



## Department of Rehabilitation and Correction APA Asset Management Audit

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**Audit Period: January through June 2017**

### Results Summary:

Objective	Conclusion
APA Asset Management	Improvement Needed

\* Refer to Appendix A for classification of audit objective conclusions.



## Executive Summary

### Background

The Department of Rehabilitation and Correction's (DRC) Division of Parole and Community Services' Adult Parole Authority (APA) is responsible for the release and supervision of adult felony inmates returning to local communities from prison, as well as assisting the Courts of Common Pleas with supervision duties for felony offenders. The APA determines the release of inmates from prison to parole or transitional control, sets supervision conditions for inmates released on post release control, coordinates placement of offenders in the community and supervises them upon their release from prison. In addition, the APA assists counties in the development of basic felony supervision services upon request for the Courts of Common Pleas.

The APA has staff located in six regions with numerous district and satellite offices throughout the State and has approximately 728 employees. As of July 2017, the APA had 3,778 assets on hand, recorded within the Ohio Administrative Knowledge System Asset Management System (OAKS AM).

During the audit, OIA identified opportunities for DRC to strengthen internal controls and improve business operations. OIA conforms with the International Standards for the Professional Practice of Internal Auditing. OIA would like to thank DRC 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 APA Asset Management process. This work was completed July through September 2017.

The scope of this audit included the following areas:

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

The following summarizes the objective of the review:

- Evaluate the design and effectiveness of asset management controls over the APA.



## **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, low risk and separate security record observations were considered as part of the audit objective conclusions.



## Observation 1. – Monitoring of Assets

It is management's responsibility to ensure all assets are properly managed within the asset management system. DRC utilizes the Ohio Administrative Knowledge System-Asset Management (OAKS AM) to manage their assets. Asset management procedures, combined with proper segregation of duties, help to reduce the risk of loss, theft, and misappropriation of assets. Procedures should be documented to provide staff with the guidance necessary to carry out responsibilities throughout the entire life cycle of assets. Procedures should include the proper timing and scenarios for tracking assets, assigning and updating appropriate custodian ownership, and removing assets from inventory.

DRC Policy 22-BUS-08 states the following:

- Section IV (B): "Any person receiving an asset for a DRC location shall, at the time the asset is received, sign and date the packing slip accompanying the asset and/or complete a Receiving Report (DRC1146) and shall forward a copy of the documents directly to the Asset Processor and/or Agency Asset Management Administrator.
- Section VI (B)(5): "The Asset Processor shall maintain and update the inventory of all tangible and intangible personal property in OAKS AM as governed by DAS. The Asset Processor shall ensure that assets are properly accounted in accordance with policies and procedures."
- Section VI (B)(5)(d): "The Asset Processor at each location within the agency shall be responsible for directing and conducting an annual physical inventory of all assets recorded in OASK AM each fiscal year."
- Section VI (B)(5)(c) states: "The Asset Processor or designee shall ensure that an approved Surplus Turn-In Document (ADM3672) or Vehicle to Salvage Information (ADM3911) are uploaded into OAKS AM when retiring the asset. When the asset does not have all the above referenced documents, the Incident Report (DRC1000) and or comments shall be uploaded in OAKS AM as justification for the retirement of the asset."

DRC Policy 104-TAW-04 states the following:

- Policy Variance Section VI (D)(1): "At least once per month, the designated APA manager shall conduct an announced inventory of each APA employee assigned a firearm, body armor, and MARCS radio and the inventory results shall be documented on the APA Safety Equipment Inventory Form."



- Policy Variance Section VI (D)(7): “The asset coordinator shall use the information from the APA Safety Equipment Inventory Form to review and update the associated information in OAKS AM to ensure that the inventory of APA safety equipment is complete and accurate, pursuant to DRC Policy 22-BUS-08. The form shall be maintained locally for audit purposes.”

Assets assigned to the DRC Adult Parole Authority (APA) were selected for testing at five regional APA locations, and OIA noted the following:

#### Lima:

- Seven of 14 (50%) assets selected for testing from OAKS AM could not be located. As a result, the asset description, tag number, and location could not be verified.
- Two of 5 (40%) assets selected for testing from the floor had the wrong department code in OAKS AM.

#### Defiance:

- One of 12 (8%) assets selected for testing from OAKS AM could not be located. As a result, the asset description, tag number, and location could not be verified.
- One of 5 (20%) assets selected for testing from the floor did not have an asset inventory tag.

#### Dayton/Springfield:

- One of 20 (5%) assets selected for testing from OAKS AM had the wrong location and department code. The asset was transferred to Columbus and the department information had not been updated at the time of the site visit. Once DRC was notified, OAKS AM was updated to reflect the correct location.
- One of 9 (9%) assets selected for testing from the floor was marked disposed of in OAKS AM.

