



General Services:

Facilities Management

Audit of High Risk Material Management

Report #17-02

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Executive Summary

Facilities Management identified issues with their internal controls over their high risk assets and reached out to Audit Services for assistance. This audit tested operating controls over high risk assets and supplies in 2016 based on data selected between 2013 and 2016. Items selected included keys & access cards due to their inherent security risks.

Facilities Management does not have a sufficient system of internal controls over assets; however controls are improving under ongoing efforts.

A system of internal controls over assets is guided by the classification of property. Determination of an asset's classification is based on assessment after each item is obtained. Capitalized assets have some of the highest tracking and control requirements that are stipulated within the County's capitalization policy. Less costly items that have a higher risk for misappropriation, misuse or loss require controls. The controls should prevent, detect and assign responsibility for the assets within the organization.

Facilities Management's assessment of assets classification was incomplete and only classified assets as capital and non-capital. The non-capitalized items were treated as expendable assets with only limited physical controls applied. Their assessment process did not include the high risk asset classification so they did not classify any of their assets utilizing this category. Their system of internal controls is not sufficient since it is unable to demonstrate adequate tracking and controls of high risk items.

This report includes recommendations on the need for establishing and conducting an assessment of existing and future assets to determine property classification that includes high risk items. Policy and procedures development should be consistent with the Budgeting, Accounting & Reporting System (BARS) 3.3.11.50 and Clark County's Capitalized Assets policy.

Essential internal controls of keys and access card policy are not implemented, increasing risk of unauthorized access to County buildings.

Internal controls over keys and access cards are established to control the access to buildings in such a manner that will afford protection of assets and occupants. This system's primary tool for directing security efforts is the County's Lock, Key, and Access Card Policy (P290). The policy establishes the roles and responsibilities between the issuing department, recipient, and Facilities Management. A principle element within P290 on ensuring accurate records is an annual inventory of keys and access cards. The inventory would be performed by Facilities Management in collaboration with the issuing departments. This annual inventory has not been conducted by Facilities Management. We tested a judgmental sample of security records to determine if they were kept up to date. Our audit found that after we tested a selection of separated employees and vendors' security records, 98 access cards were deactivated and security records for 170 keys were updated to the "lost" category. Usage was found beyond the date of separation for 16 deactivated cards. This reflects that the current internal controls over key and access cards do not effectively capture changes in security access.

Our recommendations include updating the security records to reflect the disposition of active keys/access cards, increase policy awareness, and fully implementing Clark County policy P290.

Facilities Management generally concurs with the recommendations and their written response is found in Appendix J. We wish to thank them and their staff for their cooperation on this audit.

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Introduction

Facilities Management is a division within General Services. It is responsible for the maintenance of all County buildings and various rental buildings. Activities include preventive maintenance, emergency and unscheduled repairs, engineering services, regulatory compliance, energy conservation program, construction and remodeling projects at the request of operating departments. The County contracts for routine janitorial services.

Facilities Management has 41.5 employee positions with a County wide service area that includes 163 sites and 213 structures. Staff is comprised of management, administrative personnel, warehouse, HVAC, electrical, plumbing, custodial, carpentry, keys and project support, see figure 1. The creation of keys is primarily performed by one employee designated as the Locksmith and access cards are created by two employees under the Electronics division.

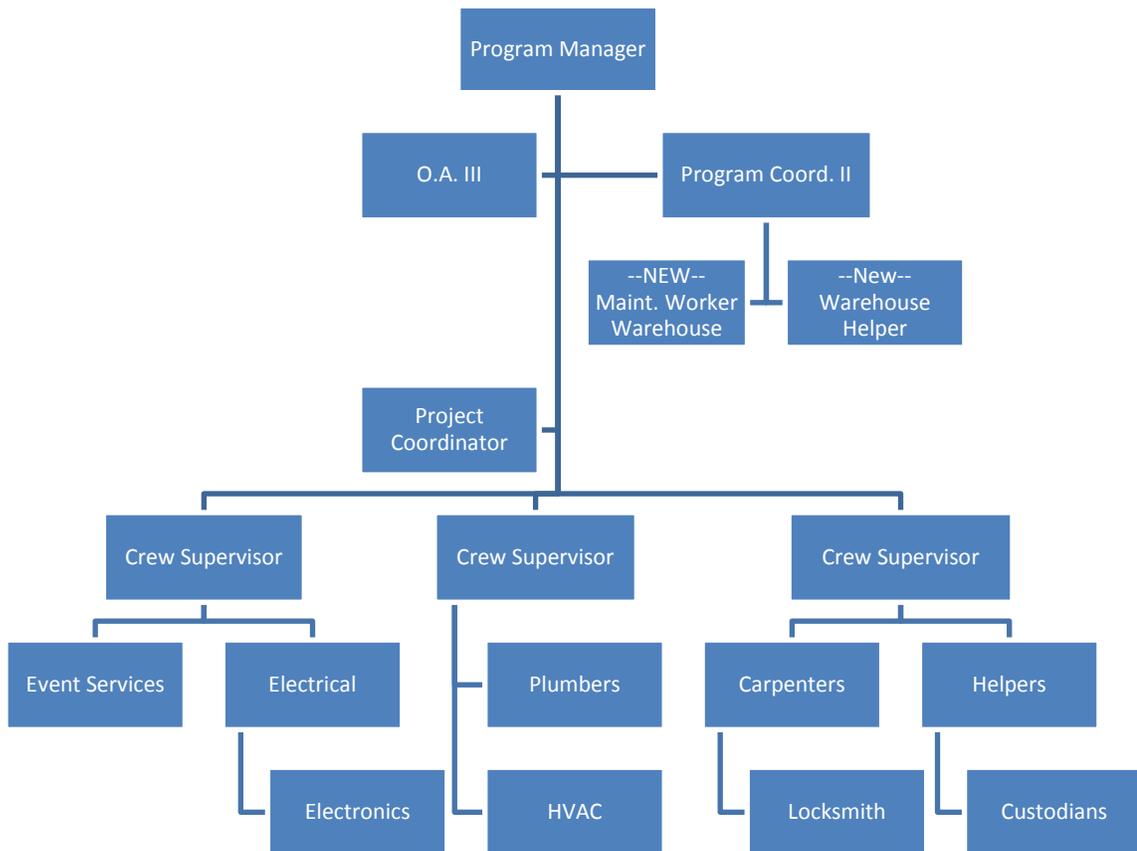


Figure 1: Facilities management organizational chart

Purpose

The purpose of this audit was to assess the effectiveness and efficiency of the system of controls over high risk items and supplies. High risk items are tools, equipment, keys and access cards.

Why This Audit Focus

This audit is the third in a series of three audits focusing on high risk supplies and equipment planned within Clark County using similar criteria.

Selection of this audit topic was based on several factors including:

- Results of similar audits in other jurisdictions;
- No local audit work had been done in this area for over ten years.

The major organizations with high risk based on size, complexity of operations and existing procedures are the Sheriff's Office, Public Works, and General Services. We completed an audit of the Sheriff's Office in 2015 and Public Works in 2016. While other areas also have elevated risk, we believe the information provided by these three organizations accurately represent the policies and procedures used to address the risk county-wide.

Summarized Objective, Scope, and Methodology

This performance audit was undertaken to determine if Clark County Facilities Management provides adequate controls over high risk items. For the purpose of this review high risk items include; tools, supplies, keys and access cards. We completed this audit through interviews; testing, observations, researching similar audits & best practices; reviewing laws, regulations & policies; and analyzing inventory data. More detailed information on this work is available in Appendix A: Full Audit Methodology.

We utilized non-statistical sampling based on auditor's professional judgement. Data was stratified by type of high risk item. The results of our analysis are limited to those items tested and findings are not representative of the entire population. We tested expendable tools & equipment and custodial supplies identified through procurement records. Of the procurement records analyzed, a random number generator was used to select a sample of items. Keys and access cards records were generated from their respective databases. The key and access card records were selected based on;

- Blank stock- selected procurement records,
- Issued stock- by matching a selection of separated employees data and vendor/contractor data based on word match.

We 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 findings and conclusions based on our audit objectives. We believe the evidence obtained in this audit does provide a reasonable basis for the findings and conclusions, based on our audit objectives.

“Most local governments do not account for the value of their small assets but they are accountable for these assets.”

State Auditor’s Budgeting, Accounting and Reporting System (BARS) Manual, section 3.3.1.30

Audit Results

Focus 1: High Risk Items

Objective 1: Determine if Facilities Management’s controls of high risk items and supplies are sufficient and effective.

Conclusion 1: Facilities Management does not have a sufficient system of internal controls over assets; however controls are improving under ongoing efforts.

Summary: Facilities Management’s assessment of assets classification, for control purposes, was incomplete and only classified assets as capital and non-capital. Of the capitalized items they identified, they applied the controls stated in Clark County capitalization policy, see Appendix H. Facilities Management is not in compliance with the Budgeting Accounting and Reporting System and County’s Capitalization Policy control requirements for high risk items. Their assessment process did not include the high risk asset classification as defined within the State Auditor’s Budgeting, Accounting & Reporting System definition of small & attractive and Clark County Capitalization Policy. The non-capitalized items were treated as expendable assets with only limited physical controls applied.

Controls over assets were primarily limited to physical barriers (i.e., buildings, fencing, and vehicles) and inconsistently applied labeling or marking of assets. The system of controls over assets during our review did not demonstrate tracking and controls of high risk items. We tested a selection of expendable tools and supplies. Due to deficient record keeping and limited item descriptions on procurement records, we were unable to determine if any losses had occurred. An accumulation of previously expensed customer owned supplies were identified during our review by Facilities Management. Due to aggregate value of the inventory, it could be reportable in the County’s financial statement. Facilities Management has begun warehousing efforts that will address many of the tracking and controlling deficiencies.

No assessment to identify high risk assets conducted

Facilities Management’s assessment of assets classification was incomplete and only classified assets as capital and non-capital. Of the capitalized items identified, they applied the controls stated in Clark County capitalization policy which include tracking and conducting periodic inventories. The non-capitalized items were treated as expendable assets with only limited physical controls applied. Our review found that their assessment did not include the high risk asset classification. The existing system of controls over assets does not demonstrate adequate tracking and controls of high risk items.

An approach that could be adopted is to categorize an asset initially between non-expendable and expendable for control purposes, figure 2. Non-expendable is further subcategorized if the assets meet the capitalization category, then the high risk category and finally the rest are classified as durable items.

