

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

329



FROM: County Auditor-Controller

SUBMITTAL DATE:

June 6, 2006

SUBJECT: Internal Auditor's Report #2005-020 – Riverside County Information Technology Department

RECOMMENDED MOTION: Receive and file Internal Auditor's Report #2005-020 – Riverside County Information Technology Department.

BACKGROUND: The Auditor-Controller completed an audit of the Riverside County Information Technology Department. Our primary objective was to determine the existence and adequacy of internal controls over the department's processes and fiscal procedures.

Based upon the results of our audit, we determined the department had an adequate system of internal controls over acquiring and disposing assets. However, controls in place were not adequate to safeguard and monitor capitalized and non-capitalized assets, inventory, and purchases for County Departments (Pass-Through Transactions).

Management concurred with our findings and indicated corrective action will be taken. We will follow-up within one year to verify that management took corrective action.

Robert E. Byrd
 ROBERT E. BYRD
 County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$-0-	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$-0-	Budget Adjustment:	N/A
	Annual Net County Cost:	\$-0-	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30 <input type="checkbox"/>
	Requires 4/5 Vote <input type="checkbox"/>

C.E.O. RECOMMENDATION: RECEIVE & FILE

County Executive Office Signature *Dennis C. Gardner*

- Dep't Recomm.: Policy
- Per Exec. Ofc.: Policy
- Consent
- Consent



County of Riverside

INTERNAL AUDITOR'S REPORT

Riverside County Information Technology Department

June 6, 2006

Office of
Robert E. Byrd, CGFM
County Auditor-Controller

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326



OFFICE OF THE
COUNTY AUDITOR-CONTROLLER

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COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER

Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Ivan M. Chand, CGFM
ASSISTANT AUDITOR-
CONTROLLER

June 6, 2006

Mr. Matthew Frymire, Chief Information Officer
Riverside County Information Technology Department
4080 Lemon Street, 10th Floor
Riverside, CA 92501-1589

Subject: Internal Auditor's Report #2005-020 – Riverside County Information Technology Department

Dear Mr. Frymire:

We have completed an audit of the Riverside County Information Technology Department. We conducted the audit during the period May 2005 through December 2005, for operations of July 1, 2002 through November 30, 2005.

Our purpose was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the department's processes and fiscal procedures.

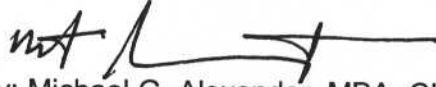
We conducted our audit in accordance with the auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusions.

Based upon the results of our audit, we determined the department had an adequate system of internal controls over acquiring and disposing assets. However, controls in place were not adequate to safeguard and monitor capitalized and non-capitalized assets, inventory, and purchases for County Departments (Pass-Through Transactions).

Throughout the audit, we discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the appropriate level of management.

We thank the department's management and staff for their cooperation during the audit. Their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd, CGFM
County Auditor-Controller

A handwritten signature in black ink, appearing to read 'M. G. Alexander', with a long horizontal stroke extending to the right.

By: Michael G. Alexander, MBA, CIA
Chief Internal Auditor

CC: Board of Supervisors
County Counsel
Executive Office
Grand Jury

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Executive Summary

Overview

The Riverside County Information Technology Department administers a \$48 million budget comprised of funds from charges for services to approximately 38 internal departments throughout the County of Riverside. With a staff of over 175 employees, the Riverside County Information Technology Department provides an extensive array of technology solutions and services.

Some of the major services provided by the Riverside County Information Technology Department include:

- Applications development and systems integration;
- Data warehousing;
- Web development and hosting;
- Data networking;
- Local area and wide area network support; and,
- 24/7 data center operations.

Overall Objective

Our primary audit objective was to determine the existence and adequacy of internal controls over the department's processes and fiscal procedures in the following areas:

- Capitalized/Non-Capitalized Assets
- Inventory
- Purchases for County Departments (Pass-Through Transactions)

Overall Conclusion

Based upon the results of our audit, we determined the department had an adequate system of internal controls over acquiring and disposing assets. However, controls in place were not adequate to safeguard and monitor capitalized and non-capitalized assets, inventory, and purchases for County Departments (Pass-Through Transactions).

Details about our audit methodology, results, findings and recommendations are provided in the body of our report.

