

**Performance Audit:
Fire Department Asset Management**

July 2013

**City Internal Auditor's Office
City of College Station**

Fire Department Asset Management Audit

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Introduction

The City Internal Auditor's Office conducted this performance audit of asset management pursuant to Article III Section 30 of the College Station City Charter, which outlines the City Internal Auditor's primary duties.

A performance audit is an objective, systematic examination of evidence to assess independently the performance of an organization, program, activity, or function. The purpose of a performance audit is to provide information to improve public accountability and facilitate decision-making. Performance audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal control; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.

A performance audit of city assets was included in the fiscal year 2013 audit plan based on direction given by the Audit Committee.

Asset management, in its most basic form, is the proper safeguarding and recording of assets. In the City of College Station, asset management is mostly decentralized, with each department given primary responsibility for tracking and safekeeping their own assets. According to city policy, the Finance Department is responsible for keeping a city-wide record of all capitalized assets, which is defined as an asset with "an original cost or value of at least \$5,000 and a useful life of more than three years."

The record of these capital assets is primarily kept in the Asset Management application of the City's Enterprise Resource Planning System (ERP). The City's current ERP system is Sungard Public Sector and contains the following suite of software applications: (1) Community Service, (2) Financial Systems, and (3) Utility Systems. The Financial System consists of the following applications: Accounts Receivable, Asset Management, Cash Receipts, Fleet Management, GMBA (General Ledger), Payroll, Purchasing/Inventory, and Work Orders.

In April 2013, the Department of Information Technology began working with other city departments to gather requirements to

include in a request for proposal for a new ERP system to potentially replace Sungard Public Sector. Identifying areas of improvement in the current asset management process is critical as the City moves forward over the next few years to implement a new ERP system.

This audit is focused specifically on the Fire Department. The College Station Fire Department's mission is "to protect the lives and property of the citizens and visitors of the City of College Station during all emergencies and disasters, whether natural or man-made; to promote a safe community through public education, fire prevention, and emergency management in order to maintain and uphold the integrity of the City and its neighbors; to maintain a high standard of training and education for [its] employees; to encourage [its] employees to serve as role models and participate in the community; and to utilize effectively and efficiently all resources to provide service deemed excellent by the people."

To help the Fire Department achieve its mission, it employs the use of many different kinds of assets, including such items as fire trucks and medical supplies. In total, the Fire Department has about \$7 million in capitalized assets; as well as many non-capitalized assets.

Audit Objectives

This audit evaluated the Fire and Finance departments' asset management policies and practices, and answers the following questions:

- Are the Fire Department's assets being adequately recorded?
- Are the Fire Department's assets being adequately safeguarded?

Scope and Methodology

This audit was conducted in accordance with government auditing standards (except for the completion of an external peer review),¹ which are promulgated by the Comptroller General of the United

¹ Government auditing standards require audit organizations to undergo an external peer review every 3 years.

States. Audit fieldwork was conducted from February 2013 through June 2013.

The audit methods included:

- Reviewing the work of auditors in other jurisdictions and researching professional literature to identify best practices regarding asset management.
- Interviewing city staff responsible for performing various related duties and/or oversight functions.
- Reviewing applicable city policies and procedures and relevant state and federal laws and regulations.
- Examining the City's asset records to identify any inaccurate records or inconsistencies in data recording.
- Evaluating the purchasing through asset disposal process to identify potential process or procedural breakdowns.
- Performing on-site inspections of Fire Department assets to determine if the asset observed in the field corresponds to the asset information recorded in the City's financial records.

Findings and Analysis

This audit of asset management, which focused on the Fire Department, resulted in three primary findings that need addressing: (1) the City's current ERP (Enterprise Resource Planning) system lacks integration, (2) assets can be difficult to locate due to the current state of some asset records, and (3) asset management policies and procedures could be improved.

These three findings are all related to each other. Each is an aspect of an overall finding that there is a disconnect between record keeping, which is conducted centrally in the Finance Department, and safeguarding, which is assigned to individual departments. When recordkeeping and safeguarding are working together they can act as controls for each other. The record keepers can help hold the departments accountable for safeguarding assets, and the departments can help ensure the records are accurate.