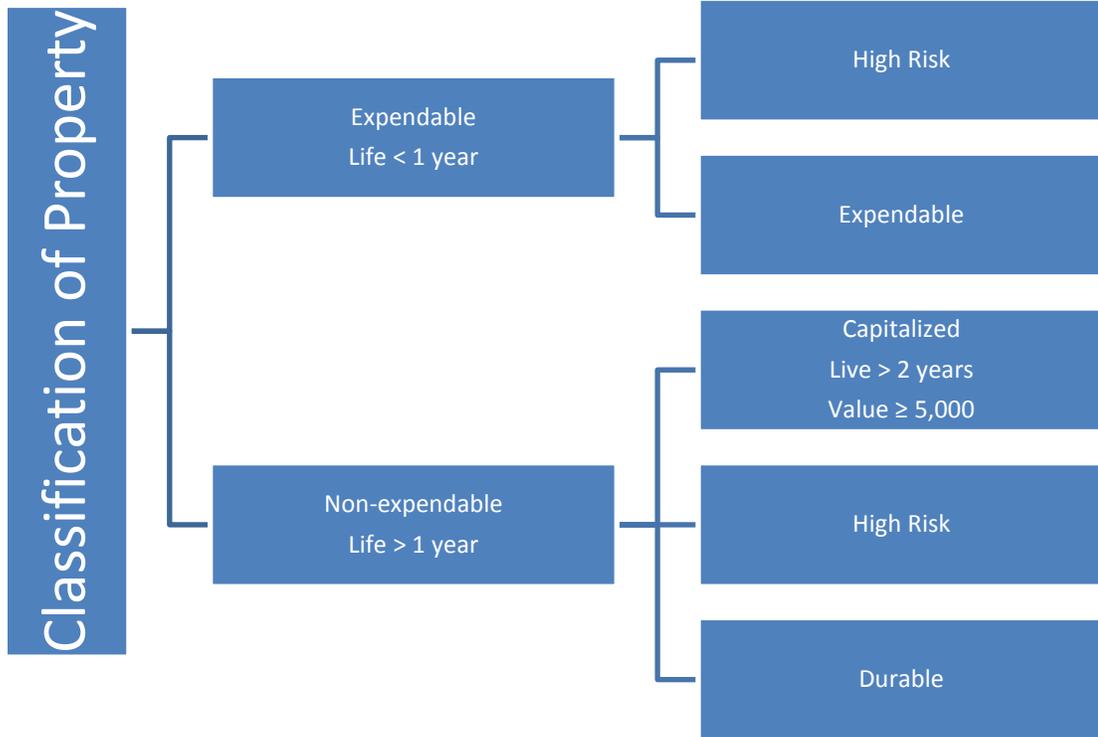


Figure 2: Based on U.S. Bureau of Reclamation: Property accountability, classification of property

The differentiation among the categories determines the type of accounting and controls around the items. Controls for capitalized items are detailed within the capitalization policy and the responsibility over these assets remains with the department.

High risk assets as defined by 3.3.11.50 of the State Auditor’s Budgeting, Accounting & Reporting System (small & attractive) and Clark County Capitalization Policy require controls designed to track and control them, see Appendix B. When designing the controls, departments should develop them as appropriate to the nature of the asset. For the remaining categories, durable or expendable assets, departments must demonstrate adequate accountability of these items. Accountability is the obligation to demonstrate good management of, or control over those matters for which a person or agency is responsible. For example, most local governments do not account for the value of their small assets, but they are accountable for these assets.

State Auditor’s Budgeting, Accounting and Reporting System 3.3.11.50 also states that each government should perform an assessment to identify those assets (small and attractive) that are particularly at risk or vulnerable to misappropriation, misuse or loss or that otherwise need to be tracked for operational purposes that fall below the government’s capitalization threshold.

Facilities Management should have a mechanism in place that expands their current assessment of assets beyond the capitalization threshold. Below, figure 3 is an example of such assessment process (Appendix E).

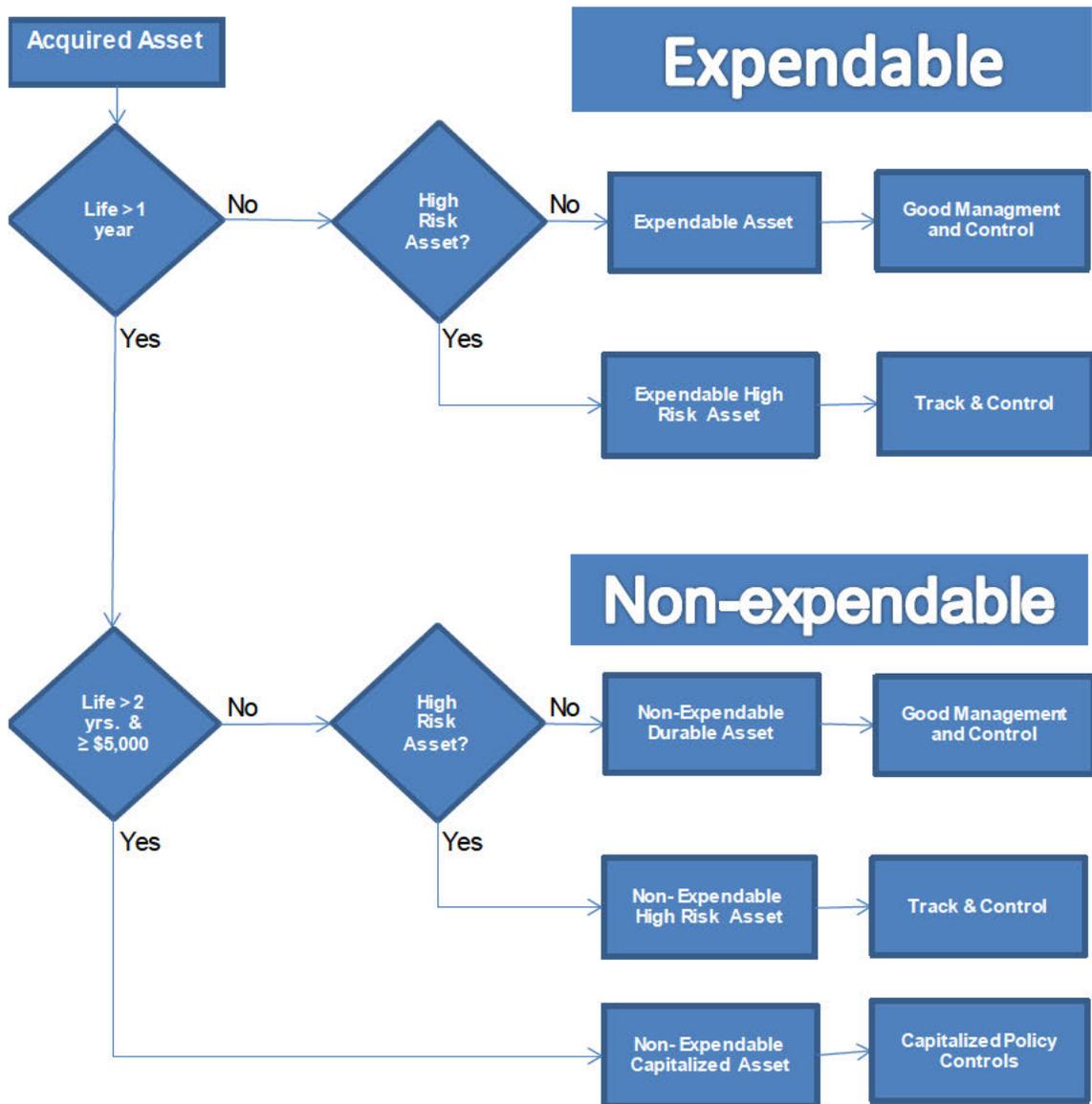


Figure 3: Framework based on U.S. Department of the Army: Property Accountability Policies

The assessment process relies on the Facilities Management’s interpreting the State Auditor’s Budgeting, Accounting & Reporting System definition of small & attractive and Clark County Capitalization Policy definition of high risk item as they apply to their assets, see Appendix G.

Without an adequate assessment of all acquired assets, Facilities Management will be unable to determine the appropriate internal controls as appropriate for the risks

associated with the type of asset. The assessment for high risk items should take into consideration two factors, see figure 4:

What is the likelihood the asset would be misappropriated, misused or lost?

What is the impact to the organization if associated risk occurs?

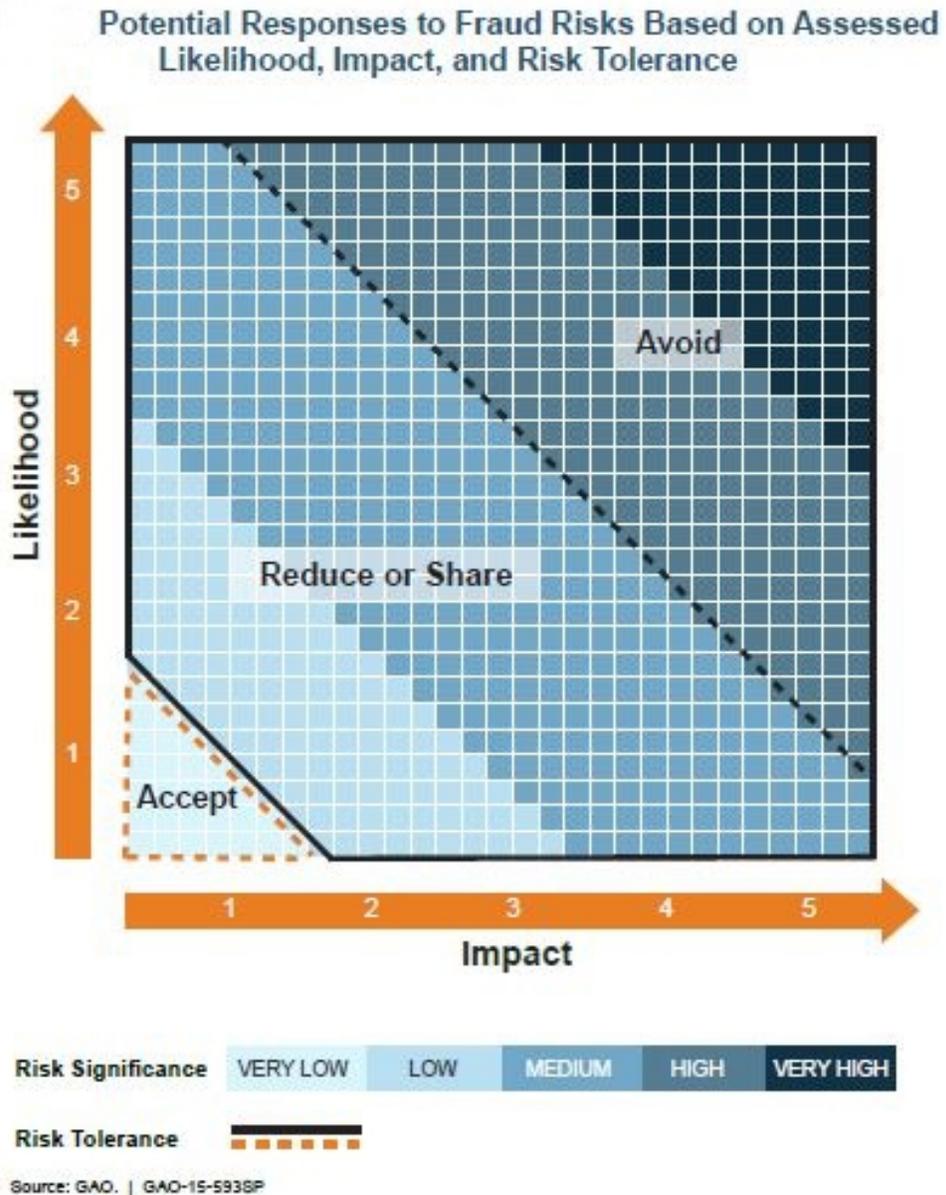


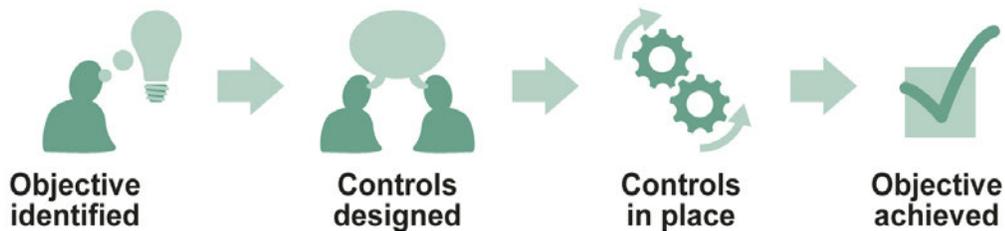
Figure 4: U.S. Government Accountability Office: A framework for managing fraud risk in federal programs

If the likelihood and impact is high, the degree of internal controls must be high enough to prevent the misappropriation, misuse or loss. Creating effective internal controls begins with their initial design. Is there a stated objective? Has management defined their acceptable risk tolerances? Management's design is a balancing of factors such as costs, complexity and risk.