Objectives

To determine:

- the existence and adequacy of internal controls over capitalized and non-capitalized assets, inventory and pass-through transactions processes; and
- the reliability and validity of selected financial records and transactions.

Methodology

To accomplish our objectives, we:

- performed a financial analysis for the period of July 1, 2002 through November 30, 2005;
- identified and reviewed applicable policies and procedures, Board ordinances, laws, codes, and regulations;
- conducted interviews and performed walk-throughs with department personnel;
- completed narratives and flowcharts of various processes;
- performed a risk assessment of the County Information Technology Department;
- identified accounts for detail testing;
- conducted operational reviews and observations; and,
- reviewed and performed detailed testing of the department's acquisition, monitoring and disposal process of capitalized and non-capitalized assets, inventory and pass-through transactions.

Results

Capitalized Assets

Capital assets are tangible or intangible assets with significant value and a utility beyond one fiscal year. Capital assets include land, land improvements, easements, buildings, building improvements, vehicles, machinery, equipment and infrastructure. Vehicles, machinery and equipment with a cost over \$5,000 qualify as a capital asset, as described in the Auditor-Controller's Office Standard Practice Manual Section 913 issued on December 12, 2005.

Capitalized costs include the value paid for the asset, sales tax, interest, transportation charges, insurance while in transit, and costs associated with preparing the asset for its intended use, such as, special foundations and installation costs. The cost of capital assets should be systematically expensed (depreciated) over its useful life. However, some assets are inexhaustible, such as land and land improvements, and are not depreciated since they retain their value.

Capital asset purchases are budgeted and approved by the Board of Supervisors. Purchases greater than \$10,000 are processed through the County's Purchasing Department utilizing the bid process. All requisitions for capitalized assets are verified and approved by someone other than the person preparing the purchase order.

Management of each department in the County of Riverside is responsible to account for County property in his/her possession or charge. This responsibility should include performance of an annual inventory and establishing controls over the acquiring, monitoring and disposal of capitalized and non-capitalized assets.

Finding 1

The Information Technology Department does not maintain an adequate system of internal controls to safeguard and monitor capitalized assets.

During our audit, we requested a complete description and location for a selected sample of 71 assets costing approximately \$4.2 million. Over a period of three weeks, the Information Technology personnel researched the status and location of the assets. Through much time and effort put forth by both the department's personnel and the audit team, we were able to verify the location of 15 assets, representing 21 percent of the total assets selected for testing. Documentation and the location of 42 assets costing approximately \$1.6 million that were purchased prior to the year 2000 could not be verified nor could the disposition be confirmed. Management has determined that these assets are no longer in service and has indicated they will submit a Form 11, Submittal to the Board of Supervisors, to remove these assets from the financial records and approve a discharge of accountability prior to the closing of fiscal year 2005/06. The remaining 14 assets could not be physically verified for reasons such as: they have been attached to another asset or they were moved to another location. As a

result, we determined the department does not maintain an adequate system of internal controls over capitalized assets.

Auditor-Controller's Office Standard Practice Manual Section 104-1 states that county departments and agencies shall establish, document, and maintain an effective system of internal controls to safeguard assets. The absence of internal controls to safeguard and monitor assets could result in theft, loss or misappropriation.

Recommendation 1.1 Utilize PeopleSoft Asset Management Module to achieve a more comprehensive tracking and monitoring system for the department's capitalized assets, including asset detailed description, serial number, county tag number, location, and the individual accountable for the asset.

Management's Reply Concur. The warehouse division has implemented a procedure involving temporary asset tag numbers of a permanent nature. This procedure has been in place beginning July 1, 2005, due to the time lag of receipt of Auditor issued asset tags.

A permanent tag (**Red** in color) will be placed on each asset of \$5,000 or over. The tags are engraved with a permanent number beginning with **Property of RCIT FA00001 "Do Not Remove"**. The tags will be placed on the item and recorded on an asset log maintained on an excel worksheet by warehouse personnel. If the item is being placed inside of another item each asset tag will be recorded so that the sort function used in excel will provide all temporary asset tags in the one item. All temporary asset tags will remain on the item even after item is permanently tagged as to proper disposal of the item at the end of its life cycle. The warehouse will provide the procedure, spreadsheet and surplus forms as a permanent record for each item tagged.