The City's Current ERP System Lacks Application Integration

ERP systems integrate internal and external management of information across an entire organization—embracing finance/accounting, human resources, payroll, sales, customer relationship management, etc. ERP systems automate this activity with integrated software applications. ERP facilitates information flow between all business functions inside the organization, and manages connections to outside stakeholders.

The City's current ERP system is Sungard Public Sector and contains the following suite of applications: (1) Community Service, (2) Financial Systems, and (3) Utility Systems. The Financial System consists of the following applications: Accounts Receivable, Asset Management, Cash Receipts, Fleet Management, GMBA (General Ledger), Payroll, Purchasing/Inventory, and Work Orders.

An Optimal ERP System Integrates Applications

An ideal ERP system should integrate data with all of its applications. It should minimize unnecessary or duplicated data entry and promote ease of data transfer and sharing between departments using the

system. With data integration, individual departments within an agency can access the information they need to make informed decisions about their own assets, and the impact of their decisions on other departments is clearer and the potential for united decision-making increases.

Integration between Some System Applications is Lacking

The City of College Station's ERP system lacks sufficient integration. In terms of asset management, we found that the Asset Management application was not sufficiently integrated with the other asset-related applications. This lack of integration led to four primary consequences: (1) difficulty accessing information, (2) inconsistent records, (3) duplication of effort, and (4) weakened communication.

Difficulty accessing information. Information regarding a single asset is sometimes stored in multiple applications. This can make it difficult for employees to find relevant information regarding an asset if they do not already know in which application to look. In a best case scenario, the applications may contain information that tells an employee where to look for more information. For example, an asset in Asset Management may list a purchase order number, which explains where to look in the purchasing application; or a fleet number which explains where to look in the Fleet Management application. But often the information in the Asset Management application does not indicate the purchase order number or fleet number, which then makes it difficult to find relevant information that may be stored in other applications of the ERP system.

Inconsistent records. When ERP systems are not integrated, there is an increased risk that the records will be inconsistent. This is because insufficiently integrated systems are more likely to allow differences in information that should be identical. For example, we found a utility cargo trailer² that should have been recorded in both the Asset Management application and the Fleet Management application. However, we were only able to identify this trailer in the Fleet Management application.

Table 1 on the next page illustrates further how records between different applications in the City's ERP system are inconsistent. This table describes a few discrepancies found between Fleet Management

² The trailer was purchased for \$6,916 (purchase order number 961493).

and Asset Management records when employees manually entered vehicle identification numbers separately into the two applications.

Table 1: Examples of fire department inaccurate VINs

Asset ID	Description	Asset Management	Fleet management
3876	Ambulance	1FV3EFBC3YHB31177	1FV3EFBC5YHB31177
4392	Ambulance	3D6WG46T39G529556	.D6WG46T39G529556
585	Utility Trailer	1WC200R2542049442	1WC200R254209422
3936	Pumper Truck	4P1CT02E62Q002658	4P1CT02E62A002658

Duplication of effort. Insufficiently integrated systems create duplication of effort when they require employees to enter the same information into the system multiple times. For example, serial numbers must be manually entered into the Asset Management and Fleet Management systems separately. An integrated system would take advantage of automation and auto-fill functions to help reduce this duplication of effort.

Weakened communication. Insufficiently integrated systems are not effective at helping information move easily between departments. This can create problems when one department makes a decision that impacts other departments, but the other department never learns of it. For example, if a department decides to dispose of an asset, this affects Finance who needs to record the change in the records. But insufficiently integrated systems make it more difficult for Finance to learn of this disposal, and therefore less likely to update the records.

Departments are Using Third-Party Management Systems

In addition to the lack of integration in the ERP system, we found that individual departments sometimes feel the need to purchase third-party asset management systems in order to help the department meet its own unique needs.