Budgeting, Accounting and Reporting System provides latitude on the quantity and type of controls over high risk items. Controls may range from basic measures such as policies, tagging, assigned custody, to full tracking and inventory controls resembling those for capital assets. Controls should be designed to minimize identified risks, as appropriate for the nature of the assets and risk. Controls should generate adequate documentation to demonstrate achievement of objectives.

Designing effective internal controls share five interrelated components that speak to the interplay between management and staff. They are:

1. Control environment – The tone set by management that influences the control consciousness of staff.
2. Risk assessment – Management's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be addressed or controlled.
3. Information and communication – Systems to support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
4. Control activities – Specific policies or procedures that directly address risks related to the achievement of objectives.
5. Monitoring – Management's review of the operation of internal controls over time.



Source: GAO. | GAO-14-704G

Figure 5: U.S. Government Accountability Office: Achieving objectives through internal controls

Once controls are designed and implemented, a periodic review is recommended to evaluate the effectiveness of the controls. A sample assessment of controls can be found in Appendix F.

Limited controls over assets

At the time of our testing in 2016, Facilities Management employed limited security measures over their non-capitalized assets. One of the controls used was that of physical barriers. Assets were generally located within Facilities Management controlled work areas and vehicles. The primary building is Facilities' physical plant which is secured within a chain link fence. Access to its interior is limited to Facilities staff via the use of access cards and mechanical locks. Trade vehicles were locked during operation and stored within the fenced perimeter. The primary gate to the building is locked during non-working hours and

is only accessible through controlled security access. The new warehousing component is similarly secured.

Facilities Management utilized the tagging and marking of assets. The application of the tags was limited to larger equipment that had been previously labeled. Labeling was not consistently applied and of the assets previously labeled, no inventory list was available for review. Portable tools were generally located in cabinets within specific trade areas or assigned to staff. Tool assignments to staff were not documented nor was a list maintained. Larger or highly specialized tools were stored in a tool room within the principal Facilities building. The tools generally did not contain identifiable Clark County property tags or markings. There was no issuance tracking of tool room items or inventory list maintained.

Custodial supplies were co-located with contractor owned supplies within secured closets and both are used during janitorial services. These are consumable items and do not generally require labeling due to their low unit value. However consumables assets should be tracked for indicators of misappropriation, misuse or loss. Facilities Management was not tracking the consumption of their consumable supplies.

Due to Facilities Management treatment of non-capitalized items as expendable assets with only limited physical controls applied, there is an increased risk of misappropriation, misuse or loss. We reviewed 2013 thru 2016 procurement records associated with Facilities Management. We compiled a judgmental sample of expendable equipment and supplies procured in 2016 that generally match the County's definition of high risk. We then tested the sample of expendable equipment and supplies to test for indicators of loss.

We selected 35 items and Facilities Management provided 34 items generally matching the description of procurement records and 1 item was presented as an incomplete set.

We selected a purchase order of custodial supplies and requested distribution records of the items. There were no receipts of delivery to individual custodial closets or tracking on individual item consumption. Supplies were provided to custodial contractor who manages the inventory once delivered and requests re-orders via email or Facilities supplied forms. Written re-order requests were not retained after orders were fulfilled. We were unable to determine the final distribution of custodial supplies from the selected purchase order.

Due to limited record keeping and item description on procurement records we were unable to determine if any losses had occurred of the items tested.

Without tracking and controlling for these tools and supplies, there is an increased risk of misappropriation, misuse or loss. Facilities Management's existing limited controls do not adequately safeguard high risk assets. Existing controls may prevent some loss by the use of physical barriers but without appropriately assigning responsibility or tracking high risk assets it is difficult to detect misappropriation, misuse or loss.

Accumulation of previously expensed supplies

In the fall of 2016, Facilities Management conducted a review of their stores and identified a cache of previously expensed supplies. These were primarily construction and repair supplies that included fittings, cabling, switches, panels, locking mechanisms, electric fan motors and similar items. The past practice had been to store expensed supplies that were retained after completed work orders. The buildup had been gradual and supplies were stored in decentralized locations.

The initial inventory was of items with an estimated value of \$432,736 as established by Facilities Management. A further review found that some of these items were owned by other departments and were being stored within Facilities controlled buildings. Facilities Management removed about 8,000 items of customer owned inventory from their first assessment and valued the remaining inventory at approximately \$345,000, see figure 6. The ownership and materiality of the inventory should be reviewed with the County's financial reporting group.

Description	Value	Qty. On Hand	Avg. Unit Cost
Electrical Parts/Supplies	\$98,883	59,244	\$43
Locksmith Parts/Supplies	\$92,576	1,029	\$185
HVAC Parts/Supplies	\$81,534	2,629	\$70
Carpentry Parts/Supplies	\$69,499	10,550	\$16
Plumbing Parts/Supplies	\$53,741	10,727	\$27
Electronics Supplies/Parts	\$36,503	27,445	\$116
Sub Total	\$432,736	111,624	
Removal of Customer Owned Inventory	(\$87,727)	(7,996)	
Total	\$345,009	103,628	

Figure 6: Table of inventory of previously expensed supplies by category

Facilities Management's lack of assessment for classification of property attributed to the status of this previously expensed inventory. At the time staff had completed a work order and found that there were remaining inventory items, an assessment conducted by management should have determined the items' final disposition. For example:

- Can the item be returned to the vendor for credit that will be applied to the requesting department?
- Can the item be given to the requesting department for their management?
- Can the item be placed within Facilities Management's own stock and a credit applied to the requesting department?

Incorporating a re-assessment for classifying property that had previously been expensed can aid in determining disposition of the inventory and applying remedies in a timely manner.

Ongoing efforts for improving internal controls over assets

Warehousing component

Beginning in July 2016, Facilities Management began their warehousing efforts with the addition of new staff focused on the new warehousing component. Their initial priority was to convert an existing storage area into a dedicated space for their warehousing needs. The new space had to accommodate their move to a centralized supplies, tools and equipment warehousing process.

They also began the expanded use of TMA Systems, a Computerized Maintenance Management Systems (CCMS) to encompass inventory of supplies and tools/equipment. This is a departure from the previous practices. Tools and equipment were not tracked and had limited physical controls. They also did not maintain an inventory on hand, but purchased project specific materials at the time of the work order request and expensed them at the time of purchase. These practices have changed with the addition of the warehousing component.



Photos 1: Interior images of new warehousing component

Facilities Management has begun carrying an inventory of custodial and trade supplies. The inventory tracking software is able to track the inventory on hand, its quantity, value and produce itemized issuance records. A sample report showed that on the day the report was run, custodial supplies had 59 custodial supplies categories, 578 items with an inventory value of approximately \$7,100. These new capabilities increase the controls over the supplies and aids management in their trending analysis. Carrying the items in stock also creates efficiencies in the delivery time to the requestor and possibly lowers costs by purchasing in volume. Facilities Management is exploring contracting with a supplier for common trade supplies to obtain the best pricing available.

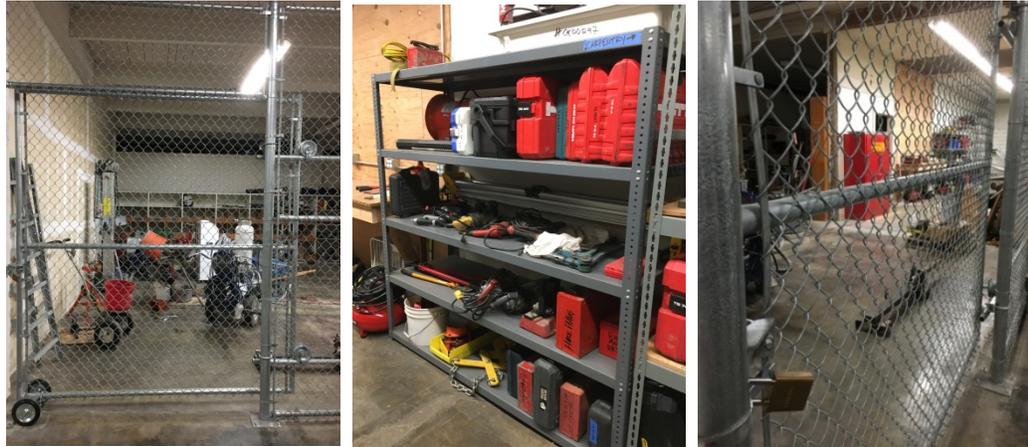
Facilities Management also focused on staff development by sending them to additional software training where they learned key inventory features and networked with other entities that currently use the system in this manner.

High risk items assessment

Facilities Management has begun working on an inventory process that allows them to account for tools and equipment. They have begun entering them into TMA Systems software and Facilities Management has developed specific controls over four categories:

1. Warehouse Tool Room
2. Service Vehicle Tools
3. Lockable Tools Roll Cars
4. Technician Hand Tools

1. Warehouse Tool Room



Photos 2: Warehouse tool room

A section of Facilities' warehouse has been secured and an inventory of 312 shared tools is stored within the area. The tools are tagged and entered within TMA Systems. The usage and disposition of the tools are tracked by the software.

2. Service Vehicle Tools



Photos 3: Service vehicle tools

Facilities Management is implementing a pilot program that tracks items located within individual trade vans. Each van would be set up within the TMA Systems software as a warehouse with its own inventory of tools and supplies. We were able to review the first van inventoried under this pilot program.

Facilities provided a report of 24 items inventoried within one trade van and we were able to visually inspect the items. The report had descriptions of the items located within the vehicle and included references to the asset tags affixed to the individual tool.

3. Lockable Tool Roll Cars



Photos 4: Tool cart for high security areas

Facilities Management has conducted an assessment of tools required for repairs within high security controlled areas. These tools are stored onsite and require a higher level of tracking when entering and exiting the restricted areas.

They have created itemized tool foam cut outs for each of the required tools. They painted the interior of the drawer white to assist in identifying any missing tools. These additional controls were put in place to reduce the risk of lost tools within high security areas.

4. Technician Hand Tools

These are lower cost tools such as screw drivers, hammers, pliers, channel locks and the like. Though not individually tracked within the software, each tool request requires management's approval and consumption rates analysis based on purchase order request records may be conducted by management.

With these new controls in place, Facilities Management will be able to generate reports on the tracking and controlling of their tools/equipment. Their efforts will aid in reducing the risk of misappropriation, misuse or loss. We encourage Facilities Management to expand their assessment and controls development of all identified high risk items that include offsite storage sites as well.

Written warehousing policy and procedures are needed

Facilities Management has begun limited operations of their warehousing unit. Most of implementation has been done prior to the final development of written policies and procedures. To ensure that operations are as efficient and effective as possible, Facilities Management should consider the following factors as they develop their policy and procedures:

Reporting requirements of inventories

Consumable inventories could be reportable if fiscal year-end balance of on-hand inventory's value exceeds an established threshold. The final determination of the established threshold for consumable inventories and required additional controls

should be made by Facilities Management in consultation with its financial officer and with the Finance department's reporting group.

