



# **Internal Audit Department**

## **Audit Report 2013-8**

### **Parks and Recreation Department**

#### **Immokalee Sports Complex Capital Assets**

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The files and draft versions of audit reports remain confidential and protected from public records requests during an active audit under *Nicolai v. Baldwin* (Aug. 28, 1998 DCA of FL, 5<sup>th</sup> District) and Florida Statute 119.0713. Work-papers supporting the observations noted within this report will become public record and can be made available upon request once the final audit report has been issued.

The Draft Audit Report 2013-8 was initially reviewed with the Department on July 17, 2013 and was released to the Department for Management Response on July 18, 2013. The Parks and Recreation Director provided all County Management Responses on August 1, 2013.

## Objectives

The objectives of the review were to: 1) validate the existence of capital assets, 2) determine whether records of capital assets were in compliance with Florida Statute and Florida Administrative Code, 3) determine whether capital assets have been properly reported to the Finance Department and properly recorded, and 4) determine if the Immokalee Sports Complex is in compliance with County policies and procedures as they relate to the audited process.

## Scope

The review consisted of, but was not limited to the following tasks:

- Review of Florida Statute Chapter 274 – Tangible Personal Property Owned by Local Governments;
- Review of Florida Administrative Code and Register 69I-73 – Tangible Personal Property Owned by Local Governments;
- Review of CMA 5809 (Managing personal property and consumable supplies);
- Review of Finance Department’s Capital Assets FY 2011 Annual Assets Inventory Report certified by the Parks and Recreation Department;
- Review Finance Department’s process for capital asset annual inventory, capital asset acquisitions, capital asset transfers, capital asset disposals, and capital asset forms;
- Review of Capital Assets acquisition cost, depreciation, and net book value;
- Review of Parks and Recreation Capital Assets records;
- Observation of the Immokalee Sports Complex capital assets (100% testing);
- Interviews with Parks and Recreation Staff; and
- Interview with Clerk’s Finance and Accounting Staff.

The Immokalee Sports Complex staff completed the FY 2011 Annual Assets Inventory and confirmed possession of 87 capital assets. For administrative purposes six of the 87 capital assets are assigned to the Immokalee Sports Complex, but are related to other small locations (i.e. Tony Rosbough Park, Pinecrest Park, and Ann Olesky Park capital assets) that do not have their own cost center. These six capital assets were removed from testing because they are not located at the Immokalee Sports Complex, leaving 81 capital assets for testing.

During the audit, 81 capital assets (100%) were reviewed for the Immokalee Sports Complex. The total acquisition cost of the capital assets was \$5,237,865.24 with a net book value of \$2,058,093.58 on October 1, 2011.

## Background

The Parks and Recreation Director requested Internal Audit perform an audit of the Immokalee Sports Complex Capital Assets, based on concerns related to the termination of the supervisor and a customer service specialist. Due to the terminations and high risk associated with the location, 100% testing was implemented.

The Immokalee Sports Complex is located in the center of Immokalee, a rural area in Collier County. The location has amenities including: a gymnasium with an indoor basketball court, soccer/football fields, fitness center, and aquatic facility.

A capital asset is property with a value or cost of \$1,000 and a projected useful life of one year or more. A capital asset should be recorded in the local government's financial system as property for inventory and financial reporting purposes.

As required by CMA 5809, Department Directors are designated as the asset custodian. Florida Administrative Code and Register 69I-73 indicates each custodian is responsible to ensure an annual inventory is completed for assets. The following information, at a minimum, should be provided to Clerk's Finance and Accounting Department in the annual inventory: date of the inventory, asset identification number, existence of the asset (or not), physical location of the asset, present physical condition of the asset, name and signature of the employee attesting to the existence of the asset, and in the case of a property group, the number and description of the component items of the group. Annually, Clerk's Finance and Accounting Department provide departments with recorded capital asset lists and forms for validating capital assets.

## Summary

The following observations were generated during this review:

1. Parks and Recreation were unable to locate five capital assets.
2. Four capital assets have been inaccurately assigned to the Immokalee Sports Complex.
3. Two capital assets did not have permanent asset identification tags.
4. 24 capital assets are not properly recorded on the Immokalee Sports Complex's asset inventory list.
5. There has been inadequate management oversight for capital assets.
6. Lack of written policies and procedures for capital assets.