The Fire Department uses a third-party system called Fire House to manage some of their assets. Fire House is also used to meet certain state reporting requirements specific to the Fire Department. Fire House is not integrated with the City's ERP system. Fire Department employees stated they use this third-party system because the

department has unique needs that cannot be met by the City's ERP system.

The consequences of individual departments using third-party management systems are largely similar to the consequences of having an insufficiently integrated ERP system—poorer access to information, inconsistent records, duplication of effort, and weakened communication.

The City has several options when it comes to reducing the risks associated with using third-party systems; each will likely require trade-offs, and city management will have to work with department managers to decide which option is best in each situation. A few options that may be available to the City are as follows:

- The City could obtain an ERP system that meets all of the department's needs. This is possibly the most ideal situation, but also perhaps the most difficult. Finding a completely adequate ERP system could prove time-consuming, and is likely quite expensive. Additionally, it is possible that after undertaking an extensive search for an adequate system, employees may ultimately find there is no ERP system that can meet all the needs of an individual department.
- The City could require departments to redesign their own policies and practices to fit the specifications of the ERP system. One advantage to this option is that many ERP systems typically incorporate best practices³ into their design. Therefore, if the departments alter their practices in order to use the ERP system in the way it was intended, the departments are more likely to be following best practices. The disadvantage is that some departments may not be able to change their practices due to legal requirements.
- The City could build customizations into the ERP system to help meet the individual needs of departments. These customizations could include ways to integrate third-party systems. However, two negative consequences of customization are that it can be expensive, and customizations can make the software more unstable and harder to maintain. In fact, a common factor in ERP system failures is a large amount of customization in the system.

³ This means the software reflects the vendor's interpretation of the most effective way to perform each business process. Systems vary in how conveniently the customer can modify these practices.

- The City could allow departments to continue using third-party systems that are not integrated with the ERP system. This will perpetuate poor access to information, inconsistent records, duplication of effort, and weakened communication. However, this solution may provide for an application that best meets the department's individual needs.

Assets are Adequately Safeguarded, but Difficult to Locate

City policy states that "[t]he City's fixed assets⁴ shall be reasonably safeguarded ... and sufficiently insured." Insurance is conducted centrally by the risk management department; whereas responsibility for safeguarding lies with the department director in whose department the fixed asset is assigned.

We found that insurance coverage is sufficient and the Fire Department is safeguarding assets through proper maintenance and security measures. However, the ability to track and easily locate an asset that is recorded in the Asset Management application is deficient.

Insurance Coverage for Capital Assets is Sufficient

The City has adequate insurance for its capital assets. Assets are insured for their replacement cost, not their purchase cost or current value. The City has an insurance policy for losses that are greater than \$50,000, and self-insures for assets that are less than \$50,000.

After reviewing the City's insurance policy and interviewing risk management employees, we found that the City of College Station has sufficient insurance for its assets.

Fire is Adequately Maintaining, Securing & Tracking its Assets

Safeguarding of assets includes a number of responsibilities, including: (1) prolonging asset life through efficient and focused maintenance, (2) maintaining secure assets, and (3) the ability to locate assets at all times.

⁴ In the City of College Station the term "fixed asset" is interchangeable with "capitalized asset."

Efficient and focused maintenance. Departments can prolong the effective use of their assets through efficient and focused maintenance. In this audit, we found that the Fire Department adequately maintains its assets. Fire has numerous written policies for the maintenance of their assets, as well as logs that record their maintenance activities. Additionally, all of their assets were maintained in a clean, well-kept manner. Finally, the Fire Department generally uses their assets for longer than their expected useful lives, which is further evidence of effective maintenance.

Asset security. Securing an asset entails reasonably protecting the asset from theft and vandalism. The Fire Department has seven locations where it stores its assets: the fire administration building and the six fire stations. The Fire Department's overall asset security appears to be sufficient. Both the administrative building and the fire stations are kept secured, even when occupied, and only authorized individuals are allowed entrance.

High-risk assets are sufficiently secure. Assets of particularly high-risk often need heightened levels of security. A type of high-risk item kept by the Fire Department is controlled substances. The Fire Department keeps controlled substances, such as morphine, as part of its emergency response services.