Staff development for inventorying

Staff should receive training on how to successfully conduct an inventory. Reaching out to departments within Clark County that manage similar inventory is advisable.

Inventory management

The following are examples of functions warehousing units are responsible for:

- Receipt and inspection of items at the warehouse
- In-storage maintenance of supplies
- Receipt, review, and processing of customer requisitions
- Issue of materials and supplies
- Submittal of purchase requisitions for stock replenishment
- Maintenance of inventory records and controls
- Disposal of excess supplies
- Interface with Technology Management and Accounting
- Preparation of reports as required by higher authority

As the warehousing component establishes historical numbers, reevaluating these factors will provide a more accurate representation of the needed inventory and operational efficiencies.

Objective 1: Recommendations

R 1: Establish an assessment process that includes high risk items, in keeping with current County Policy and Budgeting, Accounting & Reporting System, and apply it to existing/future assets to determine property classification.

R 2: Expand and implement necessary tracking & controls efforts over identified high risk assets.

R 3: Create written procedures for disposition of excess supplies to reduce the accumulation of expensed supplies.

R 4: Create a written warehousing policy & procedures and consult with Finance Department to address any future reporting needs.

R 5: Expand current efforts in the pilot tool inventory program and warehousing component.

Focus 2: Keys & Access Cards

Objective 2: Determine if Facilities Management's controls of keys & access cards are adequate and operating effectively.

Conclusion 2: Essential internal controls of keys and access card policy are not implemented, increasing risk of unauthorized access to County buildings.

Summary: The purpose of the Lock, Key and Access Card Policy (P290) is to allow controlled access to buildings in such a manner that will afford protection of assets and occupants. The system of controls around key and access cards had been designed with checks and balances between the issuer and the recipients. Facilities Management is not performing an annual inventory that serves as a check on changes that have occurred throughout the year. Currently, the system is operating solely in response to the County departments' actions of returning keys, report missing/lost, or revoking security access rights. Absent of this self-reporting there is no other mechanism to confirm or validate previously issued security access. Policy awareness is limited among departments, key/access card recipients and Facilities' staff. Documentation deficiencies, differing name validation and an unresolved data anomaly decrease the reliability of security records. Benchmark policies are provided for Facilities Management's review. Facilities Management has begun performing a preliminary inventory of keys/access cards and is improving their controls over them.

Annual inventory not performed

Clark County Policy P290 requires an annual inventory of keys and access card be performed by Facilities Management (Appendix I). In 2011, Facilities upgraded the access cards system from swipe cards to proximity cards. During the conversion they conducted an inventory of all issued cards prior to switching to proximity cards. At the time of our testing in 2016, no access card inventory has been completed since 2011 and there were no records of an inventory performed on keys.

Clark County's Lock, Key and Access Card Policy was established in 2007. The policy designates General Services: Facilities Management as having primary responsibility for the security of Clark County facilities. Facilities Management manages the stock, creation, issuance, returns and security records of keys/access cards. Departments are responsible for approving key requests for areas within their jurisdiction and reporting lost or unreturned keys/access cards. Policy P290 also assigns the responsibility to Department head or authorized delegates to secure keys/access cards from staff when their employment ends or assigned duties do not require the use of issued access.

Clark County Sheriff's Office maintains control over their access cards system and in keeping with their Criminal Justice Information Services (CJIS) requirements. Our review did not include areas controlled by Clark County Sheriff's Office access card system.

Security access changes were not consistently captured within security records

We performed an analysis of key and access card records by comparing them to a list of separated employees from October 2014 thru September 2016 and records associated with vendor/contractors from the entire database.

We identified active access cards and keys still assigned to former employees. Of the access cards associated with separated employees 71 cards were deactivated after our review. Of the access cards associated with vendor/contractors 27 were deactivated after our review. Of the keys associated with separated employees 131 keys' statuses were updated as "lost" after our review. Of the vendor/contractors keys, 39 keys' statuses were updated as "lost" after our review. The deactivation of 98 cards and the designation of 170 keys to "lost" reflect that some security access changes were not captured by the current key & access card controls, see figure 7.

	Access Cards Deactivated	Keys Classified as Lost
Separated Employees	71	131
Vendors	27	39
Total	98	170

Figure 7: Table of keys & access cards totals

During our review we found one instance where an employee was able to retain his keys & access card even though his employment status had changed from regular to temporary employee. Human Resources confirmed the employee left County services on the stated separation date and then explained the former employee had been hired back to the same department through a temporary staffing agency. The security records did not capture this break in service nor his change to temporary employee.

Final determination of acceptable or unacceptable risk based on outstanding keys and access cards should be made between affected departments and Facilities Management. Effective collaboration between issuing departments and Facilities Management on security changes and mitigating efforts is essential for the program's success.

Facilities Records show potential unauthorized use

Of the separated employees access cards reviewed, 16 cards had usage activity associated with them beyond the employee's separation date. We consider activity beyond the separation date as potentially unauthorized access since the access was granted due to the employment relationship they had with the County. As the employment relationship ends so should security access privileges. We could not determine if the activity was attributed to the recipient on record or an internal reassignment of the access card without updated security records or to a person with an unauthorized access card. Facilities Management was notified of the 16 access cards and all cards were deactivated.

Of the vendor issued cards, we were unable to determine the date on which the access should have ended due to limited records available. Currently, duration of vendor access is controlled by the individual departments cancelling the permissions and is not indicated within Facilities Management security records.

The full extent of risk associated with keys and access cards still assigned to separated employees or vendor/contractors is unknown. Our review only encompassed security records of separated employees from October 2014 thru September 2016 and a limited vendor/contractor word search of key & access cards records. A more comprehensive review of all security records should be conducted that encompasses the time frame prior to and after our selected data.

No indication of loss due to potential unauthorized access

Due to the elevated risk created by the number of keys and access cards unaccounted for we conducted additional testing. We compiled a list of County buildings that had outstanding keys or access cards associated with them. We worked with Clark County Sheriff's Office which researched police reports associated with these addresses. There were no cases that were definitively associated with a loss located within a restricted area.

Limited awareness of policy and communication to departments/recipients

At the time of our review, Facilities employees and requesting Departments had limited knowledge of policy P290. Within the policy there is no specific language on how the policy should be communicated to recipients or departments and it is not distributed during the key/access card issuance procedures.

Without effective communication of the policy, recipients were unaware of their role, responsibilities and acceptance of potential liability they are acknowledging when signing for their key and/or access card. For example, rekeying costs are to be incurred by the department or the vendor who they contracted with. A review of existing contracts found that there were no references to P290 or any key/access card security requirements. Our review also found deficiencies in documentation and signatures for vendor/contractors key issuance records.

If a vendor/contractor is unaware of the policy's cost recovery clause and no signature was captured as proof of receipt of keys or access card, then cost recovery efforts will be difficult to employ.

Deficiencies in documentation practices

Key and access card request

We tested issuance documentation for keys and access cards and found exceptions to requests. Of the keys and access cards tested we found examples of waiving of documentation requirements made by and for Facilities Management. Though Facilities Management is responsible for the lock, key and access card program for the County, they are not exempt from documentation requirements.

Work orders controls over blank access cards stock

While conducting our review we encountered a missing access card blank. This incident exposed a weakness of the current controls over blank stock, work orders and security records databases. Facilities Management does not maintain an inventory list of blank and issued access cards.

Security records are managed within two electronic systems. Access cards are managed through a computer software and keys are managed through an excel spreadsheet

maintained by the Locksmith. Requests and work orders are primarily processed through TMA Systems with limited number of paper requests. These systems are independent of each other to ensure secure limited access to security records and deterring remote unauthorized access.

Facilities Management could not determine if the card had been issued, destroyed or missing. The access card was later found when the department that received it discovered that the access card was not programmed. Without a cross reference among the systems it was impossible for Facilities Management to determine missing blank stock for access cards and keys. Creating cross references among the different systems utilized to create a key or access card could provide Facilities Management a reliable avenue to determine disposition of items.

Signatures

Of the documents we reviewed, signatures were consistently captured by staff in electronic or paper based format. Facilities Management requests recipients to present identification prior to receiving a key or access card. This served as a validation method to ensure that the person receiving the key is the intended person. We did find one occurrence of a recipient signing for their key on behalf of another key recipient. Though this might expedite the issuance of keys, individual key holders should present their own signature or alternate method of validating their identity.

Facilities Management signature capture does not provide acknowledgement that recipients have read and accept the responsibilities for a key or access card. Policy P290 only requires recipients who are accepting master keys to sign a statement acknowledging responsibility but does not provide the language of the statement.

Current key and access card requests whether conducted online or in paper format, do not contain any reference language regarding P290 and only limited language of acceptance of responsibility. The paper format does include some directional language;

"Please provide the employee with instructions on the proper use of the access system and card".

Stronger language is located within the work order paper document but the form is intermittently provided to offline key recipients for signature purposes;

"By signing this agreement, I agree to guard and protect the keycards, as stated herein, from harm, loss duplication and misuse by myself or by other people. Any breach of this agreement may result in administrative review."

Below is a sample statement that makes a direct reference to policy and the listed provisions reflect the organizations priorities.

"I understand that keys issued to me provided access to the space listed above. Additionally, I have read and am familiar with the Key Security and Lock Control Program and understand that the following provisions apply:

- a. Duplication of keys, other than those approved by the security manager, is not approved*
- b. Keys must remain in my possession at all times and may not be loaned.*

- c. *Upon my transfer or reassignment, the keys must be turned into the Department Key Custodian...*

A similar statement should be developed that includes the provisions within P290 that are a priority and consistently provided to all key/access card recipients regardless of the method of signature capture. For full statements see Appendix D.

Missing documentation

As part of our review we requested supporting documentation for access cards that had been issued to names from the recently separated employees list. Facilities Management was unable to produce supporting documentation for 5 of the 7 access cards records requested.

Vendor paperwork requirement not implemented

P290 states that “Vendors are required to complete the necessary vendor/contractor paperwork before a key will be issued”. This documentation had not been established. Currently vendor/contractor requests follow the usual department request procedures with no additional documentation requirements.

Controls over keys and access cards are less effective when documentation is incomplete or missing.

Names in the security records and employment records do not match

During our review we found difficulty validating separated employees names to security records. Facilities Management’s current practice utilizes the name provided in the initial department TMA Systems request for the security records. However, Human Resources maintain the employees’ legal name as presented to them through government issued identification. Some security records contained name variations that include nicknames (Nick for Nicholas) and abbreviated versions (Ed for Edward). Others did not reflect surname changes that occurred after the initial security record was created and the employee left County service. It is a best practice for security records to reflect the recipient’s legal name. This may be established prior to issuance by requiring key/access card requests to provide legal names only and confirmed through government issued identification provided by recipient during issuance procedure.

A unique identifier data point should be added to security records that assist in differentiating between them. Such as employee numbers for County employees, contract or purchase order number for vendor/contractors, or activity name for temp/volunteers. The lack of an additional unique identifier made it difficult to definitively match employment records to security records. If left uncorrected, performing an annual inventory will be challenging.

A data anomaly remains unresolved within access card software

Computer software manages the creation of access cards and has report generating capabilities. We requested activity records for cards associated with separated employees from October 2014 thru September 2016. We noticed a data anomaly that shows that a single card’s activity records had multiple names attributed to the same card number. There were four instances where the activity records alternated between two names and in one instance it alternated between name & “not assigned”. In one of the alternating names

instances, the security record contained three separate names, with the final name matched a separated employee's name that left County service on September 2015 but the activity associated with this name was for dates after this date.