There has been inadequate control and oversight for capital assets and the annual inventory processes. Without proper asset oversight and monitoring, assets may be lost, stolen, or misappropriated. Care should be taken by the Parks and Recreation Department to properly safeguard, control, track, and monitor County assets.

# Observations

## 1) Parks and Recreation were unable to locate five capital assets.

The FY 2011 Annual Assets Inventory Report provided to the Parks and Recreation Department by Clerk's Finance was returned on September 1, 2011, signed by the Parks and Recreation Director confirming the Immokalee Sports Complex was in possession and responsible for 81 capital assets.

On May 11, 2012, Internal Audit completed a site visit with Parks and Recreation staff. Five of the 81 capital assets (approximately 6.2%) were unable to be located. The capital assets that were unable to be located include: Sentry Lifeguard Chair, Combination Soccer and Football Goal Post, Analog Terminal Phone System, Sanyo 645 Cash Register (*Reference Audit Report 2012-8 for additional information*), and 1842RP 360 Replacement Kit (Parks and Recreation staff were unable to identify the asset).

Florida Administrative Code Chapter 69I-73 requires a physical inventory of property requiring a hands-on inspection of the assets. If an item is not located during the inventory process then it shall be promptly reported. It appears the Department should have detected and reported the missing assets at the time of the FY 2011 Annual Assets Inventory. Parks and Recreation staff indicated the assets had been disposed of in prior fiscal years and the paperwork not properly submitted.

Based upon concerns raised by Internal Audit regarding "missing" assets, Parks and Recreation staff completed disposal forms for five capital assets between May 2012 and August 2012. Parks and Recreation staff indicated the reasons for disposal of the missing capital assets were: item not fixable and disposed of years ago at the dump, item disposed of for safety reasons and brought to the dump, item not found, and unknown item.

Assets should be properly safeguarded, controlled, tracked, and monitored. When assets are not properly recorded and not in the possession of the location, it may give the appearance of theft or fraud, overstate assets, and cause financial information to be inaccurate. Missing assets should immediately be reported for investigation to determine the cause of the missing capital asset and for completion of appropriate documentation.

### Recommendations:

- The Department should comply with Florida Statute, Florida Administrative Codes, and County policies and procedures.
- Annual inspection should include a hands-on physical inventory.
- The Department should properly monitor assets and submit the appropriate forms when changes occur.

### County Management Response:

*"Management concurs with the observations and recommendations. Current department expectations are that hands on inventory occur each year; however, staff will be required in the next annual inventory to provide photographic documentation that a hands on inventory did occur. In addition, the person who attests that the hands on inventory occurred will be required to sign and date a statement certifying this fact. The department will comply with ensuring appropriate forms are completed when changes do occur. Supervisors will be trained on new procedures being developed for asset completion fall 2013. The department will continue to work with the development of the countywide asset management system and begin participation at the first opportunity."*

## 2) Four capital assets have been inaccurately assigned to the Immokalee Sports Complex.

Four capital assets were recorded by the Immokalee Sports Complex when they would be more appropriately recorded by the Immokalee Community Center. The capital assets include: capital improvements for the Immokalee Community Park (Acquisition Date 1/10/1986; Acquisition Cost \$1,800,644.05), inground picnic tables (Acquisition Date 11/30/2008; Acquisition Cost \$13,472.15), and two mobile digital radios (Acquisition Date 7/31/2009; Acquisition Cost \$2,399.97 each) located at the Immokalee Community Center. The four capital assets had an acquisition value of \$1,818,916.14 and have a net book value of \$157,013.91 as of October 1, 2011.

Parks and Recreation staff transferred the two mobile digital radios in May 2012, approved in August 2012. Parks and Recreation staff corrected the cost center for inground picnic tables and capital improvements for the Immokalee Community Park in conjunction with the FY 2012 asset report confirmation.

Costs should be appropriately classified to ensure the appropriate source of funding is used for expenditures. Charging expenditures to an inaccurate cost center may cause financial information to be inaccurate. When budgets are created, they rely on the information from prior years. If the financial information is inaccurate, the budget may not have the funds necessary to cover the location's expenditures to maintain capital assets.

**Recommendation:**

- The Department should properly monitor assets and submit the appropriate forms when changes occur.
- Assets should not be transferred without the appropriate approval and documentation.

