



Department of Youth Services Asset Management Audit

Audit Period: January 1, 2015 – July 31, 2015

Results Summary:

Objective	Conclusion
Asset Tracking and Reporting	Major Improvement Needed

* Please refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

Per the Executive Budget, the Department of Youth Services (DYS) is a cabinet-level agency managed by a director appointed by the Governor. The Department's role is to enhance public safety through the confinement of juvenile felony offenders and the provision or support of various institutional and community-based programs to aid in the rehabilitation of delinquent juveniles. In order to perform that mission, the Department most notably:

- Finances the operation of four juvenile correctional facilities (JFCs), including the privately run Paint Creek Youth Center;
- Operates five regional parole offices;
- Funds 12 county-operated community correctional facilities (CCFs);
- Funds three community residential treatment options for females; and
- Distributes \$47.9 million annually to counties statewide for the purpose of supporting local residential and nonresidential treatments and sanctions used by county juvenile justice systems.

At the time of the audit, approximately 4,500 inventoriable assets were reported the DYS asset management system.

During the audit, OIA identified opportunities for DYS to strengthen internal controls and improve business operations. This audit conforms to the International Standards for the Professional Practice of Internal Auditing. OIA would like to thank DYS staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform an assurance audit related to the controls over the agency's information technology (IT) and non-IT asset management processes. This work was completed June through September 2015. The detailed objective is as follows:

- Evaluate the design and effectiveness of IT and non-IT Asset Management controls over tracking and reporting.



Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. A low risk observation was discussed with individual agency management and is not part of this report. However, the low risk observation was considered as part of the audit objective conclusions.

Observation 1 – Monitoring of Current Assets

It is management’s responsibility to ensure all assets are properly managed within the asset management system. DYS utilizes the Ohio Administrative Knowledge System – Asset Management System (OAKS AMS). DYS’ Asset Management Policy indicates the following:

- The placement of bar code inventory labels is critical to future asset identification and physical inventories. Considerations: a) Placement of bar code inventory labels shall be consistent, especially for similar assets; b) Bar code inventory labels shall be easily visible without moving the asset; c) Bar code inventory labels shall not impede regular use of the asset; d) Place bar code inventory labels on the permanent part of the asset; e) Bar code inventory labels shall not be placed on the work surface of an asset where it may be subject to excessive wear; f) Do not place bar code inventory labels on the bottom, back or inside drawers of an asset; and g) In executive areas, placement of bar code inventory labels shall be inconspicuous so not to deface the décor.
- The site Asset Management Coordinator shall be responsible for the accountability of inventoried assets in OAKS AMS and be responsible to update OAKS AMS when inventoried assets are reassigned or relocated.
- The site Asset Management Coordinator shall be responsible to update OAKS AMS when inventoried assets are retired.

Asset Location and Tagging

During testing, OIA was unable to locate a majority of the assets randomly selected from OAKS AMS. Below are some of reasons that contributed to the discrepancies:

- Site Asset Managers are not always made aware of asset disposals and OAKS AMS is not consistently updated to reflect disposals;
- The asset location is indicated in OAKS AMS; however, it is often the facility or building as whole, instead of a room or division; and
- Some assets were not tagged.

Furthermore, after viewing numerous assets during testing and discussions with site Asset Managers about past practices, OIA noted in several instances the asset tag was incorrectly placed. For example, the tag was in a place where it could not be seen or was affixed in a



location that may receive considerable wear causing the tag to be illegible or worn off.

OAKS AMS Data

At each Juvenile Correction Facility (JCF), OIA selected five items at random to verify the OAKS AMS information. Five of the 15 (33%) assets selected from the facility could not be located in OAKS AMS.

Additionally, while viewing OAKS AMS data when making testing selections, OIA noted that similar items sometimes have a variety of names and spellings, making it difficult to run reports on specific asset types or categories.

Testing Details

Akron Parole Office

- Two of the five (40%) assets randomly selected from OAKS AMS were unable to be located on site.
 - In one instance, the owner was out on leave.
 - For the other missing asset, the individual works at another site, therefore, the location code was inaccurate.

Circleville JCF

- Eleven of the 15 (73%) assets randomly selected from OAKS AMS were unable to be located on site.
 - Two of the four (50%) located assets were not tagged.
- Two of five (40%) assets randomly selected on site could not be located in OAKS AMS based on tag number or basic description.

Columbus Parole Office

- Two of five (40%) assets randomly selected from OAKS AMS were unable to be located on site.
 - In one instance the owner is out in the field and the location of the asset could not be verified.