Facilities Management attributed the "not assigned" as a misread by the access card readers but could not determine why the user name would be alternating on the rest of them. We contacted the software company and they advised that the software would not behave in this manner. Once a card is assigned a user, the software would continue to utilize the provided user's name. The reliability of the security records is questionable if the final cause for this anomaly is not determined.

Adopting best practices may reduce risk

Security policies are shaped by the organization's unique needs and by best practices among government agencies. Policy P290 was written in 2007, since then security changes have occurred both within Clark County and security industry. The following are some suggested areas to focus on with consideration to the following examples. A complete list can be found in Appendix C.

Increasing policy awareness of the recipients:

"Prior to receiving a cardkey, cardholders are required to read and sign a "Cardkey Rules" form that addresses cardholder responsibilities for possessing cardkeys,..."

Establishing categories beyond County and Vendor:

"Vendors, temporary services contractors, visitors, guests or volunteers who will be at the County for an extended period of time will be issued, through the Department Supervisor they are affiliated with, a Visitor ID Card provided by the Key Card Office for the duration of their stay at the County."

Implementing stronger controls over temporary users:

"Upon request by authorized departmental personnel, the Cardkey Administrator may issue temporary cards with vendor specific access and time zones"

"Temporary employees, contract employees and/or volunteers shall not be issued keys on a permanent basis. Should physical key use be required to fulfill a job function, keys should be managed within the department and signed in/out to the temporary employee on an as-needed basis."

"All temporary cards shall have a maximum length of 90 days prior to automatically expiring" (*length of security access)*

Creating a notification system on employee status changes:

"The Human Resources Department should submit a monthly report of all terminated employees to the ISD Cardkey Administrator"

"Employees who transfer from one County agency to another must turn in their Employee ID or generic key card to DCFM Administrative Services for re-coding if they use it as key card for access to a county facility"

Create Access (Permissions) Matrix and program access to reflect business need:

"It is the responsibility of each department head, or his or her designee, to determine and assign their employees' access rights base on job requirements... (1) access area, (2) hours and (3) days of the week."

Security Records should be based on legal name:

"Each cardkey shall contain the individual's legal name as it appears on a government-issued identification such as a driver's license (no nicknames are allowed)"

These are a few areas for review; we encourage Facilities Management to review similar agencies' policies as they conduct an update of P290.

Ongoing efforts to improve internal controls of keys and access cards

Performing preliminary key & access card inventory

Facilities Management reported they have begun initiatives to update their security records and work with departments to assess any needed changes to security elements. They have reached out to individual departments to verify the status of issued keys. Facilities Management is forwarding a list of assigned keys and soliciting the status of each key. They are then scheduling appointments within the departments to meet with key recipients to obtain any missing signatures, and to conduct physical review of keys to check for appropriate stamping, if missing, the stamps will be added on site. Prior to 2008 keys were not consistently serialized to the individual key level, through this new effort, security records will be updated to reflect the current key custodian. Facilities Management is also conducting a review of access cards associated with vendors and have deactivated cards whose projects have ended.

Facilities Managements is reviewing the integration of TMA Systems software into key and access card blanks inventory management. The system will allow Facilities Management to input individual key series and access cards into the system. The stock's usage is reflected in the completed work order and the system will provide a reorder reminder when stock is low.

Collaboration with Human Resources on monthly employee separation reports

Facilities Management has reported they are working collaboratively with Human Resources department to obtain a monthly report of separated employees that aids them in identifying keys/access cards that have not been reported inactive or turned in. By adding this procedure, changes are followed up on a monthly bases and then again during the year-end inventory.

Expanding access card use

Facilities Management has indicated they are encouraging greater utilization of access cards and aiding departments in transitioning away from less efficient systems. For example, the use of mechanical pushbutton locks is relatively inexpensive but requires a manual access code modification when staff changes occur. Manually changing the combination is a time consuming activity and depending on the frequency, can be costly to the department.

Access cards are programmed electronically and can be disabled remotely or set to expire with minimal staff time required to perform these tasks.



Photos 5: Access card managed electronic cabinets

Facilities Management is also increasing controls over their operationally shared keys by using access card managed electronic cabinets. These cabinets interface with the use of an employee's access card. The system automatically tracks the user's information, the particular key that was removed and will notify the administrator if the key has been out beyond an acceptable time frame via email. The system also has report generating capabilities. Facilities Management is working with Public Works on exploring the possibility of Fleet Division purchasing similar electronic cabinets for their fleet vehicle keys. They are also reviewing the use of access card enabled gate openers. Implementing these systems could create efficiencies in how operators share fleet keys and expediting traffic flow within the secured Public Works yard.

We commend Facilities Management's ongoing efforts and encourage their expanded use of access cards.

Objective 2: Recommendations

Rec 6: Conduct a review of all issuance records to update the disposition of keys and access cards.

Rec 7: Fully implement P290 and prioritize the annual inventory of keys & access cards.

Rec 8: Increase awareness of policy P290 among their staff, County departments and key/access card recipients.

Rec 9: Correct documentation deficiencies and end the practice of exempting documentation requirements.

Rec 10: Security records should include a unique identifier to differentiate between recipients. Use of legal names on records should also be considered.

Rec 11: Resolve data anomaly and validate key & access card recipients' records.

Rec 12: Update policy P290 to reflect current security best practices.

Appendix A: Full Audit Methodology

Objectives

Objective 1: Determine if Facilities Management's controls of high risk items and supplies are sufficient and effective.

Objective 2: Determine if Facilities Management's controls of keys & access cards are adequate and operating effectively.

Scope

This audit will focus on the ownership phase of high risk items although some results may lead to work in other phases.

Inclusions – high risk items; expendable supplies purchases

- Tools
- Equipment under \$5K
- Supplies

Inclusions – high risk items; keys and access cards:

- Blanks- keys & access cards
- Issued- keys & access cards

Exclusions

- Capitalized assets
- Access cards system managed by CCSO

Methodology

- 1) Review applicable state federal laws and regulations, GASB and GFOA standards and best practices as well as local policies and procedures.
- 2) Identify governance structure, authority and issues through document research and interviews with key management and operational personnel.
- 3) Interview staff responsible for performing various related duties and/or oversight functions.

- 4) Review the work of auditors in other jurisdictions and research professional literature to identify best practices regarding training requirements, procedures, inventories and asset management.
- 5) Determine if the items require a full inventory or if sampling can provide reasonable assurance in identifying risk. Choose appropriate approach for each group of items based on risk, materiality and assurance level needed.
- 6) Identify through alternative records a group of eligible expendable equipment and custodial supplies items procured between 2013 and 2016. Conduct select inventories of tools & equipment and supplies.
- 7) Identify the total group of eligible active key and access card that are within Facilities Management's databases. Review blank keys and access card procurement records to identify last purchase quantity.
- 8) Conduct testing on selected 2016 expendable equipment & custodial inventories and resolve results with records of items, quantities and types that are reflected in the procurement records. Testing based on judgmental sampling and does not reflect the entire population.
- 9) Cross reference active key and access cards databases with the HR report of separated employees from October 2014 thru September 2016 and word search of databases of vendor/contractor or variant of the entire databases.
- 10) Determine if separated employees had issued keys and access cards assigned to them. Determine if vendor/contractor issued keys and active cards were still applicable.
- 11) Determine if key and access card created from blank stock had supporting documentation.

Appendix B- High Risk Item Table

Entity	State Auditor's Budgeting, Accounting and Reporting System (BARS) Manual	Clark County	Government Finance Officers Association
Directive	3.3.11.50 Capital Assets: Control over Capital Assets: Small and Attractive Assets	Capital Asset Capitalization Policy (2008)	Best Practice: Maintaining Control over Items that Are Not Capitalized
Category	Small and attractive assets	High Risk item	Controlled Capital-Type Items
Definition	Assets that are particularly at risk or vulnerable to misappropriation, misuse or loss or that otherwise need to be tracked for operation purposes that fall below the government's capitalization threshold	A description given to items which are relatively valuable, small, and easily transportable and adaptable.	When potentially capitalizable items are not, in fact, capitalized, care must be taken to ensure that adequate control is maintained over any such items that fall within the following categories:
Establishing Category	<ul style="list-style-type: none"> * Assets that are easily misappropriated or misused, such as laptops or high-value tools * Assets that may be expose the government to liability if lost, such as firearms or computers with confidential or sensitive data * Goods for sale * Assets that require tracking for scheduling, assignment, cost control or re-order purposes 	Such items have a higher susceptibility to theft and other losses.	<ul style="list-style-type: none"> * Items that require special attention to ensure legal compliance (e.g., items acquired through grant contracts) * Items that require special attention to protect public safety and avoid potential liability. (e.g., police weapons) * Items that require special attention to compensate for a heightened risk of theft (e.g., sound equipment)
Requirements & Recommendations (Summary)	Governments should implement specific measures to track and control small and attractive assets to minimize identified risk as appropriate for the nature of the assets and risk	Departments are responsible for the accountability of such items.	Assign responsibility for different groups of controlled capital-type items to one or more specific individuals
	Since small and attractive assets need only to be tracked for operational objectives, controls may not need to be as extensive as those for capital assets		Individual responsible should prepare and maintain a complete list of those items each year within the department
	Controls may range from basic measures such as policies, tagging, assigned custody, restricted access or other physical controls		At the close of each fiscal year, every individual assigned responsibility for controlled capital type items should prepare a report that provides a complete list of those items, along with an explanation of changes from the previous year
	- to limited systems such as performance measures, check out systems, or reserve inventories (where only items not in use are tracked)		
	- to full tracking and inventory controls resembling those for capital assets as discussed above		

Appendix C- Benchmark Security County Policies

Entity	King County, Washington	Marion County, Oregon	The County of DuPage, Illinois	Calhoun County, Michigan	County of San Mateo, California
Policy Name	Employee ID Access System	Building Security and Access	Building Access and Control	Employee Identification	Building Access & Cardkey Policy
Policy Year	1998	2009	2012	2002	2014
Stated Purpose	To establish uniform procedures for Employee ID/bus pass/key card policies regarding distribution, replacement and return upon termination	The purpose of this policy is to establish organizational guidelines for protecting the property, privacy and security of county employees, volunteers and members of the public by regulating which persons are issued keys and keycards for access to buildings owned and operated by Marion County.	The following policy outlines security measures specifically designed to govern access control to the DuPage County Government Complex. This policy applies and established protocol to minimize the risk associated with intentional or unintentional acts or breaches of access against DuPage County	The County of Calhoun recognizes the need to provide for the safety and security of all employees and visitors. In doing so, the County is complying with Section 5 (a), the Federal Occupational Safety and Health Act of 1970 (OSHA).	This policy outlines the building access guidelines and expectations for all individuals who possess County cardkeys.
Acknowledgement of Receipt	ID/Keycard Request form: I, the undersigned, understand that my card is not to be loaned to anyone. I will report its loss immediately to DCFM, Admin. Svcs. & agree to relinquish my card when I transfer or leave King County	Silent	Silent	Employees will be given a copy of this policy. This policy will be reviewed with new employees during orientation.	Prior to receiving a cardkey, cardholders are required to read and sign a "Cardkey Rules" form that addresses cardholder responsibilities for possessing cardkeys,...
Non County Employees	ID/Keycard Request form: Contractor Other	This policy applies to all county departments, county employees, volunteers and contracted providers who may need key or keycard access.	In some scenarios, temporary personnel, vendors or volunteers (referred to as temporary employees) may be required to support County operations.	Vendors, temporary services contractors, visitors, guests or volunteers who will be at the County for an extended period of time will be issued, through the Department Supervisor they are affiliated with, a Visitor ID Card provided by the Key Card Office for the duration of their stay at the County.	Non-County Employees: For Extra Help, Contractors, Providers, etc., For Vendors, For Press, Attorneys, Other