**County Management Response:**

*“Management concurs with the observations and recommendations. Future hands on inventory sheets will be segregated by cost center with each sheet signed by the appropriate responsible individual attesting that they have completed a physical inventory and verifying that it is within the correct cost center.”*

**3) Two capital assets did not have permanent asset identification tags.**

Florida Administration Code Chapter 69I-73.004 - Marking of Property requires each property item be permanently marked with the identification number assigned to that item to establish its identity and ownership.

On May 11, 2012, Internal Audit completed a site visit with Parks and Recreation staff. Two capital assets did not have asset tags.

Assets should be properly marked with asset/identification numbers that have been assigned to the item. Without properly marking the asset, the asset may not be able to be identified and/or movement of the asset tracked.

**Recommendations:**

- The Department should comply with Florida Statute, Florida Administrative Codes, and County policies and procedures.
- The Department should properly mark capital assets with assigned identification numbers.
- The Department should review all department capital assets for asset identification numbers to ensure the asset is properly marked with the assigned identification number.

**County Management Response:**

*“Management concurs with the observations and recommendations. The asset tags provided do not always remain adhered to the asset in question for a variety of reasons, e.g., becomes dislodged due to use, doesn't adhere well to the asset because of the material the asset is made, weather, etc. The department will establish in a standard operating procedure that includes, where appropriate, the practice of adding a permanent marking of the asset number on those assets where the tag may become dislodged in conjunction with the adhesive asset tag to ensure proper documentation.”*

**4) 24 capital assets are not properly recorded on the Immokalee Sports Complex's asset inventory list.**

Florida Administration Code Chapter 69I-73.006 – Inventory of Property requires unrecorded property items found during the conduct of an inventory, which meet the requirement for accounting, shall have an inventory form created for the item when located. Florida Administration Code Chapter 69I-73.002 – Recording of Property

accounting requirements include: property with a value or cost of \$1,000 and a projected useful life of one year or more.

On May 11, 2012, Internal Audit completed a site visit with Parks and Recreation staff. Internal Audit identified possible unrecorded assets. On August 31, 2012, Parks and Recreation staff finished additional review of the possible unrecorded capital assets. Parks and Recreation staff determined 24 unrecorded capital assets have a probable value exceeding \$1,000 and a projected useful life exceeding one year.

Assets should be properly recorded and assigned to the appropriate cost center. When assets are not properly recorded and tracked, it is possible assets are under or over stated in the financials, lost, or assigned to the inappropriate cost center. Care should be taken to ensure assets are properly recorded and tracked.

**Recommendations:**

- The Department should comply with Florida Statute, Florida Administrative Codes, and County policies and procedures.
- The Department should properly monitor assets and submit the appropriate forms when changes occur.
- The Department should properly record the identified capital assets.

**County Management Response:**

*“Management concurs with the observations and recommendations. The department will comply with ensuring appropriate forms are completed when changes do occur. Supervisors will be trained on new procedures being developed for asset completion fall 2013. The department will continue to work with the development of the countywide asset management system and begin participation at the first opportunity.”*

**5) There has been inadequate management oversight for capital assets.**

Florida Statute 274.02(2) requires a periodic review of property for inventory purposes. Florida Administrative Code Chapter 69I-73 further elaborates and requires a physical inventory of property requiring a hands-on inspection of the assets. During the inventory process if an item is not located, unrecorded (meeting the capital asset thresholds), or differences in the location or physical condition of the asset have changed, then it shall be promptly reported.

The FY 2011 Annual Assets Inventory Report provided to the Parks and Recreation Department by Clerk’s Finance was returned on September 1, 2011, signed by the Parks and Recreation Director confirming the Immokalee Sports Complex was in possession and responsible for 81 capital assets. Eight capital assets did not have the present condition of the asset listed. Exceptions were noted for 18 capital assets (reference audit observations 1, 2, 3, and physical present condition), approximately 22% of the population. Additionally, 24 capital assets at the Immokalee Sports Complex were identified that were not recorded and assigned to the location.

It does not appear a hands-on physical inventory was completed when the custodian confirmed the FY 2011 Assets Inventory Report. Assets were unable to be located, unable to be identified, not recorded by the location, and inaccurately assigned to the cost center. Parks and Recreation staff indicated changes occurred prior to the FY 2011 annual inventory.

Assets should be properly safeguarded, controlled, tracked, and monitored. Assets should be physically inspected for the annual inventory to ensure assets are in possession of the assigned cost center and properly recorded. Without proper inspection, assets may be under or over stated and cause financial information to be inaccurate.

