

Audit of Surplus Property in the Orange County Comptroller's  
Property Accounting Department

# AUDIT REPORT

Report by the  
Office of the County Comptroller

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**County Comptroller**

County Audit Division

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Audit of Surplus Property in the Orange  
County Comptroller's Property Accounting  
Department

The Property Accounting Department maintains accounting records on all real and tangible personal property acquired or disposed of by the County and performs an independent inventory of all County tangible personal property annually. All usable surplus equipment is stored for redistribution at the surplus warehouse. The Property Accounting Department conducts public auctions twice annually of surplus equipment.

August 2000  
Report No. 291

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August 30, 2000

Martha O. Haynie, CPA

We have conducted an audit of the Property Accounting Department of the Comptroller's Office. The audit was limited to a review of compliance with the applicable laws and rules relating to surplus property and a review of the effectiveness and efficiency of operations and internal controls over surplus property in the Orange County Comptroller's Property Accounting Department. The period audited was October 1, 1997 through March 31, 1999.

Responses to our Recommendations for Improvement were received from the Acting Manager of the Property Accounting Department and are incorporated herein.

We appreciate the cooperation of the personnel of the 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, Acting Manager, Property Accounting Department

# EXECUTIVE SUMMARY

## Executive Summary

We have conducted an audit of the Property Accounting Department of the Comptroller's Office. The audit was limited to a review of compliance with the applicable laws and rules relating to surplus property and a review of the effectiveness and efficiency of operations and internal controls over surplus property in the Orange County Comptroller's Property Accounting Department. The period audited was October 1, 1997 through March 31, 1999. Areas for improvement are noted below:

One item was sold at the Surplus Property Auction, but approval for disposal by the Orange County Board of County Commissioners was not obtained until after the sale.

During our testing, we noted two items were not adjusted correctly in the property records to reflect the sale at auction, two items had not been updated to reflect the correct location, and two items had not had their locations updated to the warehouse.

There is no documentation of non-accountable property sent to the department after an employee picks it up at the warehouse. Department managers should be notified by the Property Accounting Department of all equipment taken from the warehouse by employees of their department. The possibility exists that an employee could pick up non-accountable property from the warehouse and not return it to the department.

The Department concurred with all of the recommendations and has instituted corrective action.

# ACTION PLAN

Audit of Surplus Property in the Comptroller's Property  
Accounting Department  
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
1.	X			X		<b>We Recommend</b> 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.
2.	X			X		<b>We Recommend</b> 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.
3.	X			X		<b>We Recommend</b> the Property Accounting Department notifies department managers of all non-accountable property removed from the warehouse.

# INTRODUCTION



**Background**

The Orange County Comptroller's Property Accounting Department is responsible for conducting an annual inventory of all County tangible personal property. In addition, the Property Accounting Department is charged with maintaining accounting records on all tangible personal property acquired or disposed of by the County, with the exception of the Orange County Sheriff's Office. The surplus warehouse is a facility where useable surplus equipment is stored for redistribution throughout the County. Useable equipment includes office furniture, computers, printers, copiers, and other miscellaneous equipment. There is also a surplus vehicle lot adjacent to the warehouse. The warehouse is open every Thursday from 8:00 AM to 3:00 PM and operated by two Property Accounting Department employees. The Property Accounting Department conducts public auctions of surplus property twice annually at the warehouse and also offers sealed bids of various types of property several times a year.

The public auction during the audit period was on March 9, 1999. Gross sales for the auction totaled \$79,488.13 with the accountable assets having an original cost of \$3,349,956.50. The previous two auctions, on August 20, 1998, and March 18, 1998, brought in proceeds of \$233,013.61 and \$10,074.13, respectively. The auctions are usually held on Wednesdays and allow public viewing the day before the auction. In some instances, property may be at several different field sites. An auctioneer is hired to auction the property, but Property Accounting Department staff conducts the auction. In addition, two cashiers from the Finance and Accounting Department are present to calculate amounts due and collect money. Proceeds from the auction are credited to the fund from which the property item was purchased. Any property not sold is first offered to not-for-profit organizations before being disposed.

**Scope, Objectives,  
and Methodology**

The audit scope was limited to a determination of compliance with applicable laws and rules relating to surplus property and a review of the effectiveness and efficiency of operations and internal controls over surplus property in the



Orange County Comptroller's Property Accounting Department. The audit period was from October 1, 1997 through March 31, 1999. Certain other matters outside the audit period were also reviewed. The audit objectives were as follows:

1. To ensure controls and accounting procedures over surplus property are adequate.
2. To ensure monies collected during auctions of surplus property are accurately accounted for and properly safeguarded.
3. To ensure property is properly disposed of according to legal regulations.
4. To review the effectiveness and efficiency of operations.

To ensure controls and accounting procedures over surplus property were adequate, we obtained internal procedures for surplus property and public auctions and reviewed them for adequacy. We interviewed and observed appropriate personnel in the Property Accounting Department regarding their responsibilities and completed Internal Control Questionnaires related to surplus property. We also toured the warehouse and vehicle lot to observe the security of the facility and/or items and the condition of items. We determined whether missing property was being promptly investigated and whether additional precautions were being taken to prevent further losses. Finally, we reviewed the methods used to inform the public of the auctions and items available.