Transferred Employees	Employees who transfer from one County agency to another must turn in their Employee ID or generic key card to DCFM Administrative Services for re-coding if they use it as key card for access to a county facility	Silent	All requests for the production of a new access card or modification or an existing card shall be provided by: Employee Manager for transferred employees or for current employees requiring access modification	Silent	It will be the responsibility of the department heads to collect these keys from employees as they change assignments or leave County service
Sunset Card Provisions	Silent	Silent	All temporary cards shall have a maximum length of 90 days prior to automatically expiring	Silent	For Extra-help, Contractors, Providers, etc. -- all facilities: These types of workforce member's cards are always set to expire by December 31 (or sooner if the agreement/contract for their services ends prior to December 31)
Key Issuance Vendor	ID/Keycard Request form: Contractor Other	This policy applies to all county departments, county employees, volunteers and contracted providers who may need key or keycard access.	Temporary employees, contract employees and/or volunteers shall not be issued keys on a permanent basis. Should physical key use be required to fulfill a job function, keys should be managed within the department and signed in/out to the temporary employee on an as-needed basis.	Vendors, temporary services contractors, visitors, guests or volunteers who will be at the County for an extended period of time will be issued, through the Department Supervisor they are affiliated with, a Visitor ID Card provided by the Key Card Office for the duration of their stay at the County.	Upon request by authorized departmental personnel, the Cardkey Administrator may issue temporary cards with vendor specific access and time zones
Separated Employees	Office of Human Resources Management (OHRM) is responsible for furnishing DCFM with list of all employees eligible for a Employee ID/bus pass/key card and for employees who have been terminated or transferred each pay period	Silent	Security shall be notified in writing, where possible, of a termination or separation slated to take place		The Human Resources Department should submit a monthly report of all terminated employees to the ISD Cardkey Administrator

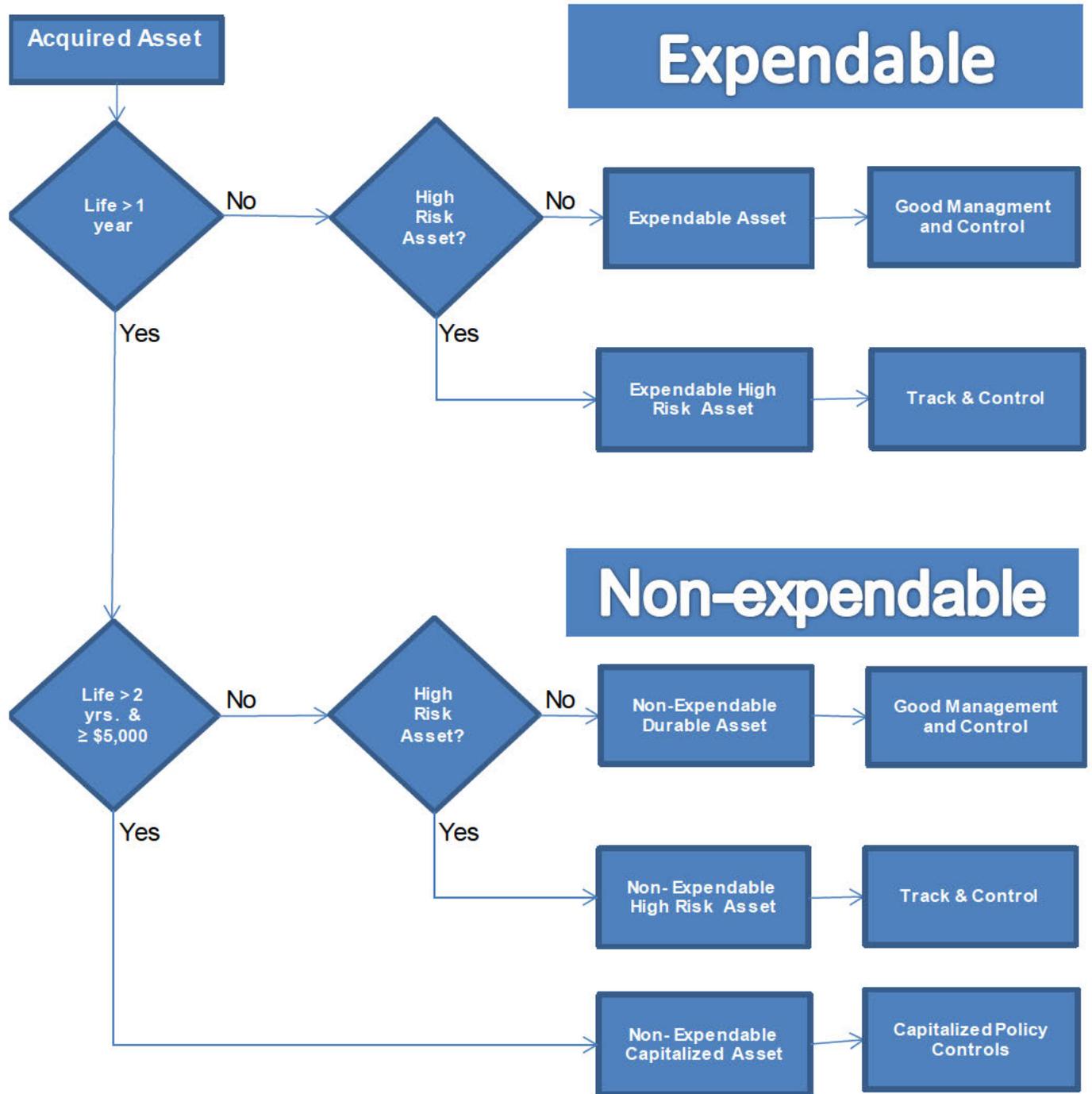
Cost recovery?	Authorizes the County to deduct a replacement fee if the pass is not turned in to their supervisor prior to the terminated employees payroll cutoff date for their final paycheck	Silent	There shall not be any fee associated with lost or stolen badge/ID cards or keys	The employee will be charged for each replacement of a lost or stolen Card.	When a replacement cardkey is requested by an appropriate departmental authority, the department will be charged for the replacement cost.
High Security Area	Silent	Individuals whose positions require unescorted access into high security areas or buildings shall comply with the provisions of the CJIS security policy, including a fingerprint-based national records check.	Silent	Silent	Due to Federal Law, Crime Lab staff manage cardkey access to the Crime Lab. The Sheriff maintains separate access control systems for Adult Correctional Facilities and the Probation Department manages access to Juvenile Detention Facilities.
Leased Facilities	Silent	Whenever feasible, the building security procedures for leased facilities operated by the county shall be the same as that of county-owned facilities	Silent	Silent	Silent
Access (Permissions) Matrix	Silent	A building access matrix shall therefore be established under the direction of the Marion County Chief Administrative Officer, which will identify building access levels for these individuals and positions, based on business need and assigned responsibilities	Silent	Silent	It is the responsibility of each department head, or his or her designee, to determine and assign their employees' access rights base on job requirements... (1) access area, (2) hours and (3) days of the week.
Name of records	Silent	Silent	Silent	The name of used on the Key Card/ Employee ID Card will be the legal name of the individual requiring the badge. NO NICKNAMES WILL BE USED.	Each cardkey shall contain the individual's legal name as it appears on a government-issued identification such as a driver's license (no nicknames are allowed)...

Appendix D: Department of Defense : User's Guide on Controlling Locks, Keys and Access Cards

Table E-4. Key Issue Record

KEY ISSUE RECORD		
FROM:	TO: Department Key Custodian	DATE:
Requested that		
Name	Military Grade	Employee/Military ID Number
be issued _____ key(s) to the following areas:		
(Identify building number, floor and room number, container, cage or section, as applicable)		
FROM:	TO: Department Key Custodian	DATE:
STATEMENT OF ACKNOWLEDGEMENT OF RECEIPT OF KEY		
I understand that keys issued to me provide access to the space listed above. Additionally, I have read and am familiar with the Key Security and Lock Control Program and understand that the following provisions apply:		
<ul style="list-style-type: none"> a. Duplication of keys, other than those approved by the security manager, is not approved. b. Keys must remain in my possession at all times and may not be loaned. c. Upon my transfer or reassignment, the keys must be turned in to the Department Key Custodian. d. Loss of keys must be reported to the activity police and Key Custodian immediately. e. It is my responsibility to ensure that all spaces to which I have keys are locked at the end of the day. f. Keys are property of the U.S. Government. 		
SIGNATURE _____		

Appendix E: Classification of Assets



Framework based on U.S. Department of the Army: Property Accountability Policies

Appendix F: North Dakota Office of Management & Budget: Sample Control Assessment of Assets

Identified Fraud risks and Schemes ¹	Likelihood ²	Significance ³	People and/or Department ⁴	Existing Anti-fraud Controls ⁵	Controls Effectiveness Assessment ⁶	Residual Risks ⁷	Fraud Risk Response ⁸
Capital Assets and Inventory							
Theft by employees	Reasonably Possible	Insignificant	All employees	1) Majority of capital assets are highly visible, needed for daily work, difficult to move and would be noticed if missing. 2) Accounting for assets and inventory taking are segregated.	1) Tested by Management. 2) Tested by Management	1) Slight risk of portable items, such as laptops being taken. However, have only 6 laptops and one person assigned custody of them. 2) Adequately mitigated by controls.	1) N/A--Value of portable items is insignificant and custodian would notice missing laptops. 2) N/A
Theft by others	Remote	Insignificant	Visitors	Portable items, such as laptops are kept in a room that outsiders don't have easy access to.	Tested by Management	Adequately mitigated by controls	N/A

Appendix G: Definitions

Capital Assets

Intangible assets (such as computer software) and tangible real property, buildings, machinery, vehicles, and equipment with a useful life exceeding two years, and with an original cost of \$5,000 or more.

Controlled Capital-type

Non-capitalized items that require special attention because they are sensitive for one or more of the these reasons:

- Items that require special attention to ensure legal compliance. Legal or contractual provisions may require a higher than ordinary level of accountability over certain capital-type items (e.g., items acquired through grant contracts);
- Items that require special attention to protect public safety and avoid potential liability. Some capital-type items by their very nature pose a risk to public safety and could be the source of potential liability (e.g., police weapons);
- Items that require special attention to compensate for a heightened risk of theft (“walk away” items). Some capital-type items are both easily transportable and readily marketable or easily diverted to personal use (e.g., sound equipment).

Durable

Property that is not consumed in use

Expendable

Expendable property is that which is consumed, loses its identity, or becomes an integral part of other property when put to use or has an expected service life of less than 1 year (example: materials and supplies).

High Risk

A description given to items which are relatively valuable, small, and easily transportable and adaptable. Such items have a higher susceptibility to theft and other losses. Departments are responsible for the accountability of such items.

Inventory

Tangible property or goods held for sale or consumption concurrent with the normal activity of a business or enterprise.

Non-capitalized

Nonexpendable equipment with an original cost of less than \$5,000 and is charged to an expense or operating account upon receipt and is controlled by Custodial and/or Cognizant employees.