The Fire Department's controlled substances appear to have adequate policies and practices regarding their security. The controlled substances are kept locked behind a video surveilled door at all times, and all individuals with access are known through a custody log. The quantities in storage are well documented—an inventory is performed every time the safes are opened. At the time of our audit, all counts of controlled substances were correct.

Ability to locate. As mentioned previously, the Fire Department uses a separate asset management system that is not integrated with the City's asset management application. During the course of our work, we found that fire personnel were generally able to locate assets using this system.

We Were Unable to Locate a Few Capital Assets

When recording assets as part of an asset management system, one necessary capability of the system is the ability to find the asset that has been recorded. The ability to track an asset that is recorded in an

asset management application reduces the risk of lost or stolen assets.

While conducting this audit, we discovered that finding a recorded asset is both difficult and time consuming. We had difficulty identifying the assets because the data fields for the recorded assets were often missing, lacking, or incorrect; and without this information identifying the asset was difficult.

In the end, we found all but four capital assets that should be in the custody of the Fire Department based on information recorded in the Asset Management application. These assets recorded in the Asset Management application that we were not able to locate can be seen on Table 2 below.

Table 2: The Fire Department's assets we could not verify

Description	Install Date	Install Cost	Serial ID
Defibrillator, LifePak 10	4/01/1997	\$10,924	00002891
Defibrillator, LifePak 12	6/21/2005	\$18,101	33357443
Imaging Scope	4/01/2004	\$8,750	A110491GO3
Imaging Scope	4/01/2004	\$11,701	D02817C08

However, it should also be noted that during this audit we found five imaging scopes that had not been recorded and one LifePak that had not been recorded. Therefore, there is a chance that some of these assets that we were unable to locate merely have an incorrect serial identification number recorded. However, this cannot be verified absent an asset tagging system, because serial identification numbers are currently the only uniquely identifiable data connected to the assets.

The Ability to Locate Some Recorded Assets Was Difficult

When assets are difficult to identify there is an increased risk of fraud, waste, or abuse. This is because it is difficult to know whether an asset has been truly lost or stolen, or is merely not being identified correctly. Additionally, when assets are difficult to find or identify, more time is required when performing monitoring or auditing functions.

There are three primary reasons that assets were difficult to identify. First, the asset identification number is not associated with the physical asset; second, data has been inconsistently entered into the records; and third, identifying data fields are not always applicable.

Asset identification numbers are not associated with the physical asset. The asset identification number is a unique identifying number automatically generated and assigned to each asset by the Asset Management application. It is the only identifier for assets that meets the criteria of both being assigned to every asset and being unique to each asset. However, even though all assets in the records have an asset identification number, the *physical* assets have not been tagged with their assigned identification number. The result of this is that asset identification numbers cannot be used to find or identify assets. As a result, the only unique identifying data that may be on a physical asset recorded in the Asset Management application is a serial or vehicle identification number.

However, unlike asset identification numbers, serial or vehicle identification numbers must be manually entered into the Asset Management and Fleet Management applications. As a result of these two applications not being integrated, we found several instances where the serial or vehicle identification number data in one application did not correspond with the data from the other. Table 3 describes these inconsistencies. The errors described in Table 3 are only an example of three types of errors, and not all inclusive.

Table 3: Serial number or VIN inconsistencies in Asset Management

Department	Type of Problem	No. of Assets
Fire	Asset serial number incorrectly entered	5
Other Depts.	Asset serial number incorrectly entered	<u>39</u>
Total:		44
Fire	Duplicate Entry	1
Other Depts.	Duplicate Entry	<u>2</u>
Total:		3
Fire	No serial number entered	5
Other Depts.	No serial number entered	<u>14</u>
Total:		19

Data has been inconsistently recorded. Data fields have been filled in inconsistently over the years. When data fields are missing or inadequate, it makes finding and identifying an asset more difficult.

Identifying data fields are not always applicable. Some assets were difficult to identify because some of the fields used to identify the asset are not applicable to it. For example, this audit relied heavily on the serial identification field to identify assets. However, about six percent of the assets in the Fire Department are not the kind of assets that have serial identification numbers. This made it difficult to be sure that the asset we found was indeed the asset that corresponded to the one listed in the records.

