

The logo for SC&H, featuring the letters 'S', 'C', and 'H' in a serif font, with an ampersand between 'C' and 'H'. The logo is white on a dark blue background.

SC&H

ATTEST SERVICES

A low-angle, upward-looking photograph of a modern glass skyscraper. The grid of window frames creates a strong geometric pattern that converges towards the top of the frame. The sky is a pale, clear blue.

Frederick Community College Asset Inventories, Accountability, and Surplus Performance Audit

December 21, 2022

Report #22-03

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I. Executive Summary

Background

SC&H Attest Services, P.C., a wholly owned affiliate of SC&H Group, Inc. (SC&H) was engaged by Frederick County Government (FCG, the County) Interagency Internal Audit Authority (IIAA) to conduct a performance audit (audit) of the management of Frederick Community College (FCC or College) in relation to the inventory, accountability, and surplus of College assets. The audit was performed in two phases: a planning and risk assessment phase and a testing phase.

The audit evaluated the following asset types, defined and summarized as follows.

1. Non-technology fixed assets
2. Technology fixed assets
3. IT equipment
4. Library Collection
5. Inventories managed by the Bookstore and Dining Services

Fixed Assets:

The College’s Financial Procedures Manual (Manual) states the College capitalizes an asset that meets the following criteria:

1. Has an original unit cost of \$5,000 or more
2. Has an expected useful life of greater than one year

Fixed Asset Value Information

The College accounts for all fixed asset categories in PeopleSoft, the College’s enterprise resource planning (ERP) system. The College’s Net Book Value (NBV) Detail Report included a cost balance over \$148 million as of February 1, 2022. The following provides a breakdown by asset category.

Asset Category	Cost Balance (Per Net Book Value Report)
Buildings	\$81,927,695
Building improvements	48,093,744
Site improvements	7,998,466
Furniture and equipment	6,627,341
Library collection	2,071,517
Construction in progress	1,700,461
Land	271,620
Total	\$148,690,844

Valuation & Depreciation

The Manual states the College records purchased fixed assets at invoice or contract price including all ancillary costs, or in the case of contributed assets, at the fair value at the date of donation. However, the College’s library collection is recorded and valued annually as a group at cost or estimated cost without regard to individual item cost.

The College expenses depreciation over the estimated economic life of the asset on a straight-line basis as follows:

Asset Category	Number of Years
Buildings and improvements	10-40
Library collection	10
Furniture and equipment	5-10

Fixed Asset Scope

The above sections provide an overview of all fixed asset categories classified by the college. However, for the purposes of this audit, the focus was the ‘furniture and equipment’ and ‘library collection’ asset categories. Due to the differences in process and procedure, the ‘furniture and equipment’ asset category is subcategorized into the following:

1. Non-technology fixed assets
2. IT fixed assets

Non-Technology Fixed Asset Definition

The College’s Non-Technology Fixed Asset Management Policy states a non-technology fixed asset includes any non-technology College owned property valued at greater than \$5,000; inclusive of vehicles, furniture, and equipment.

Departments throughout the College may purchase and utilize non-technology fixed assets. However, the College’s Operations Department (Operations) is assigned with the overall responsibility for receiving, tagging, safeguarding, inventorying, and disposing these assets.

IT Fixed Asset Definition

The College IT Inventory Procedure document defines the types of equipment that are considered IT equipment. IT fixed assets have the same criteria as other fixed assets and include the following subcategories and asset types:

1. Individual computing devices:
 - a. Laptops/desktops/thin clients
 - b. Monitors
 - c. Tablets
 - d. Printers/copiers/scanners
 - e. Laptop carts
2. Network infrastructure equipment
 - a. Servers
 - b. Network switches/routers/controllers
 - c. Wireless access points
 - d. Firewalls
 - e. UPS equipment
 - f. College issued cell phones
 - g. Conference room phone
3. AV equipment
 - a. Projectors and displays
 - b. Audio components
 - c. Control components
 - d. Conference cameras
 - e. Peripherals (Apple TVs, Blu-ray/DVD players, digital signage players)

The College's IT Department (IT Department) is assigned with the overall responsibility for tagging, safeguarding, inventorying, and disposing of IT fixed assets if they are purchased by and/or managed by the IT Department. However, the College's IT Inventory Procedure document states IT fixed assets purchased by any department other than the IT Department, the department who made the purchase is responsible for tracking the equipment and following the Manual for asset management.

IT Equipment (Non-Fixed Assets) Definition

The IT Department also manages IT equipment that may not meet the qualifications of an IT fixed asset (e.g., cost value below \$5,000 or useful life less than one year) but are significant enough in price and/or quantity to track and maintain. The same categories defined above apply to both IT fixed assets and IT equipment.

Departments throughout the College may utilize IT equipment. However, the IT Department is tasked with the responsibility of tagging, tracking, and disposing these assets.

Inventory Definition and Value Information

Inventories are assets such as property and goods available for resale. The College's FY21 Annual Financial Report states inventories are carried on the books at the lower of average cost or market and had a book value of \$562,434 in FY21.

For the scope of this audit, the following departments were initially reviewed:

1. Bookstore: Bookstore inventory includes general merchandise such as clothes, school supplies, technology, etc., and course materials, such as textbooks and/or other items required for a course by an instructor.
2. Dining Services: Dining inventory includes all stocked foods and ingredients to prepare menu items.

Non-Technology Fixed Asset Processes

Non-Technology Fixed Asset Receiving and Tagging

Non-Technology fixed assets are typically purchased by individual departments and received by Operations at the central receiving dock. Upon receipt of the non-technology fixed asset, the Receiving Operations Manager inspects the fixed asset for damages, signs for delivery (if required), and delivers the item to the purchaser.

Within the College's Finance Department (Finance), Accounts Payable regularly reviews purchase orders provided by departments along with charges posted to equipment accounts to identify potential fixed asset purchases. Once identified, Accounts Payable initiates an Asset Tag Request Form and provides it to the Receiving Operations Manager. Upon receipt of an Asset Tag Request Form, the Receiving Operations Manager locates the asset, affixes a fixed asset tag, records the asset information on the Non-Technology Fixed Asset Spreadsheet, and fills out the Asset Tag Request Form with the asset location, tag number, and serial number. This form is then returned to Finance for creation of the fixed asset record in PeopleSoft.

Annual Fixed Asset Inventory Review

Annually, the Receiving Operations Manager performs an inventory count of all non-technology fixed assets that are included on the Non-Technology Fixed Asset Spreadsheet. The Receiving Operations Manager prints and reviews the list of all non-technology fixed assets and physically locates the assets. Once located, the Receiving Operations Manager confirms or updates any relevant information recorded

on the spreadsheet, such as location, tag number, etc. If any updates need to be made, such as a new location, new tag number, or if an asset has been disposed, those changes are communicated to Finance to update the asset record in PeopleSoft.

Disposals and Transfers

If a College department wishes to either transfer a fixed asset to another College department, or dispose a fixed asset, the department is responsible for initiating and completing a Property Transfer Form. This form is then routed to the Department Chair/Supervisor, Chief of Operations, Receiving Manager, and Director of Plant Operations for authorization and approval.

