



Internal Audit Report

Small and Attractive Assets Audit

Report Number: 2019 - 03 | Report Date: June 06, 2019

Executive Summary

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WE AUDITED the current agency Small and Attractive Assets Program to assess the controls in place to mitigate risks for completeness & accuracy of SAAs inventory, certification of inventory, and process efficiency.

AUDIT OBJECTIVE was to determine whether the agency has effective controls in place to ensure:

- All organizational units submit a certified inventory to the SAA coordinator.
- Certified inventories of Small and Attractive Assets (SAA) are complete and accurate.
- Processes for submittal and collection of annual documentation is efficient.

The audit examined management controls in place as of June 2018.

WHAT DID WE FIND?

The agency as a taxpayer funded entity has an obligation to demonstrate public accountability for all its activities that include asset purchases. Every Small and Attractive Asset (SAA) needs to be 1) purchased for valid business reasons, 2) tracked and safeguarded to ensure proper use, and 3) disposed appropriately.

SAAs are generally “small” in size and purchase price (i.e., <\$300 and >\$5,000), and “attractive” as a degree of susceptibility to misuse (e.g., personal uses). An annual SAA count is 3,500 on average, and they generally fall into three groups: Information Technology (IT), Operations, and others, with the IT and Operations assets comprising a majority of SAAs (by both count and dollar value).

Agency Policy 32, the “Small & Attractive Asset Policy” establishes expectations and provides guidance regarding the inventorying, tracking and disposing of such assets. The current agency system for SAAs is a decentralized process. Individual departments/divisions and their respective managers are principally responsible for each SAA from purchase to disposal. The system monitoring is provided by Accounting who centralizes SAA records and conducts periodic verifications for policy compliance.

The audit concluded that the agency has effective controls to reasonably ensure the required submission of SAA certifications, the data completeness and accuracy in the certified inventories, and process efficiency.



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Background

As a taxpayer funded agency, Sound Transit has an obligation to demonstrate public accountability for its operations and purchases. Every asset purchased, including Small and Attractive Assets (SAAs) need to be 1) purchased for valid business reasons, 2) tracked and safeguarded to ensure continuing usefulness for its intended purpose, and 3) disposed properly and for valid business reasons.

Agency Policy 32, the “Small & Attractive Asset Policy” establishes expectations and provides guidance regarding the inventorying, tracking and disposing of such assets. This policy is based, in part, on requirements and best practices outlined by the Washington State Administrative and Accounting Manual (SAAM) and the Washington State Auditor’s Office. Policy requirements, among many, include periodic verifications of asset data by Accounting and bi-annual audits by Internal Audit.

Small and Attractive Assets, as implied by the name, are generally “small” in size and purchase price (i.e., <\$300 and >\$5,000), and “attractive” as a degree of susceptibility to misuse (e.g., personal uses). In addition to this inherently higher risk of theft or misuse, there are other reasons such as legal compliance, potential liability & safety, grant-funding, etc. for a structured system of accountability.

The current agency system for SAA purchasing, safeguarding, tracking and disposing is a decentralized process. Individual departments and their respective managers are responsible for tracking and reporting their SAAs on an annual basis, certifying that the SAAs exist and the listing is accurate. The policy requires SAAs be marked and identified, inventoried, and physically counted yearly. The inventory count must be reconciled to inventory records. Any discrepancies must be investigated by the controlling department/division and documented with annual inventory listings.

Sound Transit SAAs generally fall into three groups: Information Technology (IT), Operations, and others, with the IT and Operations assets comprising a majority of SAAs (by both count and dollar value).

	As of 6/30/2017	As of 6/30/2018
Information Technology	1,822	1,819
Operations	1,172	1,717
Other	328	299

Individual departments/divisions mostly utilized MS Excel with the exception of: 1) Link (Tacoma and Central) Operations and Link Facilities which use Enterprise Asset Management system (EAMS), and 2) IT which is migrating to ServiceNow. All SAA inventory documentation is stored electronically in SharePoint and physically in binders as central repositories.

Audit Objectives

To determine whether the agency has effective controls in place to ensure:

- All organizational units submit a certified inventory to the SAA coordinator.
- Certified inventories of Small and Attractive Assets (SAA) are complete and accurate.
- Processes for submittal and collection of annual documentation is efficient.

Scope and Methodology

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

We gained an understanding of Small and Attractive Assets at the agency and department/division level through data analysis, observation, documentation reviews, and personnel interviews. We identified risks in the processes and assessed management controls in place to mitigate those risks. Based on the assessment of management control effectiveness, we determined to focus on controls over SAAs inventory certification, completeness and accuracy of those certifications (excluding IT assets¹), and the effectiveness of process for submittal and collection of annual certification for the period June 2016 to June 2018.

We examined reports, policies and processes as of June 30, 2018.

1. To determine whether the agency has effective controls to ensure all organizational units submit a certified inventory to the SAA coordinator, the audit performed the following procedures:
 - a) Reconciled organizational charts to SAA tracking sheets as of June 2018 to determine the completeness of reporting groups.
 - b) Evaluated the process in place to add or remove a divisional unit from the SAA program tracking list to determine whether a system was in place to capture all existing units in a timely manner.
 - c) Reviewed all submitted inventories (for 2017 and 2018) across 60 groups currently tracked in the SAA program to determine whether they had been certified.
 - d) Interviewed 22 divisions to determine the level of agency awareness of SAA requirements including ad-hoc training, annual instructions and other informative

¹ IT SAAs were excluded from this audit due to a current system migration. Internal Audit will review IT SAAs in 2020.

sources for those conducting and submitting inventory.

2. To determine whether the agency has effective controls to ensure certified inventories of Small and Attractive Assets (SAA) are complete and accurate, the audit performed the following procedures:
 - a) Reviewed all assets in 40 submitted asset inventories to determine whether information was complete and tested 7 separate assets from General Ledger purchasing records² to determine whether qualifying assets were included in inventory listings.
 - b) Analyzed asset records associated with federal funds (e.g. construction in progress, grants, etc.) and tested 3 asset records from General Ledger purchase records to determine to what degree federal funds were used to purchase SAAs, if at all and whether such assets are properly tracked.
 - c) Tested 55 existing assets across 13 locations, comparing location to inventory listing to determine completeness and accuracy of the list.
 - d) Tested 27 assets out of the estimated total population of 2,016 from inventory listing to location to assess the existence of assets as stated.
 - e) Tested 3 assets from General Ledger purchase records of 38 divisions reporting no SAAs to assess whether all applicable assets were reasonably tracked.
 - f) Reviewed submitted disposal information from 2018 for all 15 groups with disposals to determine whether recorded disposals were certified and reasonable.
3. To determine whether the agency has effective controls to ensure processes for submittal and collection of annual documentation is efficient, the audit performed the following procedures:
 - a) Compared current processes to State recommended best-practices under 19 different criteria to determine efficiency.
 - b) Assessed the current inventory form submission and data collection process to determine whether available technologies are fully utilized to streamline the process.

Conclusion

The agency has effective controls to reasonably ensure that SAAs certifications are submitted, those certifications are complete & accurate, and that annual submittal and collection process of Small and Attractive Assets is effective.

² Based on EnterpriseOne purchasing records as of 2/27/2019.