The City Lacks Sufficient, Clear, or Consistent Policies

Policies for asset management promote accountability and consistency among employees while reducing the risk of fraud or misappropriation. An asset management policy should be clear and consistent. It should help employees understand what is expected of them, and should address problems the organization has encountered in the past.

The City currently lacks sufficient, clear, or consistent policies and procedures for asset management. Current policies and procedures do not adequately address inter-departmental communication, asset disposal, or data recording. This in turn has contributed to inaccuracies in the records; missing, inconsistent, or insufficient data; and employee uncertainty.

There are Inaccuracies in Asset Management Records

We found several inaccuracies among the assets recorded in the Asset Management application. Specifically, we found nineteen assets that had not been recorded, though they probably should have been; and four assets that were recorded as in use, but had actually been disposed.

Inaccuracies in asset management records make asset management more difficult and increase the risk of loss or theft.

Table 4 on the next page describes assets that were in use by the Fire Department, but were not recorded in the Asset Management application at the time audit fieldwork was conducted.

Table 4: Assets in use that were not recorded in the Asset Management application at time of audit

Asset	Quantity	Individual Cost	Subtotal Cost
Ambulance	1	\$ 139,000 ⁵	\$ 139,000
Stretcher (I)	3	\$ 9,308 ⁵	\$ 27,924
Stretcher (II)	1	\$ 11,696 ⁵	\$ 11,696
Imagers	5	\$ 13,409 ⁶	\$ 67,045
Hydraulic Rescue Tools	5	\$ 5,048 ⁶	\$ 25,240
Lifepak 12	1	\$ 16,030 ⁶	\$ 16,030
Trailer	1	\$ 6,916 ⁷	\$ 6,916
John Deere Gators	2	\$ 9,699 ⁸	\$ 19,398
TOTALS	19		\$ 313,249

In regards to the ambulance listed above, the ambulance was not recorded until after this audit began. On April 24, 2013, while conducting audit fieldwork, fire department staff brought to our attention the ambulance that was not yet recorded in the City's asset records. The ambulance was added to the Asset Management application on April 29, 2013. It should be noted that this asset was purchased and put in service during this current fiscal year in October 2012, and the Finance Department stated that their primary concern is recording assets within the year it was purchased so that the City's financial statements will be accurate. However, while the current recording practices may be sufficient for achieving the City's financial reporting goals, recording purchased assets shortly after they have been received and put in service will better help the City track and safeguard its assets.

In regards to the stretchers listed above, the Finance Department stated that when an ambulance is capitalized all of its equipment is capitalized as one asset. Any equipment that gets replaced is then considered maintenance on that asset. Therefore, these stretcher replacements are considered maintenance and expensed rather than recorded as a capital asset. However, we believe that the stretchers meet the requirements for capitalization, and they do not appear to meet any of the exceptions to capitalization documented in the City's policies.

⁵ The cost is based on the asset's purchase order cost.

⁶ This cost is based on the average cost of similar assets that have been recorded.

⁷ This cost is based on fleet management's recorded cost for this asset.

⁸ This cost is based on the manufacturer's price.

Table 5 below shows assets that are still listed as in use in the asset management records, but have actually been disposed either through sale or by return to the manufacturer.

Table 5: Assets disposed, but recorded as in use

Asset Description	Asset ID #	Asset Status	Installed Cost	L-T-D Depreciation
2005 Ambulance	4041	Active	\$104,290	\$ 87,777
2004 Crown Victoria	4006	Fully Depreciated	\$ 19,750	\$ 19,750
2002 Ambulance	3921	Fully Depreciated	\$119,674	\$119,674
Chemical Detection System	5973	Active	\$ 47,398	\$ 25,279

There is Missing, Inconsistent, or Insufficient Data

Data input into the Asset Management application has been inconsistent over the years. This is apparently due to turnover in employees, with different employees entering data differently from each other.