Recommendation 1.2 Conduct an inventory of all the department's capitalized assets and request write-off of dislocated and disposed assets.

Management's Reply Concur. Over the past 18 months RCIT has attempted to inventory our capitalized assets and have been unable to locate old assets with no book value and vague assets descriptions. We will work with the Auditor Controller to define a process to conduct an inventory and prepare the request for discharge of accountability for assets no longer in use within 60 days.

Finding 2

The Information Technology Department has not been consistent in recording nor capitalizing assets valued over \$5,000 in the PeopleSoft Asset Management Module. As a result, seven transactions totaling approximately \$220,000 were not recorded in the PeopleSoft Asset Management Module and were expensed.

In addition, through observation of the Information Technology Rivercrest Facility, we identified four assets consisting of one photocopier and three printers that may have a value over the \$5,000 capitalization threshold and should have been classified as capitalized assets in the Asset Management Module. Sufficient documentation identifying the accurate valuation of these assets could not be obtained from the Department.

Standard Practice Manual, Section 901, Processing Capital Assets-Equipment, states and defines equipment as movable personal property of a relatively permanent nature (useful life of one year and longer) and of a significant value (minimum value of \$5,000) to be capitalized.

Recommendation 2.1 Ensure all acquisitions of capital assets are properly recorded in the PeopleSoft Asset Management Module within 30 days of acquisition.

Management's Reply Concur. The seven transactions tested at RCIT's Rivercrest facilities where reviewed. The items where erroneously changed to hardware maintenance. A journal entry for prior's years' adjustment will be processed to reclassify the entry as fixed assets. Effective immediately more specific description of the equipment will be provided by the requester to ensure proper recording and categorization. Leased equipment will be tagged for internal control and the four referenced printers will be recorded in the PeopleSoft asset management module.

Recommendation 2.2 As part of the inventory process, review and identify all acquired assets with a minimum cost of \$5,000 to ensure proper categorization.

Management's Reply Concur. RCIT concurs on recommendation.

Results

Non-Capitalized Assets

Non-capitalized assets are valuable and highly desirable equipment items, such as personal computers, printers, FAX machines and personal digital assistants (PDA's) with a cost less than \$5,000.

Management of each department in the County of Riverside is responsible to account for County property in his/her possession or charge, as required by the Auditor-Controller Internal Control Handbook (ICH) Chapter 7. This responsibility should include the establishment of controls over the acquiring, monitoring and disposal of capitalized and non-capitalized assets. The absence of internal controls over the safeguarding of fixed assets could result in theft, loss or misappropriation.

The Auditor-Controller's Office Standard Practice Manual Policy 913, Capitalization Thresholds, Asset Management, was recently revised effective December 12, 2005. The purpose of this policy is to provide guidance in the definition of terms, concepts, and thresholds for the capitalization of assets. It also states that all entities are strongly encouraged to use the PeopleSoft Asset Management Module to manage and maintain all non-capitalized assets.

Finding 3

Internal controls in place are not adequate to effectively monitor non-capitalized assets valued under \$5,000, including items such as personal computers, printers, and hand-held radios. For the period July 1, 2002 through November 30, 2005, the Department purchased over \$928,000 of non-capitalized computer equipment. The Department does not have a comprehensive record to identify the location of assets and the responsible party. There is also no means in place to periodically verify the existence of these highly desirable assets, which could result in the misappropriation of assets.

Through observation of the Information Technology Alessandro Facility, we noted numerous amounts of computer and radio equipment disbursed in a disorderly fashion throughout the stockroom area with no tracking, monitoring or records maintained by storeroom employees to identify each asset.

Recommendation 3

Establish a comprehensive method of monitoring non-capitalized assets in accordance with Auditor-Controller's Office Standard Practice Manual Section 913 issued on December 12, 2005.

Management's Reply

Concur. Internal controls are in place to monitor non capitalized assets valued under \$5,000. Personal computers are monitored using Zenworks Asset Management and is administered by our Technical Services Bureau. Hand held radios are monitored using an excel spreadsheet maintained by the radio group at Alessandro facilities and is reviewed on a regular basis by Sheriff personnel. The PeopleSoft Assets Management Module to manage and maintain all non capitalized

assets is not available for use. We will take the action to consolidate these processes into a common tracking data base. At our Alessandro facilities there are two cage storage areas, one controlled and staffed by our warehouse division the other cage controlled by our radio shop and contains used items removed from Sheriff's vehicles and kept as emergency back up and items being prepared for surplus. We will take the action to restore the Sheriff equipment cage to be orderly and controlled.

