assets. The review included an examination of fixed asset purchases, recording and disposals for the period of October 1, 2007 through September 30, 2008. The objective of the audit was to determine if adequate controls were in place to ensure that fixed assets are recorded after purchase and tagged with a property number in a timely manner. Also, to ensure the property records were complete and accurate. In addition, fixed assets records were reviewed to ensure they were in compliance with all applicable policies and procedures, laws, statutes, and regulations.

In the opinion of internal audit, controls over the purchase, recording, and inventory were adequate during the audit period; however, there is room for improvement in the area of fixed asset disposal. Specifically, in obtaining the Board of County Commissioner's (BCC) authorization to dispose of the property as required by Florida Statutes. In addition, some improvement is necessary in certain areas of the annual inventory.

Based on the test work performed by internal audit, the Clerk's fixed asset process materially complied with applicable laws and regulations.

The Internal Audit Department commends the Clerk of Courts and the Clerk's personnel on their dedicated service to the public in ensuring that public assets are properly controlled and protected.

INTRODUCTION



INTRODUCTION

Fixed Asset Review

Background

The Clerk of the Courts established a fixed asset function within the Clerk's Chief Deputy Clerk's Office for recording, tracking and disposing of fixed assets. The Finance Specialist (Specialist) is charged with carrying out these duties for the Clerk. The Specialist reviews all invoices and flags any with items that should be included in the fixed asset register. The items are recorded in the asset register and a consecutive number is assigned to the asset. The Specialist finds the asset, verifies the serial number or other identification number and then places the tag in a visible location. Each year, the Specialist prepares an asset list by department in order to complete an annual inventory. Each department verifies the existence of the property and signs the Fixed Asset Certification sheet attesting to the inventory. An asset activity form is prepared by the department to dispose of property. Any computer equipment must be processed through the MIS department to ensure that all information is removed. When this is done, a request is sent to Walton County requesting that the BCC authorize the removal of the property from the asset list, as required by law. After the BCC gives approval the asset is removed from the register and the county is requested to pick up the item.

Florida Statute (F.S.) 274 is the guiding authority for tangible personal property that is owned by local governments. The Florida Chief Financial Officer (CFO) is directed by F.S. 274.02 to establish by rule the requirements for recording and inventorying the property. The CFO developed Rule 69I-73 for the property and to implement Section 274.02 F.S.

Scope, Objectives, and Methodology

The review of the fixed asset process was conducted for the period of October 1, 2007 through September 30, 2008. The objective of the review was to determine if the Clerk's policies and procedures for the recording, inventory and disposal of fixed assets adequately support good internal controls. The review was also completed to determine if the publicly owned property was properly safeguarded. Additionally, the review was completed to ensure that the Clerk was in compliance with all federal, state, and local laws, regulations, resolutions, and ordinances.

To accomplish the audit objectives fixed assets records were reviewed to determine if the property was recorded in the asset register correctly and the item was tagged with a property number in a timely manner. The information recorded in the asset register was compared to the information requirements of Rule 69I-73. In addition, the annual asset inventory methods were reviewed to ensure they complied with the CFO rules. Finally, the disposition of fixed assets was reviewed to ensure the assets were tracked, records were properly updated, and disposals were completed as required by law.



INTRODUCTION

Fixed Asset Review

Overall Conclusion

Based on the results of the work performed, the Walton County Clerk of the Courts provided good internal control over fixed assets and materially complied with applicable laws, rules, and regulations and policies and procedures. In the opinion of Internal Audit, the system of internal controls over the fixed asset process was adequate. Recommended improvements are included in this report.

**RECOMMEDATIONS FOR
IMPROVEMENT**

1. **Certain Fixed Assets were Disposed Prior to Board of County Commissioners Authorization.**

As part of internal audit's review of fixed assets, Florida statutes and CFO rules were reviewed and compared to the actual practice of the Clerk's fixed asset process. Specifically, the procedures used when disposing of property were compared to the rules and regulations and state statutes. It was determined that the disposal of certain assets was not listed in the BCC minutes pursuant to F.S. 274 and CFO Rule 69I-73. In addition, the BCC did not authorize the disposal and removal from the asset records of some items. Section 274.07 F.S. requires that the disposal of property be recorded in the minutes of the governmental unit (BCC meeting minutes) and CFO Rule 69I-73.005(b) states that the governing body (BCC) has the authority for disposition of property.

Forty items were identified on the Clerk's fixed asset register as property that had been listed as disposed during an 18 month period ending January 2009. Thirteen of the 40 (32.5%) items were not listed in the BCC minutes. One of the 13 was included in the consent agenda packet but the item was not listed in the minutes. Internal audit could not find documentation that the remaining twelve were presented to the BCC for disposal. The result is that twelve (30%) of the items were removed from the asset list without prior BCC approval. Six of the twelve did not receive a request from the Clerk to have the items removed from the records. These six were cannibalized for parts. The Clerk's office requested the removal of the other six; however the request was not presented to the BCC by the county department handling the request.

Six of the twelve unauthorized disposals listed above were not the result of noncompliance by the Clerk's personnel; however it is incumbent upon the Clerk's office to ensure that the property is disposed and removed from the records pursuant to Florida laws, rules, and regulations. The Clerk's office does not have written operating procedures for the fixed asset process. Disposal and follow-up procedures might have prevented this oversight.

Internal Audit Recommends the implementation of internal controls that will help ensure fixed assets are disposed in accordance with Florida laws, rules and regulations. These controls should include written operating procedures for the fixed asset process. The Clerk's office should also consider submitting their disposal request to the BCC on the agenda submission form to help ensure the BCC receives the request.



**RECOMMENDATIONS
FOR IMPROVEMENT**

Fixed Asset Review**2. Custodians are Inventorying Property that They are Responsible for.**

Internal Audit conducted a review of the annual fixed asset inventory that is required by F.S. and CFO Rule 69I-73.006. The CFO rule states that the custodian who is responsible for the property shall not personally inventory those items. Also, section (2) of this rule lists the information required on the inventory form for each item. One of these requirements is the present physical condition of the property item inventoried.

The Clerk performs an annual inventory each year as required by the statutes and CFO rules. A copy of the asset register is generated for each department listing the property they are responsible for. This register is sent to the departments along with an asset certification form attesting to the accuracy and completion of the fixed asset inventory. The manager or supervisor of each department is considered to be the custodian of that department's property. Based on the asset certification and personal interviews, it was determined that some of the custodians conducted their own inventories. In addition, the physical condition of each property item was not listed in the inventory. The inventory confirmed that the item existed but did not indicate the condition of the item.

The Clerk's office does not have written operating procedures for the fixed asset process. Written operating procedures could outline the fixed asset inventory directives of the Clerk and provide additional controls that would help ensure adherence to applicable laws, rules and regulations.

Internal Audit Recommends that management develop written operating procedures for the fixed asset process that will provide good controls that ensure compliance with laws, rules and regulations.