Small and Attractive Asset

Assets that are particularly at risk or vulnerable to misappropriation, misuse or loss or that otherwise need to be tracked for operation purposes that fall below the government’s capitalization threshold. For example:

- Assets that are easily misappropriated or misused, such as laptops or high-value tools;

- Assets that may expose the government to liability if lost, such as firearms or computers with confidential or sensitive data;
- Goods for sale;
- Assets that require tracking for scheduling, cost control or re-order purposes

Supplies

Supplies - Included items purchased for consumption or resale (e.g., office supplies, forms, agricultural supplies, chemicals, laboratory supplies, cleaning supplies, clothing, construction materials, drugs, electrical supplies, feed for animals, household supplies, lubricants, medicines, painting and plumbing, supplies, books, publications, etc.); fuel used to generate power, heating, and operating engines and vehicles (e.g.; coal, diesel fuel, gasoline, oil propane gas, wood, etc.); items purchased for resale (e.g.; automotive repair parts, grave markers and liners, central store merchandise, maps, code books, concession supplies, fuel, trees, library books and other library materials, etc.) small tools and minor equipment.

Appendix H: Clark County Capitalization Policy

CAPITAL ASSET CAPITALIZATION POLICY

CLARK COUNTY, WASHINGTON

(Revised February 2008)

PURPOSE: To prescribe a policy for the definition, applicability, appropriation, and accounting of capital outlays for Clark County.

A. Definitions

Capital Outlay – The total appropriation and disbursement of funds expended in acquiring, constructing, and transferring capital assets.

Tangible Assets – Physical, substantive property which has an intrinsic value because of its substance, origin, license, copyright, patent, etc. This also includes components when the components are an integral part of the whole.

High-Risk – A description given to items which are relatively valuable, small, and easily transportable and adaptable. Such items have a higher susceptibility to theft and other losses. Departments are responsible for the accountability of such items.

Improvements – Property or equipment which is an integral part of a larger item of property or equipment, the addition of which either increases the value or the useful life of the original item.

Infrastructure – Roads, bridges, curbs and gutters, sidewalks, drainage systems, storm water systems, water lines, sewer lines, lighting systems, and similar assets that are immovable and of value only to the government unit.

Intangible Assets – These assets lack physical substance and are non-financial in nature. Examples of intangible assets include computer software, easements, water rights, patents, copyrights, and trademarks. The costs of the intangible asset should be amortized over its economic life.

Inventory – Tangible property or goods held for sale or consumption concurrent with the normal activity of a business or enterprise.

Capital Assets – Intangible assets (such as computer software) and tangible real property, buildings, machinery, vehicles, and equipment with a useful life exceeding **two years**, and with an **original cost of \$5,000 or more**. An exception is made for infrastructure, which shall be considered a capital asset only if the original cost is **\$100,000** or more. Capital assets do not include inventory or property subject to purchase and sale as a product of a business endeavor.

Capital Lease – A lease which has the characteristics of a purchase whereby at least one of the following criteria is met: 1) Ownership is transferred at the end of the lease, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the life of the asset, or 4) the present value of lease payments is at least 90% of the fair market value of the leased asset.

Depreciation (Amortization) – The method of allocating the cost of the asset over its useful life. The county uses the straight-line method of allocating depreciation. The cost of the asset is expensed over the asset's useful life.

Original (Historical) Cost – The total original amount paid to acquire or construct an asset. This cost is based on the actual price paid, including related taxes, installation costs, and any other cost related to acquiring the asset or preparing the asset for use.

B. Applicability

Capital outlay under this policy applies to the appropriation and expenditure of funds for capital assets subject to the limit prescribed below.

C. Appropriations

Capital outlay disbursements are appropriated by the Board of County Commissioners in the biennial budget process, or in an amendment to the biennial budget. Substitutions of capital outlays for previously approved appropriations must be approved by the Board or as approved by the budget resolution. All appropriations for capital outlays lapse at the end of each budget cycle.

D. Accounting

All disbursements for capital outlay shall be accounted for in accordance with the provisions of the most current State of Washington Budgeting, Accounting, and Reporting Systems (BARS) as prescribed by the State Auditor. Disbursement shall also be accounted for in accordance with generally accepted accounting principles, as applicable to local governments.

All capital outlay expenditures will be recorded in the FMS Oracle Assets module with appropriate identifying characteristics, such as serial number, date of acquisition, location, original costs, and a corresponding asset number.

Physical Inventory

At the beginning of each year, a physical inventory count will be performed by each department on all capital assets, mainly equipment, in accordance with the Revised Code of Washington (RCW) Chapter 36.32.210.

A report generated from the information in the Oracle asset system will be compared to the physical inventory by department. Departments will note additions, deletions or transfers and such adjustments will be made to the asset records, as necessary. A summary of said inventory, including additions, deletions, and adjustments, will be provided to the Board in accordance with RCW 36.32.

Salvage Value

A salvage value of 0 to ten percent will be recorded

Construction in Progress / Capital Projects

Capital Assets which are to be constructed over a period of time or that take the nature of a "project" must have a project number or a reporting category assigned to them by the Auditor's Office. All costs associated with the project or construction will be captured by the project number or the reporting category, and the total costs will be recorded as the original (historical) cost of the asset. Depreciation does not begin until the project is finished.

Category of Assets

Capital Assets will be grouped into categories of similar items. Some categories of assets are further broken down into subcategories. Categories and sub-categories are as follows:

- Land
- Improvements
- Buildings
- Machinery & Equipment
- Data Systems
- Intangible Assets
- Construction in Process
- Infrastructure
 - Road Systems:
 - Rural Arterial - main / regional roads in rural areas (usually 4 lanes)
 - Urban Arterial - main / regional roads in urban areas (usually 4 lanes)
 - Rural Collector – roads in rural areas that connect residential roads to arterials
 - Urban Collector - roads in urban areas that connect residential roads to arterials
 - Rural Residential – roads in rural neighborhoods
 - Urban Residential – roads in urban neighborhoods
 - Unpaved Roads
 - Other
 - Bridge Systems
 - Railroad Systems
 - Stormwater Systems
 - Infiltration
 - Detention
 - Sewer Systems
 - Pathways
 - Other

Depreciation

All assets except land and infrastructure reported under the modified approach will be depreciated over their estimated useful life. Depreciation will be charged to business-type funds and reported in the government-wide statements for governmental-type funds in accordance with generally accepted accounting principals. Capital assets are depreciated using the straight-line method. Estimated useful lives are as follows:

Improvements	10 to 50 years
Buildings	40 to 60 years
Light vehicles	2 to 5 years
Heavy vehicles	5 to 15 years
Data Processing Equipment	3-5 years
Other Equipment	3 to 15 years
Software and other intangibles	5-10 years
Infrastructure	
Road Systems	40 years
Bridge Systems	50 years
Railroad Systems	50 years

Land Improvements	10 to 40 years
Stormwater Systems	40 years
Sewer Systems	each asset individually determined by Sewer Mgmt
Pathways	40-50 years
Other Infrastructure	10-80 years

Removal of Assets from Accounting Records

The value of certain capital assets which remain in the County's possession should be removed from the accounting records if and when the items become *obsolete* or have been replaced, and they no longer provide predictable, tangible future benefits. Also, any items previously recorded as assets, that no longer meet the capitalization thresholds should be removed.

Capitalization Thresholds

Land, Buildings, Improvements (other than infrastructure), Vehicles, Equipment, Software	\$ 5,000
Infrastructure Systems & Improvements	\$100,000

Exclusions from Capitalization include, but are not limited to:

- 1) Routine maintenance expenses (painting, carpeting, remodeling etc.) and any other items that do not extend the life of the asset.
- 2) Master Plans (unless related to a specific capital project)
- 3) Landscaping (unless related to the original cost of a capital project)

Appendix I: Lock, Key and Access Card Policy



GENERAL SERVICES POLICY STATEMENT

POLICY NO: P- 290
POLICY TITLE: LOCK, KEY AND ACCESS CARD POLICY
EFFECTIVE DATE: June 4, 2007

PURPOSE: The Lock, Key and Access Card Policy will control the issuance, maintenance, and accounting of keyed and access card systems for all Clark County Facilities. The objective of this policy is to assign responsibility for keys/access cards and their use to individual employees and others using the keys/access cards and assigning the responsibility to department managers to authorize the issuance of keys/access cards. It is recognized that access to Clark County facilities is essential to the smooth operation of the County. This access also implies an equally critical concern for the security and integrity of building facilities and their contents. Integral to both concerns are a well defined and workable key/access card issuance and control policy and the necessary procedures to implement and control it. The purpose of this policy is to allow controlled access to buildings in such a manner that will afford protection of assets and occupants.

The foregoing needs, concerns, and impacts have provided the framework and rationale for the key/access card control policy and procedures.

SCOPE: The Lock, Key and Access Card Policy applies to all employees, officers, and elected officials of Clark County Government. This policy also applies to all tenants who rent building space in Clark County Facilities.

POLICY: The General Services Director has the responsibility for authorization and observance of this policy. Primary responsibility for the security of Clark County facilities lies with the Facilities Management Department, which includes maintaining locks, lock hardware and issuance of keys and access cards. Responsibility for authorizing issuance of keys/access cards lies with the department managers and administrators.

LOCATIONS: All Clark County Facilities

PROCEDURES: Procedures are identified in the PR-290 of the General Services Policy and Procedures Manual.

GUIDELINES: (See Procedures Section of General Services Manual)

Approved by  6/4/2007 Authorized by  6/4/2007

PROCEDURE NO: PR-290
PROCEDURE TITLE: Key Control Procedure
EFFECTIVE DATE: June 4, 2007

Key Control Procedure:

Objective: Clark County's Lock, Key and Access Card Policy P-290 controls the issuance, maintenance, and accounting of keyed and access card systems for Clark County. This policy and its systems were designed by the County to control access to its facilities and properties.

General Procedures:

AUTHORITY AND RESPONSIBILITY

Key Control Department

Facilities Management is authorized to initiate, through the Director of General Services, procedures needed to implement this policy. This includes the design, maintenance, and control of Clark County keyed and card access systems and inventory to ensure authorized access to Clark County facilities. Primary responsibility for the security of Clark County buildings lies with the Facilities Management Department.

Approving Authorities

Elected Officials, Directors, Department Managers, and authorized delegates may approve key requests for employees within their jurisdictions. The responsibility for the use of issued keys and card access is the responsibility of the employee and the department head authorizing the issue. Department heads or authorized delegates are responsible for securing Clark County keys or terminating keyless access from staff when the employment ends or assigned duties do not require the use of issued access. Department heads/authorized delegates are responsible for the timely reporting and liability of lost or unreturned keys from reporting staff. Costs may be assessed to the department to secure areas resulting from lost or unreturned keys.

Key and Access Card Recipients

Employees and contracted vendors who are issued keys or an access card accept responsibility for proper use. Employees are authorized to use the issued keys or access card to gain access to their work stations during normal working hours, for overtime work, and as approved by the department head. Accessing areas by key or card access to gain entry to Clark County offices or facilities not required by assigned duties is strictly prohibited. Employees are responsible for reporting lost keys and access cards immediately to Facilities Management, and the reporting supervisor. Keys and access cards are to be returned to Facilities Management when no longer required. All Clark County property except office equipment will be secured by locks and access systems under the County's Master Key Lock System or other approved systems as administered by Facilities Management.

Sanctions

Appropriate disciplinary action may result in the event of failure to report lost or stolen keys or access cards, unauthorized use, transfer, duplication and/or possession of keys or access cards.