When employees enter data into the Asset Management application, there are over two dozen fields that could be completed. Among those fields, there are a few that particularly need data to be entered. City policy requires that an asset's description, cost, department of responsibility, date of acquisition, and expected useful life be recorded.⁹ In addition to those, we found that recording serial or vehicle identification numbers, purchase order numbers, and retirement descriptions are helpful in managing and locating assets. We found that the data contained in these fields had varying degrees of quality.

Asset description. Every asset had a description recorded; and for the most part the descriptions accurately described the physical asset observed—or at least the group of assets to which it might belong. Only one asset bore an incorrect description¹⁰, and only one other

⁹ City of College Station 2012-2013 Approved Annual Budget, p. 258.

¹⁰ Asset #2708 was listed as a "chemical identifier, hazmat ID." In actuality it is a "Responder RCI."

asset bore a description that was overly vague and thus caused considerable difficulty to identify.¹¹

Asset cost. Every asset had a cost recorded. For the most part, an asset's cost is straight-forward. However, asset cost can become complicated when it is made up of multiple separate purchases added together. With multi-part assets, data in the Asset Management application is not clear on what costs have been added together.

Department of responsibility. City-wide, we found that the department field in the Asset Management application had only been recorded 23 percent of the time. In the cases where this field was not entered, it was often difficult to determine which department the asset has been assigned. The "Category" and "Class" fields could usually be used to help determine the proper department, but those fields were less clear than the department field, and were occasionally misleading. Considering that city policy charges departments with primary responsibility for asset management, proper tracking of which department is assigned which asset is essential for complete, accurate, and useful records.

Date of acquisition. Every asset has an acquisition date recorded.

Expected useful life. Every capital asset has an expected useful life recorded.

Serial or vehicle identification numbers. We found eight assets (about ten percent) where the department's capital assets did not have a serial or vehicle identification number recorded, even though a serial or vehicle identification number was available. We also found that four assets (about five percent) had an incorrect serial identification or vehicle identification number listed. Finally, there were five assets (about six percent) that do not have serial or vehicle identification numbers; thus making the use of the serial or vehicle identification number category unusable.¹² It is important to note that these numbers are the only unique identifying data in the Asset Management application that can be used to positively identify the physical asset inspected.

¹¹ Asset #2407 was listed as a "breathing apparatus." The asset would have been easier to identify if it had been listed as a "breathing apparatus trailer."

¹² There are some purchased capital assets that do not contain serial or vehicle identification numbers. E.g., the Fire Department's Smartboard projector (purchased for \$12,114) does not appear to have a serial identification number anywhere on it.

Purchase order numbers. For Fire Department capital assets, we found 22 assets (26 percent) did not list an associated purchase order number.

Retirement description. We found that most retired assets had insufficient information describing an asset's retirement. For the most part, the descriptions simply state "Retire." However, we were informed that the external auditors had recently recommended that more information be included; and more recent retires have sufficient descriptions, such as "Sold at Auction in 2012."

Other fields. The other fields in the Asset Management application, while less prominently discussed, also contain inconsistencies. For example, we found that the "Company ID" field has been used variously over the years to contain an asset's manufacturer name, the asset's fleet management number, or to hold identification numbers related to the asset's invoice.

In summary, it is important to consistently and adequately enter the above stated data into the Asset Management application because doing so helps to reduce the risk of fraud, waste, and abuse. For example, when an asset is among a group of similar assets, and the serial identification number is not recorded, there is an increased risk of theft because the asset cannot be easily differentiated from the similar assets. This in turn makes the theft itself more difficult to detect, as well as making it very difficult to identify the stolen asset during any investigations after the theft.

Unclear Policies Have Resulted in Employee Uncertainty

One aspect of the City's asset management policies that has caused some uncertainty among employees is the disposal of assets. According to city policy, an asset can be disposed in one of five ways: (1) recycling, (2) auction or competitive bidding, (3) trade-in, (4) destruction, and (5) charitable donation.

