



Department of Aging Asset Management Audit

Audit Period: January through December 2015

Results Summary:

Objective	Conclusion*
Asset Management	Well-Controlled with Improvement Needed

Report number: 2016-AGE-01

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



Executive Summary

Background

The Ohio Department of Aging (ODA) receives and administers funding from a variety of state and federal sources and oversees several programs for older adults, their caregivers and their families.

At the end of fiscal year 2015, ODA moved its business offices to another location which required the Department of Administrative Services (DAS) to perform a mass transfer of all of ODA's existing assets within the Ohio Administrative Knowledge System's (OAKS) Asset Management System (AMS) to the new location. Meanwhile, ODA was not able to modify their existing assets or add new assets into OAKS AMS until January 2016, after the mass transfer and other OAKS system upgrades were completed. This required ODA to manually track all newly purchased and salvaged assets on a separate tracking spreadsheet. At the time of the audit, ODA had 269 assets listed between the information contained in OAKS AMS (225 assets) and the manual tracking spreadsheet (44 assets). Assets received at the agency go through the same process from receiving, recording, tagging, tracking and disposal, and are certified to DAS annually.

During the audit, OIA identified opportunities for ODA to strengthen internal controls and improve business operations. A summary, along with detailed observations, has been provided below. This audit conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank ODA 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. More specifically, the scope of this audit included the following processes:

- Recording/Tagging
- Tracking/Reporting
- Transfer/Salvage

This work was completed November 2015 through January 2016. The detailed objective of the review was as follows:

- Evaluate the design and effectiveness of IT and non-IT asset management controls.



Detailed Observations and Recommendations

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

Observation 1 – Asset Custodian

It is management’s responsibility to ensure all assets are properly managed within the Agency’s 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 Inventory Control Officer’s top priority.

The State of Ohio Asset Management Handbook states within fifteen (15) calendar days from date the asset is received by the agency, the name of the person being assigned as the equipment custodian along with the corresponding asset tag number(s) be provided to the agency inventory control officer (ICO). However, testing revealed:

- 8 of 30 (27%) assets tested are assigned to a room or area rather than an actual individual;
- 6 of 8 (75%) assets tested which were purchased during the audit period have not been assigned to an individual/asset custodian. At the time of our audit, the most recent asset purchase was acquired October 20, 2015.

Based on the testing errors noted above, OIA reviewed the entire population of assets in the OAKS asset system and internal tracking spreadsheets and noted 36 percent of the agency’s 269 IT and non-IT assets were not assigned to an individual.

Additionally, ODA’s internal Inventory and Salvage Control policy B-600.1, which is currently being updated, indicates the roles and responsibilities of various agency personnel. This policy specifically states “an equipment custodian is responsible for notifying the ICO prior to or during an asset moving to another location, given to another person for use, or when it is recognized as a missing asset.” The agency has indicated outside of utilizing the required ‘DAS Surplus Property Turn-In Document’ for assets being salvaged or sent to DAS Surplus and the ‘Employee Property Tracking Form’ completed annually, they do not utilize any other tool to document/track the movement of assets during the year, including when employees separate from the agency. As a result, asset assignment/status may not be updated timely if sole reliance is placed on employees informally notifying the ICO when assets are being reassigned or relocated. Although OIA did not note any testing errors in which assets transferred between employees were not updated in OAKS AMS, three of thirty (10%) assets tested were found to be



assigned to employees who had previously separated from ODA.

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

Recommendation

Update current OAKS AMS records to ensure all assets have an individual assigned as the custodian. For instances of pooled assets or backups, assign an individual who oversees these assets until they are distributed and assigned a permanent custodian. Additionally, management should consider updating the current Inventory and Salvage policy to include the use of transfer forms, including its use in the collection and reassignment of assets within the off-boarding process, 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 help to ensure former employees are not assigned assets, along with 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

Current OAKS AMS records will be updated no later than March 31, 2016, and all assets will have an individual assigned as the custodian. For instances of pooled assets or backups, we will assign an individual who oversees these assets.

The current Inventory and Salvage policy will be updated to include the use of transfer forms, including its use in the collection and reassignment of assets within the off-boarding process. We project this will be completed by April 30, 2016.

Agency-wide training will be provided to assist in enforcement and awareness of the policy. Training will emphasize the importance of maintaining accurate asset ownership information in OAKS AMS. In addition, the training will address the timely reassignment of assets when the previous owner transfers positions or is no longer employed by the agency. We plan to prepare a PowerPoint presentation for viewing by all staff members. The training should be available by May 15, 2016 and we will require all staff to complete viewing the training by June 30, 2016.



The ICO will review the OAKS Business Intelligence (BI) AM-0015 Asset Custodian Report on a monthly basis beginning April 1, 2016. Reviewing this report will help to ensure former employees are not assigned assets, and with discovering if the custodian field is blank or contains room names or generic descriptions.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Financial Manager	July 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