Results

Inventory

Material and supplies held in the normal course of operations for future consumption are referred to as inventory. Examples of inventory include, but are not limited to, computer parts, small chips used on a regular basis, automotive parts, forms unique to the department's mission and purpose and office supplies. Office supplies are broadly defined as copier paper, paper pads, writing instruments; non-capitalized assets such as computers and peripherals that do not meet capitalization thresholds and that are stored for future use; and other supplies necessary for routine office operations.

The County uses the average cost method of inventory valuation. Under the average cost method, inventory used or on hand is valued at the average unit cost. The average unit cost is determined by dividing the total cost of the identical commodity on hand by the total number of units on hand. Organizational units with an estimated inventory value of \$50,000 or more are required to perform an annual inventory count in accordance with procedures outlined in the Auditor-Controller's Office Internal Control Handbook, Annual Physical Inventory of Parts and Supplies. Inventory counts should be completed on or as close to June 30 as possible. The Information Technology Department has reported \$924,774 of total inventory at the end of fiscal year 2004/2005.

The annual inventory is overseen by the Supervising Storekeeper who arranges several teams, each team consisting of one store employee and one accounting employee. Each team is given a count sheet for their assigned section, which indicates the item's location by shelf and row, part number and description. The team counts each shelf from top to bottom and left to right. The quantity of each item is documented on the count sheet. Any items appearing on the shelf but not on the count sheet will be counted and added to the count sheet. Once the count is complete, both individuals must sign and submit the count sheet to the Supervising Storekeeper. The Supervising Storekeeper performs a comparison between the physical count and the system's records. Any discrepancies between the two records, initiates a recount of the item.

Finding 4

Access to the department's storerooms, where various parts and supplies were stored, was not limited. We noted:

- The Rivercrest facility storeroom was accessible by several department managers and supervisors, the storeroom staff and the telephone, data communication and radio technicians by utilizing their County badge.
- The Alessandro facility storeroom was accessible by one of two keys; one maintained by the Storekeeper and the other placed in an unlocked box located outside the storeroom accessible by anyone with access to the building.

The Rivercrest and Alessandro Facilities hold and maintain numerous Information Technology's inventory items such as radios, telephones, computer equipment, and bench stock items. These items aggregated a value over \$900,000 at the end of fiscal year 2004/2005. Limited access to the storeroom is a major control over the safeguarding of these types of inventory items. Due to the nature of Information Technology's inventory, access to the storeroom by other than authorized employees may expose inventory items to a greater risk of loss, theft or misuse.

Recommendation 4 Implement, maintain, and document a departmental policy to limit the access to all Information Technology storerooms to authorized personnel only.

Management's Reply Concur. The warehouse procedures have been restated to all employees to prevent access during normal operating hours. An "OPEN AND WILL RETURN AT" sign has been posted to allow employees to determine the availability of warehouse personnel. Signage has been posted at both warehouses entry points advising to ask for assistance. Escort (warehouse person) is required to enter warehouse. An after-hours procedure for both the Rivercrest and Alessandro facilities will be coordinated with the Auditor within 30 days.

In response to the Alessandro Facility accessibility to the 2 doors leading into the front office area with keys to the area remaining the responsibility of the supervisor of that area. A Storekeeper resides in that area as office space only and no inventoried equipment is secured in this area. The following changes and procedures have been updated and established to insure the caged area of the facility remains secure:

A: All locks to the caged areas (2 access points) have been changed, new keys have been made. Any previous keys issued to employees will no longer open this area. A key log has been established for all keys to insure keys are not duplicated for areas without permission or logging of the keys issued. The supervisor has been issued 2 keys to caged area for on call and necessary access for parts. The requirement of the caged area being closed/locked at all times has been restated.

B: A log requiring sign in has been established at the entrance of the cage area requiring name, reason for entry, date and time, what was removed. This procedure is for use only in the absence of warehouse personnel assigned to Alessandro facility. A sign indicating "OPEN AND WILL RETURN AT" has been posted on the secured cage door to allow employees to determine availability of warehouse personnel. The log will be reviewed daily to determine access made to warehouse in absence of warehouse personnel and name on log will be contacted to determine all items taken were checked out according to procedure.