**Recommendations:**

- The Department should comply with Florida Statute, Florida Administrative Codes, and County policies and procedures.
- The Department should properly inspect assets annually and submit the appropriate forms when changes are identified.

**County Management Response:**

*“Management concurs with the observations and recommendations. Current department expectations are that hands on inventory occur each year; however, staff will be required to provide photographic documentation each year that this hand’s on inventory did occur. In addition, cost center supervisors will be required to sign and date a statement certifying that the hands on inventory did occur. The department will comply with ensuring appropriate forms are completed when changes do occur. Supervisors will be trained on new procedures being developed for asset completion fall 2013. The department will continue to work with the development of the countywide asset management system and begin participation at the first opportunity.”*

**6) Lack of written policies and procedures for capital assets.**

CMA #5809 for Managing Personal Property and Consumable Supplies indicates “Each department shall establish internal procedures governing the proper care and use of assets and tangibles. The procedures shall be based on the size and function of the department and shall include, but not be strictly limited to, who is authorized to use or consume the inventoried items and how usage or consumption is tracked.”

The Parks and Recreation Department does not have a written policy or procedure for tracking and monitoring capital assets.

All aspects of a department’s operation should be clearly documented in an up-to-date procedures manual. Written procedures are beneficial for operational consistency and training.

Lack of written policies and procedures increases the risk of asset misappropriation, loss of inventory and/or assets, and disruptions to operations.

**Recommendation:**

- The Department should comply with CMA’s and create written internal policies and procedures to control, track, and monitor assets.

**County Management Response:**

*“Management concurs with the observations and recommendation. With the review of Immokalee Sports Complex, the department began drafting a Standard Operating Procedure that outlines responsibilities of Parks staff during the audit process. A fiscal technician has been identified as the single point of contact or gatekeeper of the forms associated with transfers, acquisitions, and inventory. The technician has worked closely with the Clerk’s representative over asset management and developed a more systematic approach to tracking assets within the department. The Standard Operating Procedure for tracking capital assets will be in place by fall 2013 and supervisory staff responsible for the respective capital assets at each park location will be trained on the new procedures.”*

# Conclusion

Once a year Finance provides each cost center (i.e. Immokalee Sports Complex) an Annual Assets Inventory Report for the location to confirm and return including changes to the capital assets. The confirmation includes a hands-on physical inspection of each capital asset. The Immokalee Sports Complex has not properly completed the physical inspection. As a result, 22% of the assigned capital assets have been unable to be located, identified, transferred to the appropriate cost center, marked through identification numbers, or inspected for condition. Another 24 capital assets are at the location and not recorded for the location indicating other Parks and Recreation locations capital assets are inaccurately recorded. Inadequate oversight and management exposes the County to misappropriation of assets and inaccurate financial information.

The Parks and Recreation Department has not sufficiently safeguarded, controlled, tracked, or monitored capital assets. Inadequate oversight continues to be a strong concern for Parks and Recreation. The Parks and Recreation Department should ensure there are proper controls, policies, and procedures in place to limit risk, error, and misappropriation.

Audits do not relieve management of their responsibilities. It is the responsibility of County management to understand and implement the proper procedural controls in order to reduce and limit the risk of fraud, error, and misappropriation of County assets. Internal Audit may recommend improvements in audit reports, but ultimately it is the duty and decision of County management to formulate processes and controls that ensure compliance with Federal regulation, State statute, County ordinance, and County policies.

## **Recommendation:**

- The Department should complete a hands-on physical inspection for all Parks and Recreation locations.

## **Additional County Management Comments:**

*“The Department appreciates the review of the Immokalee Sports Complex after the request by the Director. The internal auditor was thorough and helpful to the current supervisory staff to ensure the proper accounting of county assets. The Department will take appropriate steps to ensure strengthening of oversight of capital assets at this and all Park locations. The Department is in the process of photographing each capital asset assigned that will be used to validate the hands on physical inspection of the FY 13 inventory. The Department will continue to work with the countywide effort in asset management to establish a more robust system of not only tracking assets, but also tracking the useful life of assets in order to maximize business efficiency. Special thanks to the Senior Internal Auditor and Fixed Asset Accountant for their review of the Parks and Recreation capital asset management system.”*

## **Internal Audit Comments:**

The Internal Audit Department gratefully acknowledges the cooperation and assistance provided by the Parks and Recreation Department. The Parks and Recreation Department’s willingness and diligence in providing information and responses to the recommendations greatly has assisted the Internal Audit Department with this audit.