Cuyahoga JCF

- Ten of the 15 (67%) assets randomly selected from OAKS AMS were unable to be located on site.
- Asset tags on SmartBoards are not viewable because they are placed on the back of the device prior to mounting them on the wall.
- OIA observed several assets where the tags were fastened in areas that received



considerable wear and tear.

- Two of the five (40%) assets randomly selected on site could not be located in OAKS AMS based on tag number or basic description.

Indian River JCF

- Six of the 15 (40%) assets randomly selected from OAKS AMS were unable to be located on site.
- One of the five (20%) assets randomly selected on site could not be located in OAKS AMS based on tag number or basic description.

Information Technology Services (ITS)

- Two of the 10 (20%) assets randomly selected from OAKS AMS were unable to be located on site.

Not following the agency's asset management procedures puts the agency at risk of misplacement, loss and theft of assets. In addition, failure to properly track/manage agency IT assets can result in the loss of sensitive data, intellectual capital, as well as negatively impact agency and State of Ohio reputation.

Recommendation

Consider whether agency-wide training is necessary to enforce and emphasize the significance of proper asset management, including the following topics:

- General review of assets requiring tags as well as the required activities and timing of when an employee should notify the Asset Manager about an untagged asset;
- Proper location to affix asset tags allowing accessibility and guarding against wear and tear;
- Procedures for re-assigning a tag number to an asset after the tag has been destroyed or the asset replaced by the manufacturer, e.g. write the tag number on the asset with permanent marker; and
- Based on the survey OIA conducted of all sites, one parole office requested further information regarding entry of assets in OAKS AMS. Ideally, this training could cover who is responsible for entering IT assets into OAKS AMS and could provide a document or "cheat sheet" on the basic asset entry requirements.

Additionally, consider the following recommendations and processes, and any necessary updates to policies and procedures, in order to carry out effective asset management:

- Create detailed classification structure, standardized description field requirements, or utilize additional chartfields, in order to enable OAKS AMS reporting of certain asset



types or categories;

- Track assets at a specific location such as room, wing, unit, or area rather than facility or building;

Require the voucher ID upon entry of the asset into OAKS AMS in order to verify that all items purchased with payment cards and expenditures transactions using an asset account code were properly recorded as an asset in OAKS AMS; and

Continue with the recent implementation of random asset audits by Central Office to verify the accuracy of the system. Document audit results and management action plans.

Management Response

The agency will take the following action to ensure items are properly tagged, logged and reduce risk related to the asset management process:

- 1) Develop as necessary and review agency policies and procedures as related to asset management
- 2) Provide annual training for select agency employees on compliance and agency policies.

Risk*	Remediation Owner	Estimated Completion Date
High	Chief Financial Officer	January 2016

Observation 2 – Asset Ownership

It is management’s responsibility to ensure all assets are properly managed within the asset management system (OAKS AMS). Asset management procedures should be detailed to indicate proper timing and scenarios for updating custodian responsibility and asset ownership, as this is a critical piece of information that assists an agency in properly tracking their assets. Therefore, ensuring asset ownership is timely and efficiently managed should be an Asset Manager’s top priority.

The DYS Asset Management Policy specifies:

- An employee shall be assigned as the custodian of an inventoried asset as the primary user of the asset.
- A manager or department head or other employee shall be assigned as the custodian of an inventoried asset(s) as the caretaker of an asset for a department.
- The site Asset Management Coordinator shall be responsible to complete the ODYS Form 102.06.A Asset Responsibility Form to include the name of the employee assigned as the custodian of the inventoried asset and indicate on the form if the inventoried asset may be removed from the site in accordance with the assigned employee’s duties.



- The site Asset Management Coordinator shall have the employee assigned as the custodian of the inventoried asset sign, date and return ODYS Form 102.06.A Asset Responsibility Form.

Currently, DYS uses a manual, paper-based process to conduct the assignment of assets, annual certification of current inventory, and retirement of assets. Central Office utilizes two forms, the “property assignment record” and the “credit turn in”, to have owners acknowledge receipt of a new asset and return of an old asset. During interviews with personnel at the DYS sites, it was determined that these forms are not being used consistently, as indicated in the testing details below.

In order to conduct the annual certification of current inventory, the Asset Management Administrator provides a blank property assignment record to each employee on which they enter every asset in their possession. Then, the Asset Management Administrator verifies this against information in OAKS AMS. At the correctional facilities and regional locations, each Asset Manager performs a walkthrough of their facility and notifies the Asset Management Administrator, who completes the agency’s certification. The forms used currently are different than those indicated in DYS’ Asset Management policy.