Violations to this policy will result in the proper reporting to law enforcement authorities, and in corrective action in accordance with County policy and the applicable collective bargaining agreement.

KEY AND ACCESS CARD CONTROL PROCEDURES

Key and Access Card Issue and Return

All County keys and access cards are maintained and issued from the Facilities Management Department. No other department is authorized to issue keys or access cards. The Facilities Management Department maintains records on all County keys and access cards. The Clark county Sheriff's Office will issue access cards and maintain records for the Law Enforcement Center. Keys and access cards must be returned to Facilities Management Department when there is no longer a need.

The authorizing department will complete and forward the Key Request Form or Card Access Request Form to Facilities Management. Requests for building master keys require a letter of justification by the Department Head and approval by the Director of General Services. Facilities Management will forward documents for building master key issuance for additional approvals as required. Upon receipt and review of a completed Key Request Form or Card Access Request Form, the order will be filled and the authorizing department will be notified that the employee may pick up the key or card at the Facilities Management Office. Keys not picked up within 30 days will be destroyed. Appropriate identification (Clark County ID or driver's license) by the individual named on the Key or Card Request will be required to receive the key or card.

Control and Security of Master Keys

With appropriate authorization and justification, master keys will be issued to an employee who requires continuous use of the requested key. All costs incurred to re-secure areas affected from the loss of one of these master keys rests with the employing department. Employees accepting custody of these master keys will be required to sign a statement acknowledging responsibility for their use and care. All master keys require approval of the Director of General Services and must be justified as part of the annual Key Inventory.

Vendor Keys and Access Cards

Vendors may be issued keys or access cards as required by contract to access specific areas within Clark County Facilities if the appropriate department head documents and authorizes such issuance. Vendors may include contractors or maintenance staff for telephone, elevator or vending service. Vendors are required to complete the necessary vendor/contractor paperwork before a key

will be issued. The request shall be evaluated as to the need for access and methods available to provide access without issuing a key. A key shall be authorized only when no other reasonable means of access is available. The key shall be issued by the Facilities Management system outlined above. Vendors accept the same liability as County employees for misuse or loss of keys. Additionally, the unit responsible for issuance of the key(s) may bear the cost of re-securing the area involved as necessary.

Ownership of Keys and Access Cards

All keys and access cards remain the property of Clark County. Keys and access cards not utilized by the department or declared obsolete must be returned to Facilities Management for disposal. This action will clear the department's key and access card inventory account and the employee charged with the responsibility for the key(s) or access card.

Lost or Stolen Keys and Access Cards

A lost or stolen key or access card must be reported by telephone and in writing to the office of Facilities Management and the department that authorized the key or access card as soon as the loss is discovered. Facilities Management will delete the lost access card from the system and review the affected areas with the appropriate department head to determine whether a re-key is necessary. Cost for securing the area will be assigned to the responsible department.

Unreturned Keys and Access Cards

The authorizing department is responsible for securing key(s) and access cards from an employee terminating from the County. When an employee terminates from the County and fails to return key(s) or access cards, the authorizing department must attempt to recover them within a week of termination by whatever means are available. Should attempts fail; the keys will be declared lost.

Reports

The following reports will be prepared and distributed:

Report	Recipient	Frequency
List of Active Keys by Department	Approving Authority	January
Building Masters	General Services Director	January
Card Access Review	Approving Authority	January
Lost Key Report	General Services Director	January

Key and Access Card Inventory

An annual inventory of access cards, active keys and master keys will be distributed to County departments in January. A separate record for each employee and vendor is prepared and mailed to the employing department. A summary report of the County key/access card inventory and a report identifying

the individuals not responding to the annual inventory are forwarded to the General Services Director at the conclusion of the key inventory process.

Use of Unauthorized Locks

All locksets and padlocks used on County Facilities shall be issued by the Facilities Management Department and will be compatible with the County key system. All other locks are not allowed and shall be removed by Facility Management personnel. Locks which are removed shall not be returned nor will claims for reimbursement of cost be considered.

Duplication of Keys

Duplication of keys by anyone other than an authorized Facilities Management employee is prohibited. Use of locksmith contractor services is strictly prohibited.

Possession of Unauthorized Keys and Access Cards

Any person found to be in possession of an unauthorized key or access card shall be liable for its use and subject to disciplinary or legal action. Unauthorized keys or access cards shall be returned to the Facilities Management Department.

Desk, File, and Safe Keys

Desk, file, or safe keys are not maintained by Facilities Management as these keys do not operate doors or building security barriers. Facilities Management does not maintain a record file of these keys. It is recommended that each department maintain a file of these keys including a spare key so that copy keys can be made in the event of loss. Should Facilities Management service be required for these keys or locks, such service shall be rendered.

APPROVED BY *Daniel Stemp* AUTHORIZED *Michael M. Curley*
June 4, 2007 June 4, 2007

Appendix J: Facilities Management Comments



proud past, promising future

CLARK COUNTY
WASHINGTON

GENERAL SERVICES
Office of Purchasing

Appendix J

November 13, 2017

TO: Arnold Perez
Auditor in Charge

FROM: Michelle Schuster
Administration and Facilities Manager

SUBJECT: **Response to Auditor-General Services: Facilities Management Audit of High Risk Material Management**

Attached is the General Services' response to the recommendations made in the Auditor's October 31, 2017 draft report of the General Service: Facilities Management Audit of High Risk Material. We concur with and have taken or began corrective actions to address the recommendations contained within the report. Responses to how we will or have already addressed the recommendations are attached.

If you have any questions or require additional information, please let me know or you may contact Mike Wright at 360-397-2882 x 6071.

Attachment

CC: Mike Wright
Larry Stafford
Robert Stevens

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Department of General Services

Response to Auditor-General Services: Facilities Management Audit of High Risk Material Management

Facilities Maintenance Comments

1. Keys and Access Cards
 - A. Human resources is now sending up on a monthly basis a report of all separated employees. If the access cards have not been turned in from anyone on the list we are deactivating them immediately if keys have not been turned in the lock shop is reaching out to the ex-employees manager for help in retrieving the keys.
 - B. A review and audit of keys and access cards is underway.
 - C. We plan on reviewing and modifying the County Key Policy.
 - D. We will do an annual key and card inventory moving forward
 - E. All employee key and card records will be link to their employee ID number as the unique identified. We have obtained a list of those numbers from HR and in the process of updating our records. Key and card holders who are not county employees will also have a unique identifier and we are looking at collecting the holders state issued driver license or identification card number for that purpose.
 - F. Nancy is working with HR to update our work order system (TMA) to change the name field to Legal name field.
 - G. We plan to continue to inform, communicate with, and train the employees as policies and procedures around keys and cards change.
 - H. We will promote coordination with other county departments on accountability to promote a secure environment when it comes to keys and access card usage.
 - I. We will try to track why the card malfunction that was identified by the internal audit happened.
 - J. Facilities is posting wording at the counter where keys are received about the responsibility of the key holder. Employees are signing for their keys and cards.
 - K. Facilities will track blank card stock.
2. Warehouse
 - A. Facilities Management began our warehousing efforts with the hiring of Biron Asby as our Warehouse Worker position in July, 2016. Once this position was filled, Biron's focus was to sort through the large collection of various parts in our existing storage area to organize these parts into a workable inventory. In March, 2017, William Ray was hired in our Warehouse Helper position to work with Biron Asby to enhance our warehouse operation and inventory process.
 - B. Facilities has cleaned up our assets, we have tossed, surpluses or scrapped items that we no longer use. We have developed an inventoried warehouse over at the Pepsi building which began with a stock of \$345,009 dollars' worth of existing products.

- C. Stock is separated and organized by type and labeled accordingly for ease of access and auditing.
 - D. All supplies that are now purchased are tracked in our TMA inventory system and warehouse.
 - E. Work orders now contain the stock used for that order.
 - F. All inventory is now tracked for budgetary, audit, and billing purposes under Bassub 141000. Quarterly JV's are process so that we can properly invoice back departments based on usage of the inventory. The inventory is easily separated in the Financial System (Currently FMS) for easy tracking of funds.
3. Future endeavors
- A. We still have plans to develop rolling warehouses in the vehicles and to track that inventory.
 - B. We will enhance and add to the existing ware house with items that better match the day to day needs of the workers.
 - C. We have plans to complete our tool inventory so that it has a comprehensive list of all our tools including such items not currently inventoried like the table saws, key machine, welders, and other such tools.
 - D. We plan on developing policies and procedures after we have a working plan in place and have finalized our working operations
 - E. We will update the key policy to fit current practices
 - F. We will review and modify, as need, all other existing polices, plans and procedures.
 - G. Continue to inform and train employees in asset management.
 - H. Get employee buy into to the new asset management environment by obtaining feedback and having them actively involved in the processes. Employees to help us make informed decisions on what needs to be in stock at all times.
4. Tools
- A. Accountability for high risk tools is very important, however, high risk tools are not just those tools that have a high replacement cost. Some tools may not have a high replacement cost, but are small and easily transportable. Therefore, accounting for the large variety of tools and various locations of the tools within the Facilities Management department is very important. Facilities Management is working towards an inventory process that will allow us to account for the tools within this department.
 - B. Warehouse tool room: A tool room was built within our warehouse and the tool room access is limited and accessible by use of proxy cards. Larger tools and "community" tools are now stored in the tool room and are checked out and in, and documented in the TMA system by the warehouse staff. The tool room also houses accessories related to the tools such as saw blades, drill bits, hole saw, etc. These items can be checked out and returned (checked in) or charged to the work order related to a building repair if the blades/bits are used up in the process of completing the work order. All tools housed in the warehouse tool room have been assigned inventory numbers and have been placed in the TMA system tool

inventory. Facilities Management will perform an audit of all tools in the warehouse tool room on an annual basis.

- C. Service Vehicle tools: We are currently working on the tool inventory of the service vans. Once this is completed, decisions will be made as to a uniform tool inventory that should be in each service vehicle based on the department trade assigned to the vehicle. Once completed, all service vehicle tools will be given inventory numbers and placed in the TMA system tool inventory by related service vehicle. An itemized listing of the tools located in each service vehicle will be housed within the vehicle and available for the technician assigned to the vehicle for review and verification purposes. Once this process is completed, Facilities Management will perform an audit of all tools assigned to each service vehicle on an annual basis.
- D. Lockable tool roll carts: Tools in the lockable roll carts housed in the Correction Center will also be inventoried as these tools will remain at the Correction Center and accessible to the staff for work orders and repairs. Although many of these tools are not considered high risk items, an inventory and accountability for the tools in the lockable carts is important related to the safety and security of the detention facility. Attached are some photos of one of the tool carts with foam inserts cutout in the shape of the tool in order to help verify accountability for all tools in the cart. Upon completion, all tool carts housed in the Correction Center will have the cutout foam inserts. An itemized listing of tools will be kept in the roll carts as a check sheet to ensure no tools are missing or misplaced. Once this process is completed, Facilities Management will perform an audit of the tools within the roll carts on an annual basis.
- E. Technician hand tools: The hand tools carried within each technician's tool bucket/bag/pouch are purchased by use of a onetime purchase order (OTP) and not provided through the warehouse as inventory items. Examples of typical hand tools carried by the technicians are; screw drivers, hammers, pliers, channel locks, etc. As each request for a replacement hand tool requires an approval for a purchase order, the quantity of hand tools purchased by the technicians can be tracked through purchase order request records.