Finding 5

Adequate controls and procedures did not exist over the physical annual inventory process.

During our observation of the inventory, we noted the following:

- The department did not include nor physically count and verify the following items:
 - Bench stock items, parts and supplies valued below \$5;
 - Items purchased via work order requests submitted by other county departments; and,
 - Vehicle repair and microwave parts and supplies.
- When the Supervising Storekeeper identified a discrepancy between the physical count and the system records, the recounts were performed by storekeeping personnel when the original count team was not available. These personnel were not independent of the storeroom functions which may lead to manipulating and altering the process of inventory count.

The inadequate controls over the physical annual inventory process may result in a significant monetary value. In addition, the unlimited access to the storerooms, as noted in Finding 4, may enhance the vulnerability and may expose the Department to a greater risk of loss or theft of inventory items.

The Auditor-Controller's Office Internal Control Handbook, Chapter 6, states that departmental managers should review their own operations and establish appropriate controls such that supplies inventories are not over or under controlled. In addition, physical inventory counts should be performed by employees' independent of the storekeeper and of those responsible for maintaining perpetual records. Failure to maintain an adequate system of internal control and segregate the duties and functions over the inventory count process may result in manipulation, alteration, or errors in the inventory count.

Recommendation 5

Establish and maintain an adequate system of internal control over the inventory count process, specifically:

- Ensure that all inventory items are included in the count; and,
- Ensure individuals performing the count are independent of the storekeeping functions.

Management's Reply

Concur. RCIT's Applications Bureau is completing the development of our Warehouse Inventory System. Phase 1 is completed and ready for use and phase 2 is in the requirements definition process. It should be noted that Auditor personnel support the RCIT inventory count process. Initially the following steps will be taken.

A: Bench stock items at both facilities will be added to inventory database as soon as it is restored for use.

B: Automotive repair parts have been given locations and are being given part numbers, pricing and min/max by an automotive technician so that items can be added to inventory database. Same procedure will occur for microwave parts stored behind caged area. The Lead Microwave Technician will be required to supply part numbers, pricing and min/max for these items. Warehouse personnel will establish locations for the inventory database. This work is in progress with automotive and microwave inventory. The goal is to have this in place prior to this year's fiscal inventory (2006).

C: The items ordered for other departments are tracked through our ordering system (Remedy), and require a signature for all items taken out of inventory for these orders. They are kept secure but not in the inventory area. They are kept in a locked area established for warehouse personnel only and this procedure has always been in place.

A fiscal physical inventory procedure will be coordinated with the Auditor prior to the 05/06 physical inventory.

Results

Purchases for County Departments (Pass-Through Transactions)

Due to the level of expertise needed for the installation process of highly technical assets, in some cases, the Information Technology Department purchases these assets for other County departments. Examples of these assets are telephone systems and telephone system software. The Information Technology Department utilizes pass-through transactions to make and record these purchases. When an asset is purchased by the Information Technology Department for the benefit of another county department, a debit to an expense account is recorded. After the service is performed by Information Technology personnel, a credit to the same expense account, utilizing a journal entry is then recorded in the financial system. The journal entries are processed to:

- Charge the benefited department the cost of the asset purchased and the installation costs; and,
- Clear the debit balance to the expense account that was created when Information Technology originally purchased and paid the vendor.

Finding 6

The Information Technology Department does not have an adequate system of internal controls in place to ensure pass-through transactions were properly authorized, documented, and charged to other county departments. Through detailed testing of a sample of 46 pass-through transactions (approximately \$1 million), we noted the inadequacy of supporting documentation for purchases and the lack of obtaining prior approval for financial transactions. Specifically, of 46 pass-through transactions reviewed, six transactions did not have receiving reports, four transactions did not have a purchase order/requisition, four transactions had discrepancies between the invoice and the journal entry amounts, and supporting documentation could not be located for two transactions.

Auditor-Controller's Office Standard Practice Manual 802 states that appropriate supporting documentation must be supplied for all transactions. Examples of appropriate supporting documentation include:

- original invoice;
- copies of Board of Supervisors approved Form 11;
- registration forms for conferences, training, etc.; and/or,
- summary pages from contracts.