Ownership Testing Details

Akron Parole Office

- One asset owner’s information needs updated (currently contains the owner’s maiden name).

Circleville JCF

- Twelve of the 15 (80%) assets require an update to ownership information.
 - Five of the individuals are no longer employed by DYS.
 - Six of the ownership indications are considered incorrect because the information was blank or did not specify an individual.
 - Two of the correct owner names require minor spelling updates.

Columbus Parole Office

- One of the three (33%) located assets requires an update to ownership information.

Cuyahoga JCF

- 10 of the 14 (71%) selected assets (where ownership could be determined) require an update to ownership information.
 - Five of the individuals are no longer employed by DYS.
 - Three of the ownership indications are considered incorrect because the



information was blank or did not specify an individual.

- For the test of randomly selected assets from the floor, one of the three (33%) assets found in OAKS AMS requires an update to owner information as the individual is no longer employed by DYS.

Indian River JCF

- Two of the 11 (18%) located assets require an update to, or more specific, ownership information.
- Currently, numerous items are in the name of the site Asset Manager; he is responsible for assigning ownership more specifically.
- One item selected during testing is considered a “pooled” asset which could be used by individuals besides the owner or shared amongst a group of employees. The tested item’s assigned owner did not know who currently had the asset and reported they do not use a form to “sign out” the asset in order to track current possession.

The ITS Division

- Three of the eight (38%) located assets require an update to ownership information.
 - The three ownership indications are considered incorrect because the information was blank or did not specify an individual
- The ITS division does not require an individual to sign the property assignment record for the assets they are custodians of when the items are located outside of an individual's immediate workspace.

Toledo Parole Office

- Two of the five (40%) located assets require an update to ownership information.
 - One individual is no longer employed by DYS.

Not maintaining accurate ownership information in OAKS AMS increases the risk of misplacement, loss and theft of assets. In addition, failure to properly track/manage agency IT assets can result in the loss of sensitive data, intellectual capital, as well as negatively impact agency and State of Ohio reputation. As a whole, manual processes are inefficient and more susceptible to error.

Recommendation

Consider utilizing an electronic system to complete acknowledgements for allocations, changes, and annual confirmations of asset assignment. This would eliminate the need for retention of paper forms and assist the Asset Management Administrator in timely verification of the entire inventory, rather than completing it manually. DYS currently utilizes the ServiceNow system for



their Information Technology Help Desk and could consider expanding the use of ServiceNow to assist in this capacity. Consider performing manual verification of assets as a random quality assurance (QA) effort.

Prior to selecting and implementing an electronic system, consider creating a process for employees to validate the assets in their possession. This could be accomplished by sending out periodic emails and asking employees to reply back with all of their assets on hand and corresponding tag numbers. The information provided by the employees should be compared to OAKS AMS for accuracy and completeness. Any discrepancies noted should be researched.

For temporary changes in the possession of an asset (e.g. pooled assets, assets off-site for repair, etc.), consider implementing a “check-out” process to assist the owner with tracking the asset and notifying the Asset Manager if discrepancies are found.

DYS should update the current Asset Management policy to include the correct forms in use and provide agency-wide training to assist in enforcement and awareness of the policy. Training should emphasize the importance of maintaining accurate asset ownership information in OAKS AMS. In addition, the training should address the timely reassignment of assets, when the previous owner transfers positions or is no longer employed by the agency.

Consider implementing a periodic review of the OAKS Business Intelligence (BI) AM-0015 Asset Custodian Report. Reviewing this report will assist the Asset Management Administrator in verifying former employees are not assigned assets and discovering when the custodian field is blank or contains room names or generic descriptions.

Any other changes made due to the above recommendations should be incorporated into policies and procedures as appropriate.

Management Response

Long-Term Solution: DYS Central Office and ITS will research the possibility of utilizing an electronic system for asset management.

DYS Central Office F&P and ITS will build automated quarterly reports to identify key details of any missing or incorrect asset ownership, asset description information in AMS. These reports will be shared through an agency “Inventory Group” distribution list maintained by DYS Central Office F&P.

Short-Term Solution: DYS Central Office F&P and ITS will do manual reports to identify and missing or conflicting asset ownership and asset description information in AMS and forward the results to the appropriate inventory coordinator via the “Inventory Group” distribution list for correction by November 30, 2015. The agency inventory manager will review the results and verify that all updates are completed by January 31, 2016.