Once approval and authorization has been documented on the Property Transfer Form, the Receiving Operations Manager moves, or arranges to move, the asset to the new location as indicated on the Property Transfer/Disposal Form or arranges for the disposal of the asset. After the asset is transferred or disposed, the Receiving Operations Manager communicates the transfer/disposal along with the Property Transfer Form to Finance. Upon receipt, Finance updates the asset record within PeopleSoft to reflect the new location, or to retire the asset, if disposed.

Approved methods of College property disposal include:

1. Donation to a registered, charitable organization (e.g., Goodwill, Purple Heart, etc.).
2. Sale through either a public auction, public auction website, or private auction (Cochran's Auction or other) with all auction proceeds being returned to FCC operating fund via check payable to Frederick Community College.

For property that is damaged or broken beyond repair and/or beyond the depreciated value of the property, disposal may be through a trash or recycling waste stream vendor as determined by the Receiving Operations Manager and approved by the Chief of Operations.

IT Fixed Asset and IT Equipment Processes

IT Fixed Asset Receiving and Tagging

IT fixed assets purchased by the IT Department are typically delivered to the central receiving dock and received by Operations Department personnel. Upon receipt of a fixed asset, the Receiving Operations Manager inspects the fixed asset for damages, signs for delivery (if required), and delivers the package to the purchaser.

Once received, IT Department personnel obtain and affix a silver property tag to the asset, indicating it has a value or combined value of \$5,000 or greater. If the fixed asset is network equipment, the IT Department records the new fixed asset in a Network equipment spreadsheet, otherwise a record for the asset is created in the IT Department's asset management system, WASP. IT Department staff provide the asset tag number to the IT Office Manager to document on the invoice which is sent to Finance to process payment. Once Finance receives the invoice and asset tag number, the asset record is created within PeopleSoft.

IT Equipment Receiving and Tagging

IT equipment purchases are also typically delivered to the central receiving dock and received by Operations Department personnel. Upon receipt of a delivery, the Receiving Operations Manager inspects the fixed asset for damages, signs for delivery (if required), and delivers the package to the purchaser.

Once received, IT Department personnel obtain and affix a yellow property tag to the item, indicating it has a value of less than \$5,000. Once tagged, the IT Department creates an asset record in WASP and the asset undergoes setup procedures prior to use.

IT Assets and Inventory

The IT Department maintains its own inventory of both IT Department managed fixed assets and IT equipment. The IT Inventory Procedure document states physical inventories are performed on an ad hoc basis as determined by the IT Department or required by the College.

IT Asset and IT Fixed Asset Disposals

Once the IT Department determines that an asset is beyond its useful life, or of no further use to the College, they may decide to dispose of the asset. The IT Department begins by removing and wiping all forms of storage media included with the asset. If a drive cannot be successfully wiped, the IT Department secures the drive(s) in a secured bin to be collected by a third-party that destroys the drive(s) and provides a certificate of destruction upon completion. The IT Department marks successfully wiped drives and stores them for future use or donates them to Frederick County Public Schools (FCPS). Once any storage media has been removed, the IT Department removes the asset tag affixed to the item and disposes the asset/equipment by one of the following methods:

1. Donation to Frederick County Government, FCPS, or another State, County, or municipal agency
2. Trade-in on newly acquired equipment
3. Disposal as scrap by means of recycling or data destruction devices

Once an asset is disposed, IT Department personnel transfer the asset location to the FCPS trailer within the WASP system, indicating the item is no longer in service and notifies Finance of the disposal. Once made aware of the disposal, Finance retires the asset within PeopleSoft.

Library Processes

Library Collection Accessions and Tagging

Library purchases are delivered to the central receiving dock and received by Operations personnel. Upon receipt of a Library order, the Receiving Operations Manager inspects the fixed asset for damages, signs for delivery (if required), and delivers the package to Library staff.

Once received, the Library's Office Manager verifies the invoice, packing slip, and delivery match before notifying the Circulation Manager of new collection items. The Circulation Manager adds the new items to the Accession Log, marks and labels the item(s), and updates the library management system, Virtua, with the catalog records from Online Computer Library Center (OCLC), the cataloging service utilized by the Library. Once the item has been marked and tagged, Library staff stocks the item for patron use.

Annual Library Inventory Review

On an annual basis, Library staff utilize a barcode scanner to scan the barcodes of all inventory items within each section of the Library. Once each barcode is scanned, an excel spreadsheet automatically populates the next available cell with the barcode number. Once all items are scanned, Library staff send the full barcode spreadsheet to the Library's tech support provider, Innovative. Innovative staff compare the scanned barcodes spreadsheet with a master file of all items they have on record and expect to be present in the inventory listing. Innovative responds with a list of all discrepancies found in their review (e.g., an item was located in an incorrect section, or an item was not found in the spreadsheet).

Once received, the Circulation Manager either moves the items to their correct sections or attempts to locate any missing inventory. The Circulation Manager then updates items that cannot be located as 'Missing' in Virtua and performs their search. If found, the Circulation Manager updates Virtua again to show the item is no longer missing. If the Circulation Manager cannot find the item within a reasonable timeframe (up to one year), the item is marked as 'Lost' within Virtua, recorded within the Deaccession Log, and reported to Finance at year end via the Donation/Lost Report.

Library Inventory Deaccessions

When Library Staff determine that an item should be deaccessioned (e.g., outdated material or poor physical condition, etc.), the Circulation Manager brings the item to the Digital Resource Librarian. The Digital Resource Librarian removes the item record from Virtua and OCLC, records the item within the Deaccession Log, and removes all tags and labels before stamping the item to indicate it has been deaccessioned. Deaccessioned library items are placed on a free book cart outside the Library for anyone interested to take. Annually, the Library reports the number of items removed from circulation along with purchase cost of the items removed to Finance.

Bookstore Inventory Processes

Bookstore Inventory Receiving and Stocking

Bookstore inventory is delivered to the central receiving dock and received by Operations personnel. Upon receipt of a Bookstore order, the Receiving Operations Manager inspects the fixed asset for damages, signs for delivery (if required), and delivers the package to the Bookstore.

Once received, Bookstore personnel inspects each package and matches item(s) and count(s) to the invoice and packing slip, and updates inventory records within the Missouri Book System (MBS), the inventory management and Point-of-Sale (POS) system utilized by the Bookstore. Course materials, such as textbooks, or other required materials are stored in the back room until purchased. General inventory items may be stored either on the sales floor or in the back room, dependent upon the value of the items. All purchasing and receiving documentation are then forwarded to Finance by the Bookstore Financial Manager to be recorded in PeopleSoft.

Annual Bookstore Inventory

Annually, the Bookstore closes for two days to perform a complete inventory of the entire store. The Director of College Store Operations prints a map of the Bookstore and divides the front and back rooms into numbered sections. A form for recording the area number, counter name, re-counter name, and notes are attached to each numbered section.

Bookstore employees are assigned sections and then scan the International Standard Book Number/Stock Keeping Unit (ISBN/SKU) for each item, which counts the number in stock. After the section has been counted, the employee notifies the Director of College Store Operations who prints a Count Selection Report to be attached to the applicable section. The person who counted the inventory items initials the checklist as a sign-off. After a section is counted, the Bookstore Director marks the map to show that section has been completed.