In addition, the Information Technology Department charged the benefited departments for services such as, engineering, voice technician and coordinator services, which were not included in the original contract, without obtaining the prior approval from the benefited department for the additional charges.

Auditor-Controller's Office Standard Practice Manual 702 requires the approval of the billing department only for interdepartmental charges. Billing entities are required to submit supporting documentation to each billed entity for each Billing Journal Entry.

Recommendation 6.1 Adhere to Auditor-Controller's Office Standard Practice Manual 802 by obtaining appropriate supporting documentation for all pass-through transactions.

Recommendation 6.2 Adhere to Auditor-Controller's Office Standard Practice Manual 702 by acquiring approval of the billing department for interdepartmental charges for pass-through transactions.

Management's Reply Concur. In FY 2006/2007 a new RCIT pass-through Department ID, 7400400000 has been approved with corresponding process procedure. This and a new rate structure and cost models realigned by lines of business enhance the overall accountability for assets and purchased equipment from P.O. to delivery to customers.

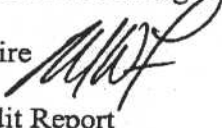


Matthew W. Frymire
Chief Information Officer

Memorandum

To: Auditor - Controller
Audit and Specialized Accounting Division

Date: May 2, 2006

From: Matthew W. Frymire 

Subject: Reply to Draft Audit Report

As part of the RCIT realignment and restructuring, the department recognized a need to focus on our business operations as well as technology, specifically how our business operations impact our customers. A result of this refocusing was the restructuring of the department into two distinct areas of responsibility; technology management and business operations management. This restructuring was accomplished to ensure RCIT is tracking and running its business operations at the same level of competency as we do our technology services.

Once this structure was in place and empowered, the organization began to systematically scrutinize the departments' business operations and immediately identified a number of areas that were not running effectively. The department has been, and continues to be, systematically addressing its business issues which have resulted in; reduced budgeted expenses over the past two fiscal years, realigned our lines of business and rates, and the identification of the asset management and depreciation issues identified in this report.

RCIT has diligently and openly identified these issues and sought the assistance of both the Executive Office and the Auditor-Controller to address them. The audit report is a result of our request for guidance from the Auditor-Controller to identify and recommend how to best resolve these issues. RCIT will move aggressively to address these issues and will continue to openly scrutinize its processes to ensure we are operating efficiently and effectively.

Recommendation 1.1 Maintain and document a comprehensive (centralized/decentralized) tracking and monitoring system for the department's capitalized assets, including asset detailed description, serial number, county tag number, location, and the individual accountable for the asset.

Response: Concur

The warehouse division has implemented a procedure involving temporary asset tag numbers of a permanent nature. This procedure has been in place beginning July 1, 2005, due to the time lag of receipt of Auditor issued asset tags.

A permanent tag (**Red** in color) will be placed on each asset of \$5000 or over. The tags are engraved with a permanent number beginning with **Property of RCIT FA00001 "Do Not Remove"**. The tags will be placed on the item and recorded on an asset log maintained on an excel worksheet by warehouse personnel. If the item is being placed inside of another item each asset tag will be recorded so that the sort function used in excel will provide all temporary asset

tags in the one item. All temporary asset tags will remain on the item even after item is permanently tagged as to proper disposal of the item at the end of its life cycle. The warehouse will provide the procedure, spreadsheet and surplus forms as a permanent record for each item tagged.

Recommendation 1.2 Conduct an inventory of all the department's capitalized assets and request write-off of dislocated and disposed assets.

Response: Concur

Over the past 18 months RCIT has attempted to inventory our capitalized assets and have been unable to locate old assets with no book value and vague assets descriptions. We will work with the Auditor Controller to define a process to conduct an inventory and prepare the request for discharge of accountability for assets no longer in use within 60 days.

Recommendation 2.1 Ensure all acquisitions of capital assets are properly recorded in the PeopleSoft Asset Management Module within 30 days of acquisition.

Response: Concur

The seven transactions tested at RCIT's Rivercrest facilities were reviewed. The items were erroneously changed to hardware maintenance. A journal entry for prior's years' adjustment will be processed to reclassify the entry as fixed assets. Effective immediately more specific description of the equipment will be provided by the requester to ensure proper recording and categorization. Leased equipment will be tagged for internal control and the four referenced printers will be recorded in the PeopleSoft asset management module.