Risk*	Remediation Owner	Estimated Completion Date
High	Chief Financial Officer/ Chief Information Officer	January 2016

Observation 3 – Untagged Smart Phones

Assets should be tagged in accordance with Department of Administrative Services (DAS) and agency policy. According to the State of Ohio Asset Management Handbook, “Agencies shall maintain current and accurate inventory records and related activity for all the following Computing and Information Technology (IT) Equipment, including but not limited to desktop computers, laptops, notebooks, servers, and personal digital assistants (PDAs); including but not limited to palm pilots, blackberries and smartphones; received March 1, 2008 and after regardless of acquisition cost or donated market value at time of donation.”

During discussions with the regional parole offices and the juvenile correctional facilities, it was brought to OIA’s attention that the smartphones received are not tagged. OIA verified with the Information Technology Services (ITS) division that current practice does not include tagging smartphones prior to distribution.

Not maintaining accurate ownership information for smartphones increases the risk of misplacement, loss, and theft of assets. In addition, failure to properly track/manage agency IT assets can result in the loss of sensitive data, intellectual capital, as well as negatively impact agency and State of Ohio reputation.

Recommendation

Immediately begin tagging new smartphones issued and distributed to employees. Compile a complete inventory of existing smartphones in order to tag and enter the asset information into the asset management system. During this process, consider re-training or reminding staff of the missing asset process to ensure they know how to proceed in the event that an asset containing data is unable to be located.

Consider reviewing other assets that are under the traditional \$1,000 tagging threshold that may be sensitive in nature or contain data, to verify that these items are being properly inventoried.

Management Response

Long-Term Solution: DYS ITS will complete the entry of all smartphones and mobile devices into the AMS System by December 31, 2015 and continue to enter any new smartphones and mobile devices as they are purchased.

Short-Term Solution: DYS will immediately begin tagging all new smartphones and mobile devices upon issue to employees. DYS ITS will review the list of current agency smartphones



and mobile devices in MOBI and prepare them for entry into the AMS System by October 30, 2015.

DYS ITS will complete entry of all smartphones and mobile devices into the AMS System and notify agency inventory coordinators to prepare new asset property sheets for employees to sign for the devices assigned to them by December 31, 2015.

Risk*	Remediation Owner	Estimated Completion Date
High	Chief Information Officer	January 2016

Observation 4 – Informal On-Boarding and Off-Boarding Process

It is management’s responsibility to ensure all assets are properly managed within the asset management system. DYS utilizes the Ohio Administrative Knowledge System – Asset Management System (OAKS AMS). Asset management procedures, combined with proper segregation of duties, helps to reduce the risk of loss, theft, or misappropriation of assets. These procedures should be documented to provide staff with the guidance necessary to carry out this responsibility throughout the entire life an asset.

Currently, the Asset Management Administrator is not formally notified by the Human Resources division when an employee begins, changes positions, or ends their employment with the agency. Because there is no formal on-boarding and off-boarding process, the Asset Management Administrator, site Asset Managers, and Information Technology Services (ITS) are not always prepared to assign assets to employees in a timely manner. In addition, this may delay updates made to owner information in the asset management system (OAKS AMS) and reviews performed over the assets returned when an employee leaves the agency.

Not formally notifying the appropriate Asset Manager and not verifying that an employee returns all assets assigned to them puts the agency at risk of misplacement, loss, and theft of assets. In addition, failure to properly track/manage agency IT assets can result in the loss of sensitive data, intellectual capital, as well as negatively impact agency and State of Ohio reputation.

Recommendation

The DYS Human Resources Division should develop and implement on-boarding and off-boarding policy and corresponding detailed procedures.

As a part of the new policy, Central Office and ITS should work with Human Resources to create a formal communication protocol when an employee begins, transfers within the agency, and leaves the agency. Determining a basic list of assets that all employees are assigned upon initial employment will facilitate efficient on-boarding.

Additionally, off-boarding procedures should be implemented to verify the assets currently



assigned to an individual are returned prior to the individual ending employment with the agency.

Management Response

DYS Central Office and ITS will work with the HR Department to develop a policy for on-boarding and off-boarding process for initial asset distribution and the return of all assets when leaving the agency.

Upon completion of the new policy, it will be communicated agency-wide via email.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Chief of Human Resources/ Chief Financial Officer/ Chief Information Officer	January 2016

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

* Refer to Appendix A for classification of audit observations.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee