

**SEMINOLE COUNTY  
RESOURCE MANAGEMENT DEPARTMENT  
PURCHASING DIVISION**

**SPECIAL REVIEW OF  
FIXED ASSET CONTROL – NEW RFID  
SCANNING PROCESS**

**REPORT NO. 032613**

**MARCH 2013**

Prepared by:  
The Office of the  
Clerk of the Circuit Court



**MARYANNE MORSE**  
Clerk of the Circuit Court  
Seminole County

March 26, 2013

The Honorable Bob Dallari,  
Chairman  
The Board of County Commissioners  
Seminole County, Florida  
1101 East First Street  
Sanford, FL 32771

Dear Mr Chairman:

I am very pleased to present you with the attached special review of the RFID scanning process for fixed asset control.

Corrective actions plans are being implemented that will address the recommendations noted in the report.

I would like to acknowledge the assistance of the county staff for their cooperation and assistance throughout the course of this review. The assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse  
Clerk of the Circuit Court  
Seminole County

cc: Ms. Brenda Carey  
Mr. Lee Constantine  
Mr. Carlton Henley  
Mr. John Horan

BCC Records

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SPECIAL REVIEW OF FIXED ASSET CONTROL  
NEW RFID SCANNING PROCESS

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**Seminole County**  
**Special Review**  
**of**  
**Fixed Asset Control - New RFID Scanning Process**

**PURPOSE**

The objectives of this special review are as follows:

1. To determine if management established effective and comprehensive implementation procedures to ensure that all assets are properly identified and accounted for in the system;
2. Records support that an inventory was actually performed;
3. Financial adjustments were accurately accounted for and properly approved; and,
4. The new process is in compliance with County policy and process is formally approved by Seminole County Clerk of Court.

**BACKGROUND**

The new RFID scanning process is in response to an audit by the Office of the Clerk of the Circuit Court. The Clerk published a report in February 2006 and did a follow-up assessment in October 2007 (ref. Report No. 103007). The issue was that more needed to be done to ensure that items identified during an inventory be clearly identified and county financial records are updated in a timely fashion.

The Purchasing and Contracts Division, which has the overall responsibility for managing the accuracy of the inventory, requested quotes from various sources so that a scanning system could be used to provide efficiency to the inventory process. Based on a review of multiple contracts, it piggy backed off of a Lake County contract (RFP 08-0609).

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The system for managing the fixed asset inventory is known as a "Radio-frequency Identification" (RFID) system. It enables the wireless transmission of electronic data after an electronic device is applied to the asset for identification. When this system was implemented in 2010, fixed assets were physically identified and an RFID tag was attached to the asset. As new assets are procured each is identified with an electronic tag.

According to staff, cost savings are incurred during the annual inventory. Staff is able to record the identity of fixed assets very quickly as it performs the physical inventory.

As of September 30, 2012, county financial records reported \$85,584,845.95 in tangible personal property. The County Finance Department is responsible for updating the asset records in the county's accounting system.

### **SCOPE OF WORK**

The scope of this review was to ascertain if the new system met the requirements of Florida Administrative Code Chapter 691-73, Florida Statute 274.02 (1), Seminole County Administrative Code, and Seminole County Manger Policy.

The scope also included testing to see if asset records were accurate and could be located by the respective divisions.

The audit included:

- Reviewing the RFID scanning system for consistent application;
- Review of applicable policies and procedures, state statutes, including the rules of the Florida Administrative Code, and county ordinances;
- Review and testing of physical inventory listings;
- Sampling of invoices for asset purchases;
- Interviews with county personnel; and,
- Any other procedures considered necessary under the circumstances.

## OVERALL EVALUATION

Although there was no formal implementation plan, the RFID system, in our opinion, is an improvement over earlier inventory practices. It is a more efficient way to conduct an annual inventory. Based on our test work, we found that assets identified during the inventories by RFID were accounted for correctly.

While we agree that the new system is an improvement over previous practices, the system still requires manual adjustments to the JD Edwards (JDE) Fixed Asset Module. This system does not electronically interface with JDE so staff is required to manually update the JDE system as well as the RFID system.

To be effective, a formal plan prior to implementation should always be developed and submitted to the Office of the Clerk of the Court for review and approval. This will ensure that systems implemented are cost efficient; complement other systems, and the taxpayer's funds are being used efficiently.

The following conditions warrant management's attention.

- No record or log maintained of the deleted or voided asset numbers; and,
- No custodian assigned as required by the Florida Administrative Code.

### FINDING NO. 1

*No record or log maintained of the deleted or voided asset numbers.*

The JDE system is designed to automatically assign sequential asset numbers to fixed assets. With this being said, there is no record maintained of the numbers that have been deleted from the system.

According to the technical manual, the system has defined controls that prevent a number from being deleted in the general ledger or fixed asset module once any type of financial data is entered. Occasionally asset numbers are deleted prior to the numbers being added to the general ledger or fixed asset module. There are also possibilities that an asset number could be assigned during the initial tagging of the asset and not get recorded into the general ledger or fixed asset module. Some asset numbers are recorded in the asset field within the general ledger; some are not.

We do not consider this is a material issue, but we believe that staff should maintain an accounting of the JDE assets numbers and include a reconciliation of the numbers assigned in JDE general ledger with the fixed module. To accomplish this, all of the JDE asset numbers should be recorded into the asset field within the general ledger. From October 1, 2010 to September 30, 2012,

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there are a total 1802 sequential asset numbers assigned by JDE. 70 of these numbers could not be accounted for and there is simply no history as to why the numbers were cancelled.

By not maintaining a record of all assigned asset numbers the general ledger and fixed asset module might not be in balance with one another.

**Recommendation**

1. Establish controls on deleting asset numbers in JD Edwards. Specifically, there should be a record and an approval by department supervision.
2. Asset number field should be required in all journal entries to pay invoices for asset purchases.

**Current Status**

A list of the missing asset numbers have been provided to County Finance and Purchasing. Although a few have since been located, the majority are no longer within the system. Additional measures should be taken to establish a record of numbers used, deleted, or voided; or if feasible request a program modification to improve accountability.

**Management Response**

Purchasing and Contracts agrees with your finding and will begin to track the BCC numbers that were originally assigned and then deleted. Please note that Finance has access to JDE and the capability to delete and skip assets as well; and therefore should track any BCC numbers that they delete in the system.

**FINDING NO. 2**

*No custodian assigned as required by the Florida Administrative Code.*

Florida Administrative Code 691-73.003 (1) states:

***Governmental units shall maintain adequate records of property in their custody. The records shall contain at a minimum, the information required by these rules.***

Section 3 of this code defines in more detail the content of each record. Specifically, 691-73.003 (3) (d) states that the name of the custodian with assigned responsibility for the item be included in the record. (d) states the following:

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***(d) Name of custodian with assigned responsibility for the item.***

This requirement is no longer included in: (1) the County Manager Policy; (2) the JDE fixed asset record; and/ or, (3) the RFID system. County Manager policy has been revised to place less emphasis on each department having custodial responsibilities; and, the annual certification by the department director is no longer a required by policy.

By not having the official records identify custodians of the records, the county is not in compliance with the Florida Administrative Code.

**Recommendation**

Add the name of a custodian for each property record and update the County Manager Policy for compliance with the code.

**Management Response**

In lieu of the individual name, the Department Director is assumed to have custody of the record/inventory. The County Manager's policies and procedures assigns the Department as responsible for the inventory (assets) and in the next revision of these policies, staff will clarify that the Department Director will be named custodian of record.