While performing inventory, the Director of Bookstore Operations may select sections to be re-counted (based on discretion). If a re-count is needed, the Director of Bookstore Operations assigns another employee to re-count the section. Once complete, the employee will also initial the area form as the second reviewer.

At the end of the second day of the inventory count, the Director of Bookstore Operations reviews the results of the full store inventory and if any count discrepancies were identified, updates inventory records within MBS as appropriate. At the conclusion, the Director of Bookstore Operations produces final reports from MBS and submits them to Finance to make any applicable updates within PeopleSoft.

Bookstore Inventory Chargebacks

Prior to the start of a new semester, the Course Materials Manager or Director of College Store Operations reviews the inventory of all unsold copies of course materials to identify materials that are eligible for return to the vendor. Once the materials are identified, the eligible materials are collected and prepped for chargeback creation. Bookstore personnel then create a chargeback document for each vendor in MBS to record the return and adjust the perpetual inventory. Once the chargeback documents are created, the course materials are packaged for return. A printed copy of the chargeback is inserted into the package as a packing list and contacts the Operations Department for pick-up and shipment.

Dining Services

During the audit, the College formally elected to outsource the Dining Service's operations to a third-party vendor beginning in FY23. Due to these changes, the processes and procedures that were reviewed during the planning phase would no longer be applicable. As a result, it was determined with agreement from the FCG Director – Internal Audit Division, not to perform detailed audit procedures.

Objectives

The following objectives for the testing phase were developed based upon the understanding gained during the planning phase and approved by the IIAA.

- A. Assess whether fixed assets are identified and recorded within the appropriate system of record.
- B. Ensure fixed assets and IT equipment are assigned a means of identification and tracked.
- C. Verify fixed asset inventory is reviewed, reported, and updated completely, accurately, and timely.
- D. Ensure fixed asset disposal and surplus procedures adhere to the policies and procedures.
- E. Assess how fixed assets and inventories are physically safeguarded and secured.
- F. Verify general inventories are reviewed, reconciled, reported, and updated completely, accurately, and timely.
- G. Ensure fixed asset and general inventory orders are reconciled, stocked, and recorded completely and accurately upon receipt.
- H. Ensure general inventory disposals/write-offs are approved, recorded, and reported completely, accurately, and timely.

Scope

The audit was initiated in January 2022 and completed in October 2022. The audit focused on the inventory, accountability, and surplus procedures for College owned:

- 1. Non-technology fixed assets
- 2. Technology fixed assets
- 3. IT equipment
- 4. Library Collection
- 5. Inventories managed by the Bookstore and Dining Services

The scope did not include land, buildings, easements, improvements, or infrastructure assets. The period in scope included the current inventory procedures from July 1, 2019 through May 1, 2022.

Sensitive assets were also included in the scope of this audit. While the College does not have a formal documented definition of what qualifies as a sensitive asset, for the purpose of this audit, sensitive assets included assets which are highly mobile, valuable, and/or easily saleable on the open market.

Audit Testing Selection

An analysis of fixed assets recorded within the PeopleSoft system was performed to select a sample of departments for further review. The sample selection was based on the quantity of fixed assets and the dollar value of those assets as compared to other departments. Below is the sample of six College departments that were selected as a focus for the planning and testing phase of the audit.

Departments:

1. Finance
2. Operations
3. IT
4. Bookstore
5. Library
6. Dining

Methodology and Approach

SC&H conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

In order to obtain the necessary documentation to appropriately perform and conclude upon the objectives of this audit, SC&H conducted the following procedures.

Creation of Audit Program

Based on the understanding of the processes, risks, and related controls, as well as data analytics performed during the planning and risk assessment phase, SC&H developed an audit program to achieve the objectives. This program included detailed steps to address each objective with the goal of verifying the existence of internal controls and identifying opportunities for improvement.

Execution of Audit Program

SC&H executed the audit plan by completing the following tasks:

Objective Area	System Reviewed	Test Description
Fixed Asset Identification	PeopleSoft	Selected a sample of eight purchases over \$5,000 made from equipment accounts and assessed: <ol style="list-style-type: none"> 1. Whether the purchase met the criteria for capitalization and determine the appropriate handling of the transaction. 2. The timeliness of asset record creation based on the in-service date and fixed asset record creation date. 3. Whether the fixed asset record was created in PeopleSoft completely and accurately for purchases that met the fixed asset criteria.
Asset Tag Request Verification	PeopleSoft	Selected a sample of 15 active fixed assets and verified: <ol style="list-style-type: none"> 1. Finance initiated a Fixed Asset Tag Request Form to the Receiving Operations Manager timely.

Objective Area	System Reviewed	Test Description
		<ol style="list-style-type: none"> 2. The Fixed Asset Tag Form was completed and returned to Finance. 3. Finance created a fixed asset record within PeopleSoft completely, accurately, and timely.
Useful Life Data Analytics	PeopleSoft	<p>Performed data analytics to assess:</p> <ol style="list-style-type: none"> 1. Whether all fixed assets have a useful life defined within PeopleSoft. 2. The defined useful life against the actual asset age and identify instances of potential outliers and anomalies.
Non-Technology Fixed Asset Existence	PeopleSoft	<p>Selected a sample of 60 non-technology fixed assets to physically observe the asset to verify:</p> <ol style="list-style-type: none"> 1. The existence of the asset. 2. Whether the correct fixed asset tag is affixed to the asset.
IT Fixed Asset Existence	PeopleSoft	<p>Selected a sample of 60 IT fixed assets to physically observe the asset to verify:</p> <ol style="list-style-type: none"> 1. The existence of the asset. 2. Whether the correct fixed asset tag is affixed to the asset.
IT Equipment Existence	N/A	<p>Selected a sample of 40 IT non-fixed assets to physically observe the asset to verify:</p> <ol style="list-style-type: none"> 1. The existence of the equipment. 2. Whether the correct IT general asset tag is affixed to the equipment
Annual Fixed Asset Inventory Verification	PeopleSoft	<p>Reviewed documentation supporting the annual fixed asset inventory efforts for fiscal years 2019-2021 to verify:</p> <ol style="list-style-type: none"> 1. All non-technology fixed assets were inspected and verified during each of the last three fiscal years. 2. Any updates to an asset inventory record were identified and communicated to Finance timely. 3. Finance applied fixed asset updates within the asset record within PeopleSoft.
Fixed Asset Reconciliation	PeopleSoft	<p>Performed a reconciliation between a PeopleSoft report of all active fixed assets and various reports provided by IT and Operations to verify:</p> <ol style="list-style-type: none"> 1. Whether any fixed assets are not being independently monitored by either the IT Department or Operations. 2. Serial numbers as documented in PeopleSoft reconciled to departmental tracking reports. 3. Asset locations as documented in PeopleSoft reconciled to departmental tracking reports.
Missing/Lost Library Inventory	N/A	<p>Performed data analytics to:</p> <ol style="list-style-type: none"> 1. Determine the percentage of inventory items identified as 'Missing' during the annual inventory that are still not found. 2. Verify that all items that have been classified as 'Lost' were recorded on the deaccession log and communicated to Finance.
Fixed Asset Disposal	PeopleSoft	<p>Selected a sample of 15 fixed assets disposed from FY20 through FY21 to verify:</p> <ol style="list-style-type: none"> 1. A Property Transfer Form was completed by the responsible department and was approved by the Department Chair, Chief of Operations, Receiving Manager, and Director of Plant Operations prior to disposal. 2. The method of disposal was documented on the Property Transfer Form and aligns with the actual method of disposal. 3. The disposal was communicated to Finance and asset records within PeopleSoft were updated timely.
IT Asset Disposals	PeopleSoft	<p>Selected a sample of 40 disposed IT assets to verify:</p>

Objective Area	System Reviewed	Test Description
		<ol style="list-style-type: none"> 1. All storage media within the device was wiped/sanitized prior to disposal, and documentation was maintained to evidence the sanitization efforts. 2. The disposal was approved prior to leaving FCC’s possession. 3. The asset disposal was communicated to Finance timely and fixed asset record was updated in PeopleSoft.
Grant Purchased Disposals	PeopleSoft	<p>Obtained a population of fixed assets disposed from FY20 through FY22 that were purchased with grant funding to verify:</p> <ol style="list-style-type: none"> 1. Asset disposal was in-line with grant requirements, and that documentation was maintained to evidence compliance with grant terms.
Deaccessioned Library Inventory	PeopleSoft Virtua	<p>Obtained a report of all library inventory that were removed from Virtua within the last two fiscal years to verify:</p> <ol style="list-style-type: none"> 1. All items removed from Virtua were recorded on the Deaccession Log 2. The number of deaccessioned items aligns with the Loss/Donation Report provided to Finance.
Fixed Asset Safeguarding (Receiving)	N/A	<p>Performed a walkthrough of the area in which fixed assets are received to identify:</p> <ol style="list-style-type: none"> 1. Any instances where assets may not appear to be adequately safeguarded.
IT Equipment Safeguarding	N/A	<p>While performing the <i>IT General Asset Existence</i> testing, performed a walkthrough of the areas in which the assets were located to identify:</p> <ol style="list-style-type: none"> 1. Instances where assets may not appear to be adequately safeguarded.
Deployed Fixed Asset Safeguarding	N/A	<p>While performing the <i>IT/Non-Technology Fixed Asset Existence</i> testing, performed a walkthrough of the areas in which the assets were located to identify:</p> <ol style="list-style-type: none"> 1. Instances where assets may not appear to be adequately safeguarded.
Inventory Safeguarding	N/A	<p>Performed walkthroughs of the areas in which inventories are stored to identify:</p> <ol style="list-style-type: none"> 1. Instances where inventories may not appear to be adequately safeguarded
Bookstore Annual Inventory & Over Short	N/A	<p>Reviewed documentation associated with the annual Bookstore inventory for the last three fiscal years and performed the following:</p> <ol style="list-style-type: none"> 1. Quantified the number of sections that were selected for re-count and identify the employees who performed the counts. 2. Identified any instances of variances between a recount and initial count. For any instances identified, obtained evidence to verify inventory records were accurately adjusted.
Bookstore Stock Existence	MBS	<p>Selected a sample of Bookstore inventory items to perform the following:</p> <ol style="list-style-type: none"> 1. Physically count the in-stock quantity for each item. 2. Obtain evidence from MBS to show the quantity of each item in stock per the inventory records. 3. Investigate any discrepancies to determine the root cause of the variance. <p>The Bookstore annual inventory was completed towards the end of June 2022 around the time in which fieldwork testing was in progress. The 2022 annual inventory was included as a part of the <i>Bookstore Annual Inventory</i> test in lieu of these procedures.</p>

Objective Area	System Reviewed	Test Description
Dining Monthly Inventory & Stock Existence	US Foods	As Dining Services operations were outsourced to a third party during the scope of fieldwork procedures, SC&H observed Dining Services perform their final inventory count prior to the outsourcing.
Accessioned Library Inventory	PeopleSoft Virtua	Selected a sample of 10 library orders from within the past 2 fiscal years and verified: <ol style="list-style-type: none"> 1. A reconciliation of purchase order, invoice, and packing list was performed, and formally documented, for any discrepancies noted, verified they were resolved with the vendor. 2. All items were added to the accession log and Virtua completely and accurately. 3. Purchase and receiving records were communicated to Finance completely, accurately, and timely.
Purchased Bookstore Inventory	MBS	Selected a sample of 25 Bookstore orders and verified: <ol style="list-style-type: none"> 1. A reconciliation of purchase order, invoice, and packing list was performed, and formally documented, for any discrepancies noted, verified they were resolved with the vendor. 2. MBS inventory records were updated completely, accurately, and timely. 3. Purchase and receiving records were communicated to Finance completely, accurately, and timely.
Course Material Chargebacks	MBS PeopleSoft	Selected a sample of nine transactions in which a chargeback was performed and verified: <ol style="list-style-type: none"> 1. The Chargeback Document was maintained on file. 2. A matching voucher was created within PeopleSoft that aligns with the Chargeback Document. 3. The Chargeback Document and matching voucher was uploaded to Perceptive Content and was forwarded to Finance.

Summary of Work

After reviewing the processes and evaluating the current control environment, SC&H concludes that opportunities exist to mitigate risks within the fixed asset & IT equipment management functions. These opportunities are represented by nine observations, which are outlined below.

Observation Topics

1. Communication of fixed asset information related to purchases, updates, and disposals to Finance.
2. Applying asset tags to college owned assets.
3. Documentation, approval, and communication of asset disposals.
4. Analyzing and assignment of fixed asset useful lives.
5. Communication of asset updates as a result of the annual non-technology fixed asset inventory review.
6. Assignment of accountability for fixed assets.
7. Tracking internal sanitization efforts for storage media.
8. Periodic inventory process for IT fixed and non-fixed assets.
9. Handling of IT equipment upon employee separation and inter-departmental asset transfer.

The following section provides detailed observations and recommendations to help mitigate associated risks.

We appreciate the assistance and cooperation of the management and staff of the Finance, Operations, IT, Bookstore, and Library departments who assisted in the performance of this audit. Please contact us if you have any questions or comments regarding any of the information contained in the performance audit report.

SC&H Attest Services, P.C.

SC&H Attest Services, P.C.

Sparks, Maryland

December 21, 2022

II. Detailed Observations and Recommendations

Observation 1

Accountability for fixed assets is not formally assigned to an individual or department within the College.

Observation Detail

When an FCC Department purchases a fixed asset, Department management notifies Finance of the purchase. If Finance determines the purchase meets the criteria for capitalization, a fixed asset record is created within PeopleSoft. As a part of the asset record creation, the asset is assigned a category from one of the following:

1. Buildings
2. Building improvements
3. Site improvements
4. Furniture and equipment
5. Library collection
6. Construction in progress
7. Land

Further, Finance updates the asset record within PeopleSoft to record the asset ID, location, asset tag number, acquisition date, asset description, serial number, assigned useful life, cost balance, along with a classification.

Findings

A reconciliation of active fixed asset information recorded in PeopleSoft and recorded on various reports provided by Operations and the IT Department identified the following:

1. Fixed assets are not assigned to an individual or department within PeopleSoft.
2. The Fixed Assets section within the Manual does not formally define the parties responsible for the management and monitoring of fixed assets.
3. 203 assets: The assets were recorded in PeopleSoft, however could not be identified within any of the reports provided by Operations or the IT Department. As a result, the group currently monitoring these assets could not be identified.

Risks

1. Fixed assets are not completely or accurately identified or tagged, resulting in misappropriation or inaccurate inventory records and financial reporting.
2. All fixed assets are not identified and periodically inventoried, resulting in misappropriation or inaccurate inventory records and financial reporting.

Recommendation 1.1

Finance management should explore the functionality to formally assign owners to all active fixed assets within PeopleSoft (e.g., at the individual employee level or the departmental level). Further, Finance should collaborate with Operations and IT Department management to determine the assets that are currently being managed and monitored by each group. This exercise would help identify instances of assets that are not being actively monitored by either group. Once these assets are identified, the appropriate department/individual should be assigned.

Furthermore, Finance should facilitate and formally document operating procedures for the annual inventory of all fixed assets to be completed by the assigned department/individual and reported to Finance.

Management’s Action Plan

PeopleSoft will be modified to assign fixed asset owners and a Fixed Asset Management Manual will be developed to include the College’s policies and procedures related to the fixed asset process. The IT inventory developed process and procedures will be referenced through a link in the Fixed Asset Management Manual. We will also work to identify all assets throughout the entity by collaborating with IT and operations.

Implementation Date

1. Fixed assets owners assigned in PeopleSoft by January 2023.
2. Fixed Asset Management Manual developed by June 2023.
3. Identification of all assets through collaboration by June 2023.

Recommendation 1.2

Finance Management should consider collaborating with each department/employee that is ultimately assigned as a responsible owner for the tracking and management of any fixed assets to develop, formally document, and communicate standardized processes and procedures related to all aspects of the fixed asset management process, including:

1. Accountability
2. Receiving and tagging
3. Recordkeeping
4. Annual inventory
5. Inter-College transfers
6. Disposals

The current policies and procedures that are documented within the Financial Procedure Manual and Non-Technology Fixed Asset Management Policy can be leveraged to develop comprehensive processes based on best practices and industry standards that can be standardized and applicable across all college departments. After development and implementation, a periodic review of the policy/procedures should occur to ensure that all current fixed asset management requirements are appropriately considered and incorporated.

This recommendation would also impact observations 2, 3, 4, 6 and 8 and thus may also impact the management action plans specific to those observations.

Management’s Action Plan

Once developed, the Fixed Asset Management Manual will be distributed to all departments and training will be provided on the included procedures. FCC plans to include the above referenced aspects of the fixed asset management process within the Fixed Asset Management Manual. FCC will plan to have the Fixed Asset Management Manual reviewed for update on an annual basis.

Implementation Date

The Fixed Asset Management Manual will be developed by June 2023 with fixed asset training provided in the first quarter of fiscal year 2024.

Observation 2

Fixed asset information is not consistently communicated and updated within PeopleSoft completely, accurately, and timely.

Observation Detail

The current fixed asset tagging and disposal processes differ depending on whether the asset is a non-technology or IT asset. These processes are detailed within the Background section of this report. Specifically, the following sub-sections:

1. Non-technology fixed asset receiving and tagging
2. Disposals and transfers
3. IT fixed asset receiving and tagging
4. IT asset and IT fixed asset disposals

Findings

A review of eight fixed asset purchases, 15 active fixed assets, 40 fixed asset disposals, and a reconciliation of fixed asset information recorded in PeopleSoft and recorded on various reports provided by Operations and IT identified the following:

Completeness Findings

1. 58 active fixed assets: a valid fixed asset tag number was not recorded within the asset's PeopleSoft record.
2. One active fixed asset: The fixed asset's location was not documented on the Asset Tag Request Form or recorded within the asset's PeopleSoft record.
3. One fixed asset purchase & one active fixed asset: The fixed asset's location was documented on the Asset Tag Request Form but was not recorded within the asset's PeopleSoft record.
4. 22 active fixed assets: The fixed asset location is documented on the reports provided by Operations or IT but is not recorded within the asset's PeopleSoft record.
5. 116 active fixed assets: The fixed asset serial number is not documented either within PeopleSoft or the reports provided by Operations or IT.
6. One active fixed asset: The fixed asset's serial number was not documented on the Asset Tag Request Form or recorded within the asset's PeopleSoft record.
7. One fixed asset purchase and two active fixed assets: The fixed asset's serial number was documented on the Asset Tag Request Form but was not recorded within the asset's PeopleSoft record.
8. 17 active fixed assets: The fixed asset serial number is documented on the reports provided by Operations or IT but is not recorded within the asset's PeopleSoft record.

Accuracy Findings

1. 132 active fixed assets: The asset location documented within the asset's PeopleSoft record did not match the location as documented within the reports provided by Operations.
2. 85 active fixed assets: The asset location documented within the asset's PeopleSoft record did not align match the location as documented within the reports provided by IT.
3. 21 active fixed assets: The serial number documented within the asset's PeopleSoft record did not match the serial number as documented within the reports provided by IT.
4. 27 active fixed assets: The serial number documented within the asset's PeopleSoft record did not match the serial number as documented within the reports provided by Operations.
5. One active fixed asset: The serial number documented within the asset's PeopleSoft record did not match the serial number communicated on the invoice provided to Finance by IT.

Timeliness Findings

1. One asset disposal: The asset was labeled as a fixed asset within IT records. However, the asset was not communicated to Finance and the fixed asset record was not created in PeopleSoft.
2. One fixed asset purchase: The fixed asset record in PeopleSoft did not have an assigned asset tag number.

Risks

1. Fixed assets are not completely or accurately identified or tagged, resulting in misappropriation or inaccurate inventory records and financial reporting.
2. Fixed Assets are not tracked or communicated throughout lifecycle, resulting in inaccurate inventory records or misappropriation of assets.
3. All fixed assets are not identified and periodically inventoried, resulting in misappropriation or inaccurate inventory records and financial reporting.

Recommendation 2.1

Finance Management should consider providing College-wide re-education to department leadership to reinforce the importance of (a) notifying Finance timely when making purchases that may meet the criteria to become a fixed asset and (b) Initiating a Property Transfer Form timely when fixed assets are transferred to another department/location or are to be disposed.

Management's Action Plan

Once developed, the Fixed Asset Management Manual will be distributed to all departments and training will be provided on the procedures including fixed asset identification, tagging, transfers, and disposals.

Implementation Date

The Fixed Asset Management Manual will be developed by June 2023 with fixed asset training provided in the first quarter of fiscal year 2024.

Recommendation 2.2

Finance Management should consider implementing a process to periodically identify fixed asset records with missing fields in PeopleSoft (e.g., asset tag, location, serial number). Once identified, a listing of the assets and the missing fields should be sent to the responsible individual or department so they are aware of records that are incomplete and can work towards providing the missing information to Finance. This process should be formally documented and performed on an annual basis at a minimum.

Management's Action Plan

Each quarter, Finance will query PeopleSoft for missing asset information and contact the appropriate asset manager for the missing information. This process will be documented in the Fixed Asset Management Manual.

Implementation Date

1. By March 2023
2. The Fixed Asset Management Manual will be developed by June 2023 with fixed asset training provided in the first quarter of fiscal year 2024.

Recommendation 2.3

IT Department Management should consider adopting the Asset Tag Request Form and/or Property Transfer Form utilized by Operations for formally documenting approvals associated with asset tagging, transfer, and disposal efforts and communication to Finance. A process for the use of this form and the appropriate approval paths should be formally documented within a policy.

Management's Action Plan

IT will follow the College procedures and processes outlined in the Fixed Asset Management Manual, which is being developed. The IT department will immediately start using the Property transfer form for disposal of fixed assets.

Implementation Date

1. Immediately
2. The Fixed Asset Management Manual will be developed by June 2023 with fixed asset training provided in the first quarter of fiscal year 2024.

Recommendation 2.4

Operations Management should consider identifying assets that do not have a serial number when completing and returning the Asset Tag Request Form so that Finance is aware of instances where a serial number is missing from PeopleSoft records as well as instances where a serial number field is not applicable.

Management's Action Plan

Operations will contact the asset owner to determine if the asset contains a serial number. If not, the Asset Tag Request form will be marked "N/A" in the serial number space. The Fixed Asset Management Manual will include policy on obtaining and tracking serial numbers on assets when there is one, as well as the communication regarding serial numbers between the Operations team and Finance.

Implementation Date

Beginning immediately operations will contact asset owners to obtain serial numbers where there is one attributable to an asset. The Fixed Asset Management Manual will be developed by June 2023.

Observation 3

Fixed assets/IT equipment are not consistently tagged or traceable.

Observation Detail

When an FCC Department purchases a fixed asset, the procedures for tagging the asset differ depending on whether the asset is a non-technology or IT asset. These processes are detailed within the Background section of this report. Specifically, the following sub-sections:

1. Non-technology fixed asset receiving and tagging
2. IT fixed asset receiving and tagging

Findings

A review and physical observation of 60 non-technology fixed assets, 60 IT fixed assets, and 40 IT equipment items (non-fixed assets) identified the following:

1. Four IT equipment items: The asset could not be located and therefore the asset was not able to be observed.
2. 58 active fixed assets: a valid fixed asset tag number was not recorded within the asset's PeopleSoft records.
3. One non-technology fixed asset: The asset did not have a fixed asset sticker affixed and a serial number was not recorded in PeopleSoft.
4. One IT fixed asset: The asset did not have a fixed asset sticker affixed.
5. Two IT equipment items: The items did not have an IT equipment sticker affixed.

Risks

1. Fixed assets are not completely or accurately identified or tagged, resulting in misappropriation or inaccurate inventory records and financial reporting.
2. Fixed Assets are not tracked or communicated throughout lifecycle, resulting in inaccurate inventory records or misappropriation of assets.
3. All fixed assets are not identified and periodically inventoried, resulting in misappropriation or inaccurate inventory records and financial reporting.
4. IT managed fixed assets and equipment are not identified and periodically inventoried, resulting in misappropriation or inaccurate inventory records and financial reporting.

Recommendation 3.1

See Recommendation 2.1

Management's Action Plan

See Management's Action Plan under 2.1 and both Operations and IT will complete the Asset Tag Request form going forward.

Implementation Date

1. Immediate for completing the Asset Tag form by Operations and IT.
2. Fixed Asset Management Manual to be developed by June 2023 with training provided to asset managers in the first quarter of fiscal year 2024.

Recommendation 3.2

See Recommendation 2.2

Management's Action Plan

See Management's Action Plan 2.2

Implementation Date

See Implementation Date 2.2

Recommendation 3.3

IT Department Management should consider implementing a formal process for a periodic inventory of IT managed assets, both fixed and IT equipment (e.g., an annual review of all IT managed assets, a monthly/quarterly review of a subset of assets, etc.). This review should be used to identify assets that are missing an asset tag, have missing information in PeopleSoft records (e.g., serial number, location, etc.), missing assets, or assets that have been previously disposed. Findings should be formally documented and communicated to Finance at least annually, so Finance can ensure financial records in PeopleSoft are accurately reflected.

Management's Action Plan

IT will follow the College procedures and processes outlined in the Fixed Asset Management Manual. IT management will develop a process to perform annual inventory of IT managed assets to identify assets, assets that are missing an asset tag, and location.

Implementation Date

1. The annual inventory of IT managed assets will take place beginning July 2023.
2. The Fixed Asset Management Manual will be developed by June 2023 with fixed asset training provided in the first quarter of fiscal year 2024.

Observation 4

Fixed asset disposals are not consistently approved, communicated, and reported completely, accurately, and timely to all appropriate parties.

Observation Detail

The current fixed asset disposal process differs depending on whether the asset is a non-technology or IT asset. These processes are detailed within the Background section of this report. Specifically, the following sub-sections:

1. Disposals and transfers
2. IT Asset and IT Fixed Asset Disposals

Findings

A review of 60 non-technology fixed assets, 60 IT fixed assets, 55 disposals, and a reconciliation of fixed asset information recorded in PeopleSoft and recorded on various reports provided by Operations and the IT Department identified the following:

Completeness Findings

1. One disposal: The asset disposal was recorded within PeopleSoft as sold via auction, but documentation supporting the sale was not provided.
2. Three disposals: A completed Property Transfer/Disposal Form could not be provided.
3. Five disposals: The provided Property Transfer/Disposal Form was not fully completed. Of these:
 - a. Two samples: No Department Chair approval was documented.
 - b. Two samples: No Chief of Operations approval was documented.
 - c. One sample: The disposition section was not complete.
4. Seven disposals: IT asset review/approval evidence was not provided. IT does not utilize the Property Transfer/Disposal Form or a similar method to document approvals.
5. 47 IT assets: IT asset review/approval evidence was not provided. IT does not utilize the Property Transfer/Disposal Form or a similar method to document approvals.

Accuracy Findings

1. Three active non-technology fixed assets/21 active IT fixed assets: The assets were unable to be observed, as they had been disposed.
2. One IT fixed asset: SC&H observed an asset. However, the serial number did not align with the serial number documented within PeopleSoft. Through further inquiry, it was noted that the unit documented in PeopleSoft was traded-in with the vendor for a new unit, which was the unit viewed during the walkthrough. Therefore, the disposal of the traded-in unit was not recorded within PeopleSoft.
3. 19 IT fixed assets: The assets were noted as disposed within the inventory reports provided by IT but were still active within PeopleSoft.
4. 22 IT fixed asset disposals: The assets were noted as disposed within the disposal reports provided by IT but were still active within PeopleSoft.
5. Four disposals: The method of disposal selected in PeopleSoft did not align with the actual method of disposal. Per emails provided by IT, these assets were traded-in for replacement items, but the disposal method selected in PeopleSoft was 'Scrapped'.