To ensure monies collected during auctions of surplus property were accurately accounted for and properly safeguarded, we obtained a sample of sales transactions from previous auctions. We reviewed the files and ensured the required documents were on file and the amount due was properly collected and recorded. We attended a public auction and ensured that auction procedures were followed

and monies collected were adequately safeguarded. At the auction, we selected a random sample of items bid and ensured the price paid was the same as the price bid.

To ensure property was properly disposed of according to legal regulations, we used the sample of sales transactions noted above and ensured that if the bidder claimed to be tax exempt, the appropriate exemption certificate or affidavit was on file. We ensured the property records were adjusted to reflect the sale and the correct amount to be paid by the bidder was calculated based on any sales tax or surcharge that may have been required. We also ensured the Board of County Commissioners approved items for sale. We obtained a sample of surplus arthropod control property and determined whether the property had first been offered to other counties or districts and then to other governmental units before being disposed of through other County disposal methods. We conducted a physical inspection of a sample of surplus property items and verified that the items were properly tagged and records adequately described the asset. We reviewed an Invitation To Bid and ensured documentation was on file according to Property Accounting Department procedures.

To review the effectiveness and efficiency of operations, we reviewed and evaluated the procedures and property records for surplus property. We compared the cost of items sold at auctions with the proceeds from these items. We determined the median price and the average price paid for surplus items and we determined the percentage of items sold. We also determined the average number of years in service and the average percent of cost recovered.

## **Overall Evaluation**

The Property Accounting Department was in compliance with applicable laws and rules reviewed. In addition, in our opinion, the surplus property internal controls were adequate and operations were performed in an efficient and effective manner. However, improvements are needed as outlined in this report.

# RECOMMENDATIONS FOR IMPROVEMENT

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

One out of 45 items (2.2%), a metal pulley, was sold at the March 18, 1998 Surplus Property Auction, but approval for disposal by the Orange County Board of County Commissioners (Board) was not obtained until August 4, 1998. Section 274.07, Florida Statutes, states that the authority for the disposal of property be recorded in the minutes of the governmental unit. Also, Section II.B., Orange County Administrative Regulation 6.05.04, states that the authority for all dispositions of tangible personal property be obtained from the Board of County Commissioners and recorded in the Board minutes. The item was inadvertently omitted from the Request For Action to the Board which was submitted for the March 1998 auction. When it was realized that the item had been omitted, the item was added to the next request submitted to the Board. Without prior approval, items could be sold at the public auction that the Board may not want to be sold.

**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.

**Management's Response:**

We concur. The asset in question was turned into the surplus property warehouse by the custodian without providing the asset identification number. When completing the disposition forms for the assets sold at the auction, we discovered that this asset had not been submitted to the Board for disposition approval (since it had been turned in without the asset identification number). We then proceeded to obtain Board approval for its disposition and updated the fixed asset records accordingly. We have since modified our procedures to include a search by serial number to the fixed assets records for all assets turned in by custodians without an accompanying asset identification number. This should help alleviate these types of situations.

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

During our review, we noted the following concerns:

- 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. One item, a metal pulley, showed a sales year of 1999 when it should have been 1998. The second item, a digitizer table, reflected an incorrect Request For Action.
- 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. One item was a fax machine and the other was a scanner.
- Additionally, 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. The date was obtained later from the Manager of the Property Accounting Department. Another item had its location changed to the warehouse after the date of the auction.

Section 10.450, Rules of the Auditor General, states that the content of the individual property records should include a physical location and date the item was last inventoried. Section 10.470 states required information to be recorded in the property records pursuant to the disposition of property should include authority for disposition and the date of disposition. The surplus warehouse is not in the same building as the Property Accounting Department and surplus property records are maintained on a data management system. This system is not linked to the active property records which are maintained on the Advantage System

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## RECOMMENDATIONS FOR IMPROVEMENT



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(LGFS) and therefore, when an item is taken to the surplus warehouse, the active LGFS property records must be manually updated. Because this information must be manually updated, errors may occur which may not always be detected. Without correct information, employees may not be able to locate assets during annual inventories and misstatements of financial data could occur if records are not accurate. In addition, assets could be sold at auction that have not been properly approved if records are not accurate.

**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.

### **Management's Response:**

We concur. We have implemented procedures to provide enhanced verification of our data entry as well as to ensure the timely recordation of assets relocated to the surplus property warehouse. We are also in the process of upgrading our surplus property data management system to provide an automatic interface to the Advantage (LGFS) System.

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

A department representative 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 their representative received the property. Accountable property (value in excess of \$500) will appear on the department's next annual inventory, however, non-accountable property will never be recorded in the department's inventory. Department managers should be notified by the Property Accounting Department of all equipment taken from the warehouse by employees of their

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## RECOMMENDATIONS FOR IMPROVEMENT



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department. The possibility exists that an employee could pick up non-accountable property from the warehouse and not return it to the department. Without separate documentation to the department of property that was issued to them, we can not be assured that the property was actually received by that department.

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

**Management's Response:**

We concur. We will provide a copy of the Equipment Issued Receipt (which is signed by the department representative acknowledging receipt of all accountable and non-accountable equipment issued) along with an explanatory memo to the custodian.