We found that employees in both the Finance Department and the Fire Department understood clearly how to dispose of an asset when it was done via sale or trade-in. However, they were generally less clear on the procedures for the other methods of disposal. As a result, there is some uncertainty in the Finance Department whether disposed assets that have not been sold or traded-in have been properly retired in the records. In addition, there is some uncertainty

in the Fire Department concerning what to do with some assets that they know cannot be sold or traded in.

On a related note, we also found an asset that is no longer used by the City, and due to being technology-related, currently has little-to-no monetary or useful value. However, at the time the Fire Department stopped using the asset, there was likely still some value remaining. A policy that encourages departments to regularly assess whether assets are being used, and whether it might be better to dispose of an unused asset, may have helped in this situation.

The City Needs Stronger Asset Management Policies

All three of the above stated conditions were caused, at least in part, by the City's insufficient asset management policies. A policy that required more formal communication between departments could have reduced the inaccuracies in the record; a policy that went into greater depth on inputting data could have reduced inconsistencies; and a policy that gave more direction on disposal of assets could have cleared up some of the employee uncertainty.

Additionally, we found that in some cases the problem was not that the policies themselves were insufficient; but rather, employee knowledge of already existing policies was insufficient.

As the City moves forward in considering the implementation of a new ERP system; new processes, policies and procedures will likely be developed. In doing so, management should consider what policies and procedures should be implemented to best take advantage of an integrated asset management application to meet not only its financial reporting goals but also asset management objectives to ensure that city assets are properly safeguarded, maintained, and utilized.

Recommendations

1. **The City should obtain an integrated ERP system.** The ERP should facilitate information flow between all business functions inside the organization, and manage connections to outside stakeholders. It should minimize unnecessary or duplicated data entry, and not only help individual departments access the information they need to make informed decisions, but make the impact of their decisions on other departments clearer.
2. **The City should develop a policy for dealing with third-party management systems.** See pages 7-8 of this report.
3. **The City should put a greater emphasis on inter-departmental communication.** Asset management policies should encourage communication between departments. Stronger communication will help improve the accuracy of the asset records and help departments better manage their assets. For example, the City may want to consider requiring that the safeguarding department formally inform the recordkeeping department about changes in the status of an asset as the changes occur (ideally, this would occur through an integrated ERP system).
4. **The City should strengthen its policies regarding disposal of assets.** The City's policies regarding asset disposal should be revised to better guide employees through the process of disposing of assets that cannot be sold or traded-in. As part of this policy the City may also want to consider encouraging departments to regularly review their assets and to consider disposing their no-longer used assets.
5. **Policies should be more specific in regards to entering data into the Asset Management application.** The policies should be designed to encourage completeness and consistency when entering data into the Asset Management application. Generally, policies will increase the likelihood of consistency among employees by being provided to employees in a written format, and by being specific about the City's expectations. The City's policy regarding data entry should specifically state which data fields must be filled, and how they should be filled. This will

increase the likelihood that the records will be complete and consistent.

6. **The City should develop an effective method for locating assets that are in the asset records.** The City of College Station does not currently have a specific system for identifying and locating its assets. There are a number of methods the City could use—the only necessary requirement for all of them is a method for uniquely differentiating each asset. For example, many cities use the asset identification number assigned by their ERP system to uniquely identify their assets.

There are several options the City might choose from in order to make assets easier to locate. Each of the options listed below will have its trade-offs—and are not all inclusive; therefore, city staff may be able to develop a more optimal solution to best track city assets.

- a. The City could begin using a barcode tracking system, which is a method of asset tracking used by many cities and companies. However, a barcode tracking system would cost additional money and training, so the City should consider whether the benefits would outweigh the costs.
- b. The City could begin using the “Location” field in the Asset Management application. If the City decided to begin using this field, it would need to be specific enough to effectively locate assets. Additionally, the field would need to be updated whenever the location of an asset changed.
- c. The City could continue to rely on departments to locate assets. For this option to succeed, the City would need to strengthen its data recording so that city departments can more easily identify the assets, which will then allow them to locate the assets when future physical inspections are conducted.