Timeliness Findings

1. Two disposals: The asset disposals were not communicated to Finance timely upon disposal. Finance identified these assets were disposed through review of a listing of active IT assets and noting these assets were not included on the listing, and thus, retired the assets in PeopleSoft.
2. Two disposals: Asset Disposal was communicated and retired in PeopleSoft in different fiscal years.

Risks

1. Fixed assets are not completely or accurately identified or tagged, resulting in misappropriation or inaccurate inventory records and financial reporting.
2. Fixed Assets are not tracked or communicated throughout lifecycle, resulting in inaccurate inventory records or misappropriation of assets.
3. All fixed assets are not identified and periodically inventoried, resulting in misappropriation or inaccurate inventory records and financial reporting.
4. Retired assets are not properly disposed or evaluated, resulting in lost recovery value or misappropriation.
5. Fixed Assets disposed via surplus are not monitored, resulting in misappropriation of proceeds, inaccurate asset records, or inaccurate financial records.

Recommendation 4.1

See Recommendation 1.1

Management's Action Plan

See Management's Action Plan 1.1

Implementation Date

See Implementation Date 1.1

Recommendation 4.2

See Recommendation 1.2

Management's Action Plan

See Management's Action Plan 1.2

Implementation Date

See Implementation Date 1.2

Recommendation 4.3

See Recommendation 2.1

Management's Action Plan

See Management's Action Plan 2.1

Implementation Date

See Implementation Date 2.1

Recommendation 4.4

See Recommendation 3.3

Management's Action Plan

See Management's Action Plan 3.3

Implementation Date

See Implementation Date 3.3

Observation 5

The useful life of fixed assets does not reflect the realized lifespan of the asset.

Observation Detail

When an FCC Department purchases a fixed asset, Department management notifies Finance of the purchase. If Finance determines the purchase meets the criteria for capitalization, a fixed asset record is created within PeopleSoft. As a part of the asset record creation, the asset is assigned a category from one of the following:

1. Buildings
2. Building Improvements
3. Site Improvements
4. Furniture and Equipment
5. Library Collection
6. Construction-in-Progress
7. Land

Based on the asset category selected, a useful life is established within PeopleSoft. Per the FCC FY2021 Annual Financial Report, depreciation is expensed over the estimated economic life of the asset on a straight-line basis as follows:

1. Buildings and Improvements: 10-40 years
2. Library Collection: 10 years
3. Furniture and Equipment: 5-10 years

Findings

A review of the useful life assigned within PeopleSoft for the population of the fixed assets identified a population of 956 unique fixed assets by asset number recorded in PeopleSoft. Of those assets, 317 (33%) were currently more than five years past their defined useful life. The following is a breakdown by fixed asset category per PeopleSoft:

- a. Furniture and Equipment: 297 of 774 assets (38.37%)
- b. Building Improvements: 11 of 111 assets (9.91%)
- c. Library Collection: 7 of 19 assets (36.84%)
- d. Site Improvements: 2 of 25 assets (8.00%)

Further, two assets within the building category did not have a useful life assigned in PeopleSoft.

Risks

1. Assets are used beyond their effective useful period, which may result in safety issues or increased costs to maintain aged assets.
2. Assets are not depreciated based on actual useful lives

Recommendation 5.1

Management should consider reviewing the analytics performed as a part of this audit and determining if any asset categories could benefit from lifecycle reassignments. A part of this review could include collaborating with College departments that are users or fixed asset equipment to obtain their input on the current lifecycle assignments.

Management's Action Plan

Assets are maintained to meet safety guidelines and may be used beyond their depreciable useful life. We believe the majority of the College's assets are accurately reflected in the current lifecycles of the various asset classes.

Implementation Date

N/A

Recommendation 5.2

Management should consider performing fixed asset analytics on a periodic basis. The procedures can include analyzing criteria that may impact certain operational factors or risks to the college (e.g., financial, safety, exposure). Criteria may include asset life cycle, years in service, asset type, etc. The review should be documented, and decisions/changes resulting from the analytics should be justified and supported.

Management's Action Plan

Functionality of assets, in regards to safety and performance are reviewed on an ongoing basis. Assets that are no longer deemed safe or no longer in use are disposed. As assets are used they are monitored for safety and performance. This monitoring process will take place until the assets are no longer functional and will either be repaired, replaced or disposed.

Implementation Date

N/A

Observation 6

Findings based on the annual non-technology fixed asset inventory are not consistently communicated and updated within PeopleSoft completely, accurately, and timely.

Observation Detail

The procedures for the annual fixed asset inventory review performed by Operations are detailed within the Background section of this report. Refer to the 'Annual Fixed Asset Inventory Review' section for further detail.

Findings

A review of the non-technology fixed asset annual inventory efforts performed by the Operations Department during fiscal years 2019-2021 consisted of 1,274 fixed assets reviewed across the three fiscal years. This review identified the following:

Completeness Findings

1. 23 instances: No indication was noted on the manual inventory documentation to indicate the asset was physically inspected.
2. Three instances: The asset was identified as disposed on the inventory documentation and the asset was communicated to Finance. However, the communication only included a description of the asset, and not the associated asset tag number.

Accuracy Findings

1. Four instances: The asset was noted on the inventory document as a 'Retag', but the new tag number did not appear to be communicated to Finance.
2. 10 instances: The asset was identified as disposed on the inventory documentation along with a disposal date recorded on the Non-Technology Fixed Asset Spreadsheet, but the disposal was not recorded in PeopleSoft.
3. Nine instances: The asset was identified as disposed on the inventory documentation, but the disposal did not appear to be communicated to Finance within the provided email communicating inventory findings.
4. 24 instances: The asset was identified on the inventory documentation but was not noted on the Non-Technology Fixed Asset Spreadsheet. This indicates the assets were disposed since the completion of an annual inventory review. However, disposal was not recorded in PeopleSoft.
5. 32 instances: The asset was identified with a new location on the inventory documentation, but the location change did not appear to be communicated to Finance.
6. One instance: The asset serial number was identified on the inventory documentation, but the serial number did not appear to be communicated to Finance.

Risks

1. Fixed assets are not completely or accurately identified or tagged, resulting in misappropriation or inaccurate inventory records and financial reporting.
2. Fixed Assets are not tracked or communicated throughout lifecycle, resulting in inaccurate inventory records or misappropriation of assets.
3. All fixed assets are not identified and periodically inventoried, resulting in misappropriation or inaccurate inventory records and financial reporting.

Recommendation 6.1

As a result of the annual fixed asset inventory, Operations Management should consider developing a spreadsheet that can be used to communicate findings to Finance. This spreadsheet can include columns such as asset tag number, item description, current location, serial number, and multiple tabs to separate the findings, such as a tab for: (a) new location, (b) disposed assets, (c) missing assets, (d) new asset tag, etc. Providing this additional detail to Finance as a result of the annual inventory will help allow Finance to identify the assets that need to be updated easier than having to search for an item description. It can further provide Finance with additional information to assist with asset record cleanup efforts within PeopleSoft. As an alternative, Management could explore the option of obtaining a software package to assist with this process and to further reduce the chance of human error with manual spreadsheets.

Management's Action Plan

Operations implemented as is maintaining a spreadsheet on a shared drive with Finance that will communicate annual fixed asset inventory results. The College will explore obtaining an inventory software package that includes the use of asset tag scanners for this inventory process.