Recommendation 2.2 As part of inventory process, review and identify all acquired assets with a minimum cost of \$5,000 to ensure proper categorization.

Response: Concur

RCIT concurs on recommendation.

Recommendation 3. Establish a comprehensive method of monitoring non-capitalized assets in accordance with Auditor-Controller's office Standard Practice Manual Section 913 issued on December 12, 2005.

Response: Concur

Internal controls are in place to monitor non capitalized assets valued under \$5000. Personal computers are monitored using Zenworks Asset Management and is administered by our Technical Services Bureau. Hand held radios are monitored using an excel spreadsheet maintained by the radio group at Alessandro facilities and is reviewed on a regular basis by Sheriff personnel. The PeopleSoft Assets Management Module to manage and maintain all non capitalized assets is not available for use. We will take the action to consolidate these processes into a common tracking data base. At our Alessandro facilities there are two cage storage areas, one controlled and staffed by our warehouse division the other cage controlled by our radio shop and contains used items removed from Sheriff's vehicles and kept as emergency back up and items being prepared for surplus. We will take the action to restore the Sheriff equipment cage to be orderly and controlled.

Recommendation 4. Implement, maintain, and document a department policy to limit the access to all Information Technology storerooms to authorized personnel only.

Response: Concur

The warehouse procedures have been restated to all employee's to prevent access during normal operating hours. An "OPEN AND WILL RETURN AT" sign has been posted to allow employee's to determine the availability of warehouse personnel. Signage has been posted at the both warehouses entry points advising to ask for assistance. Escort (warehouse person) is required to enter warehouse. An after hours procedure for both the Rivercrest and Alessandro facilities will be coordinated with the Auditor within 30 days.

In response to the Alessandro Facility accessibility to the 2 doors leading into the front office area with keys to the area remain the responsibility of the supervisor of that area. A Storekeeper resides in that area as office space only and no inventoried equipment is secured in this area. The following changes and procedures have been updated and established to insure the caged area of the facility remains secure:

A: All locks to the caged areas (2 access points) have been changed, new keys have been made. Any previous keys issued to employees will no longer open this area. A key log has been established for all keys to insure keys are not duplicated for areas without permission or logging of the keys issued. The supervisor has been issued 2 keys to caged area for on call and necessary access for parts. The requirement of the caged area being closed/locked at all times has been restated.

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Recommendation 5. Establish and maintain an adequate system of internal control over the inventory count process, specifically:

- Ensure that all inventory items are included in the count.
- Ensure individuals performing the count are independent of the storekeeping functions.

Response: Concur

RCIT's Applications Bureau is completing the development of our Warehouse Inventory System. Phase 1 is completed and ready for use and phase 2 is in the requirements definition process. It should be noted that Auditor personnel support the RCIT inventory count process. Initially the following steps will be taken.

A: Bench stock items at both facilities will be added to inventory database as soon as it is restored for use.

B: Automotive repair parts have been given locations and are being given part numbers, pricing and min/max by an automotive technician so that items can be added to inventory database. Same procedure will occur for microwave parts stored behind caged area. George Schrock will be required to supply part numbers, pricing and min/max for these items. Warehouse personnel will establish locations for the inventory database. This work is in progress with automotive and microwave inventory. The goal is to have this in place prior to this year's fiscal inventory (2006).

C: The items ordered for other departments are tracked through our ordering system (Remedy), and require a signature for all items taken out of inventory for these orders. They are kept secure but not in the inventory area. They are kept in a locked area established for warehouse personnel only and this procedure has always been in place.

A fiscal physical inventory procedure will be coordinated with the Auditor prior to the 05/06 physical inventory.

Recommendation 6.1 Adhere to Auditor-Controller's office Standard Practice Manual 802 by obtaining appropriate supporting documentation for all pass-thru transactions.

Recommendation 6.2 Adhere to Auditor-Controller's office Standard Practice Manual 702 by acquiring approval of the billing department for interdepartmental charges for pass-thru transactions.

Response: Concur

In FY 2006/2007 a new RCIT pass-thru Department ID, 7400400000 has been approved with corresponding process procedure. This and a new rate structure and cost models realigned by lines of business enhance the overall accountability for assets and purchased equipment from P.O. to delivery to customers.