Responses to Audit Recommendations

To: Ty Elliott, Internal Auditor
Through: Kathy Merrill, Interim City Manager
From: Jeff Kersten, Executive director Business Services
Date: July 17, 2013
Subject: Management Responses to Recommendations - Performance Audit: Fire Department Asset Management

1. **The City should obtain an integrated ERP system.** The ERP should facilitate information flow between all business functions inside the organization, and manage connections to outside stakeholders. It should minimize unnecessary or duplicated data entry, and not only help individual departments access the information they need to make informed decisions, but make the impact of their decisions on other departments clearer.

Management Response: Staff agrees that it would be ideal to obtain an integrated ERP system. Staff is striving towards that end, but also recognizes there may be some functions that are not totally integrated. The City has issued an RFP for a comprehensive ERP system. System integration is a key component of the desired system.

2. **The City should develop a policy for dealing with third-party management systems.** See pages 7-8 of this report.

Management Response: Staff agrees that there needs to be clear parameters when a third party management system is considered. Third party management systems used are typically department specific and one of the intended uses is maintaining an inventory of non-capital supplies.

3. **The City should put greater emphasis on interdepartmental communication. Asset management policies should encourage communication between departments.** Stronger communication will help improve the accuracy of the asset records and help departments better manage their assets. For example, the City may want to consider requiring that the safeguarding department formally inform the recordkeeping department about changes in the status of an asset as the changes occur (ideally this would occur through an integrated ERP system).

Management Response: Improving interdepartmental communication is important and will continue to be emphasized. This will be an important component of the ERP replacement project. Electronic workflow and/or automated notifications will be an important component of the ERP replacement project and can help facilitate better communications.

4. **The City should strengthen its policies regarding disposal of assets.** The City's policies regarding asset disposal should be revised to better guide employees through the process of disposing of the assets that cannot be sold or traded-in. As part of this policy the City may

also want to consider encouraging departments to regularly review their assets and to consider disposing their no-longer used assets.

Management Response: Staff will review the existing policies regarding disposal of assets and if necessary make changes to ensure the policies are as clear as they can be. Disposal of surplus property is centralized in the Finance Department. The disposal of surplus property will also be reviewed as part of the ERP replacement project.

5. **Policies should be more specific in regards to entering data into the Asset Management application.** The policies should be designed to encourage completeness and consistency when entering data into the Asset Management application. Generally, policies will increase the likelihood of consistency among employees by being provided to employees in a written format, and by being specific about the City's expectations. The City's policy regarding data entry should specifically state which data fields must be filled, and how they should be filled. This will increase the likelihood that the records will be complete and consistent.

Management Response: Staff will review existing policies regarding data entry into the Asset Management application and if necessary make changes to ensure completeness and consistency when entering data. Ideally an ERP system will allow the City to pre-set required fields. This will be reviewed as part of the ERP replacement project.

6. **The City should develop an effective method for locating assets that are in the asset records.** The City of College Station does not currently have a specific system for identifying and locating assets. There are a number of methods the City could use – the only necessary requirement for all of them is a method for uniquely differentiating each asset. For example, many cities use the asset identification number assigned by their ERP system to uniquely identify their assets.

There are several options the City might choose from in order to make assets easier to locate. Each of the options listed below will have its trade-offs – and are not all inclusive; therefore staff may be able to develop a more optimal solution to best track city assets.

- a. The City could begin using a barcode tracking system, which is a method of asset tracking used by many cities and companies. However, a barcode tracking system would cost additional money and training, so the City should consider whether the benefits would outweigh the costs.
- b. The City could begin using the "Location" field in the Asset Management application. If the City decided to begin using this field, it would need to be specific enough to effectively locate assets. Additional, the field would need to be updated whenever the location of an asset has changed.
- c. The City could continue to rely on departments to locate assets. For this option to succeed, the City would need to strengthen its data recording so that city departments can more easily identify the assets, which will then allow them to locate the assets when future physical inspections are conducted.

Management Response: Business practices related to asset management will be reviewed as part of the ERP replacement project. Staff will review the methods used to locate assets and determine what changes need to be made to these processes.