Implementation Date

Spreadsheet already implemented.

Recommendation 6.2

To help ensure that the non-technology fixed asset spreadsheet contains a full population of non-technology fixed assets that are under the purview of Operations, Management should consider working with Finance to obtain a report from PeopleSoft on an annual basis prior to the performance of the annual inventory review and reconciling the two reports. This can benefit both Finance and Operations in the following ways:

1. Identifying asset records that are incomplete within PeopleSoft. Once these items are identified, the missing information can be located during the inventory process.
2. Identifying if any active assets within PeopleSoft have been previously disposed of and not communicated.
3. Identifying if any fixed assets were not recorded on the non-technology fixed asset spreadsheet.
4. Identifying any fixed asset information that is inaccurately documented within PeopleSoft, such as location or serial number.

Management's Action Plan

Finance will send a report to Operations of non-technology asset detail currently listed in PeopleSoft for use when performing the annual inventory. Operations will be tasked to review and reconcile the PeopleSoft report to their spreadsheet on an annual basis.

Implementation Date

June 2023

Observation 7

A process is not in place to evidence internal efforts to sanitize the storage media of sensitive IT equipment prior to disposal or reuse.

Observation Detail

When the IT Department determines that an IT asset has no further benefit to the College, it is deemed as surplus and is disposed by one of the following methods:

1. Donation to Frederick County Government, FCPS, or another State, County or Municipal Agency
2. Traded-in for a credit towards newly acquired equipment

The IT Department maintains two devices that can perform a secure wipe of storage devices. If the wipe of the storage device is successful, it will either be stored for future use or donated. If the wipe of the storage devices is unsuccessful, the device is placed within a secured bin to be collected and destroyed by a third-party vendor.

Findings

A review of 40 assets labeled as disposed within IT provided reports identified the following:

1. While a process is in place to internally sanitize storage devices prior to destruction or reuse, a formal process is not in place to record, track, and verify internal efforts. As a result, evidence of hard drive sanitization could not be provided for the subset of 18 assets that contained a form of storage media.
2. For hard drives that are given to a third-party for destruction, a formal process is not in place to reconcile the serial numbers of all devices that were delivered to the serial number of all devices that are reported on the provided certificate of destruction.

Risks

1. Inventory is not safeguarded or monitored, resulting in inaccurate inventory records or misappropriation of assets.
2. Assets are not tracked or communicated throughout the entire lifecycle, resulting in inaccurate inventory records or misappropriation of assets.
3. Computers and IT related equipment are not wiped clean prior to disposal or transfer, resulting in potential sensitive or personal related Information that could lead to a breach of security or employee/FCC privacy.

Recommendation 7.1

IT Department management should consider implementing a method for tracking and documenting the process of internally sanitizing storage media specific to each device. The process should involve two independent levels of verification and should be formally documented within a policy/procedure document.

Management's Action Plan

IT will develop a procedure to document the process of sanitizing storage media. The procedure will include storage of certificate of destruction and inventory of devices sanitized when third party disposes of devices. The IT inventory developed process and procedures will be referenced through a link in the Fixed Asset Management Manual.

Implementation Date

1. July 2023
2. The Fixed Asset Management Manual will be developed by June 2023 with fixed asset training provided in the first quarter of fiscal year 2024.

Recommendation 7.2

IT Department management should consider implementing a process for tracking the serial number of all equipment/storage devices to a third-party for destruction and reconciling the serial numbers to the certificate of destruction received from the vendor. This reconciliation should be formally documented, and the overall procedure should be formally documented within a standard operating procedure.

Management's Action Plan

See Management's Action Plan 7.1

Implementation Date

See Implementation Date 7.1

Observation 8

The IT Department does not have a formalized process in place to perform a periodic inventory of fixed assets or other IT managed equipment.

Observation Detail

The current IT Department fixed asset and IT equipment inventory policies and procedures are detailed within the Background section of this report. Refer to the 'IT Fixed Asset and IT Equipment Processes' section for further detail.

Findings

The IT Inventory Procedure states a physical inventory verification of IT assets is not formally performed and documented on a periodic basis. This policy was also confirmed through inquiry.

Risks

1. IT managed fixed assets and equipment are not identified and periodically inventoried, resulting in misappropriation or inaccurate inventory records and financial reporting.

Recommendation 8.1

See Recommendation 1.1

Management's Action Plan

See Management's Action Plan 1.1

Implementation Date

See Implementation Date 1.1

Recommendation 8.2

See Recommendation 1.2

Management's Action Plan

See Management's Action Plan 1.2

Implementation Date

See Implementation Date 1.2

Recommendation 8.3

See Recommendation 3.3

Management's Action Plan

See Management's Action Plan 3.3

Implementation Date

See Implementation Date 3.3

Observation 9

A formalized process is not in place to recover IT equipment (e.g., laptops, tablets) upon employee separation from the College.

Observation Detail

The IT Department does not formally assign IT equipment to individuals. However, a department may internally provide an employee with an IT device such as a laptop, tablet, etc. for use. When an employee separates from the College, departmental management is responsible for retrieving any IT managed devices that the employee may be in possession of.

Findings

There is currently no formal policy requiring devices being reassigned by a department to be routed through the IT Department to securely wipe any storage media prior to reprovisioning. As IT Department computing devices are not locked down to an individual, any employee with FCC credentials can use any FCC device if they are connected to the FCC internal network.

Risks

1. Assets are not tracked or communicated throughout the entire lifecycle, resulting in inaccurate inventory records or misappropriation of assets.
2. Computers and IT related equipment are not wiped clean prior to disposal or transfer, resulting in potential sensitive or personal related Information that could lead to a breach of security or employee/FCC privacy.

Recommendation 9.1

IT Department Management should consider developing a College-wide standard operating procedure for the proper handling of IT Department managed fixed assets and equipment upon employee separation. This procedure should include a process for department management to route IT devices being re-assigned, transferred, or disposed to the IT Department to sanitize, re-format, and re-purpose the device in preparation of being re-deployed.

Management's Action Plan

The Information Technology department, in coordination with Human Resources, will revise and further define the process for handling IT managed assets upon separation of an employee from the College. The procedure will include content that defines the process for returning IT equipment back to the department and the associated next steps in the lifecycle of the IT asset (transfer to another individual, sanitizing, re-imaging, disposal, etc.). The IT inventory developed process and procedures will be referenced through a link in the Fixed Asset Management Manual.

Implementation Date

1. July 2023
2. The Fixed Asset Management Manual will be developed by June 2023 with fixed asset training provided in the first quarter of fiscal year 2024.

Recommendation 9.2

IT Department Management should consider implementing a process of formally assigning a responsible individual to all IT managed equipment. This would allow for accountability to be assigned for compliance with IT policies developed as a part of recommendation 9.1.

Management's Action Plan

The Information Technology department will implement a process to assign a responsible individual to all IT managed assets within the inventory system. In situations where IT assets are purchased for a department, the purchase requestor or office manager of the department/area, will be assigned as the contact person for the asset(s) and will have the responsibility of locating the asset when required.

Implementation Date

July 2023