#### Cleveland:

- One of 29 (3%) assets selected for testing from OAKS AM could not be located. As a result, the asset description, tag number, and location could not be verified.
- One of 12 (8%) assets selected for testing from OAKS AM had the wrong serial number recorded in the system.



- Five of 29 (17%) assets were transferred to Columbus and the department information had not been updated at the time of the site visit. Once DRC was notified, OAKS AM was updated to reflect the correct location.
- One of 5 (20%) assets selected for testing from the floor had the wrong department code in OAKS AM.

### **Roles, Responsibilities, and Communication:**

- Several aspects of the asset management process do not specifically state the responsible party as well as the timing of when assets should be recorded in OAKS AM.
- Lack of communication between the regional APA locations and OSC, including Parole Program Management, was a common issue noted via surveys.

### **Receiving and Recording:**

- OIA observed the asset receiving process in the OSC mailroom. The receiving report was not being completed and packing slips were not always being signed. Furthermore, there was no evidence acknowledging an individual's receipt of an asset once it was picked up from the OSC mailroom. Therefore, we were unable to determine if the purchased assets were entered into OAKS AM in a timely manner.
- DRC received IT assets more than 30 days ago, which had not been tagged or entered in OAKS AM.
- APA Regional Asset Processors indicated via survey that there had been issues with assets being received or assigned to employees without their knowledge. Some of the assets are not discovered until the annual inventory is performed.

### **Tracking and Usage:**

- Not all APA regional locations are performing an annual physical inventory, and the actual physical inventory being performed varies in effort and efficiency.
- The monthly APA Safety Equipment Inventory Forms were not signed by the Dayton and Lima regional locations' Asset Processor to evidence their review of the form and comparison to OAKS AM. In addition, multiple APA Asset Processors indicated that reconciling the forms to OAKS AM is difficult to complete.
- The Corrections Training Academy (CTA) utilizes the Armory Database to track all high-risk assets received and issued to Parole Officers during training. CTA management does not have access to OAKS AM, resulting in only the Armory Database being updated when high-risk assets are received or issued. The Parole



Officer is given the Equipment Issuance and Retrieval Form that is to be given to the APA regional location's Asset Processor to enter and/or update the asset information into OAKS AM. DRC is currently not reconciling the Armory Database assets to the assets listed in OAKS AM.

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

### Recommendation

Update, develop, and implement procedures for the following asset management areas:

- The OSC mailroom should require anyone picking up assets to acknowledge receipt of the asset to ensure a clear chain of custody. Receiving forms and packing slips should be signed by mailroom employees indicating items were received. Consider re-establishing the triplicate asset receipt form that was previously used in the mailroom.
- Perform an annual physical inventory of the APA locations and reconcile the assets to OAKS AM to ensure proper tagging and recording.
- Require the APA Asset Processors to compare the monthly Safety Equipment Inventory Forms to OAKS AM, as evidenced by their signature and submission of the forms to OSC.
- The Regional APA Asset Processors should notify the DRC Asset Management Administrator when monthly checks and annual inventories are complete and if any discrepancies are identified. Any discrepancies found should be researched, the appropriate forms completed, and updated in OAKS AM.
- The DRC Asset Management Administrator should periodically reconcile the DRC Armory database to OAKS AM. OIA recognizes the significance of the Armory database to track high-risk assets; however, assets listed in the Armory database and OAKS AM should correspond and discrepancies should be investigated and updated accordingly.
- During the annual qualification for Parole Officers, request CTA to send copies of the qualification forms to the Asset Management Administrator to reconcile with OAKS AM and investigate any discrepancies.



- Require OSC and IT to notify APA Asset Processors when new assets are being issued to employees.

DRC APA should work with DRC Asset Management to provide additional training to the APA Regional Offices to assist in the enforcement and awareness of the agency's asset management policy. Training should emphasize the importance of receiving, tracking, monitoring, and transferring of assets. Training should address the completion of the annual physical inventory, maintaining asset management records within OAKS AM, and communication and protocol for utilizing the applicable forms. Furthermore, training should be mandatory for all new APA Asset Processors.

#### Management Response

1. DRC is revising existing policy 22-BUS-08 Inventory and Control of Property, Supplies and Other Assets to reflect the requirement for employees to acknowledge the receipt of goods from OSC Mailroom.
2. DRC is revising existing policy 104-TAW-04 APA Equipment Policy to require that each APA Office and or APA Unit to conduct an annual physical inventory on assets. Tentative policy completion date is 11/30/17. The APA Parole Program Administrator and the DRC Asset Management Administrator will collaborate to implement a distribution list for the APA Asset Processors and APA Managers. The DRC Asset Management Administrator will conduct training session(s) to cover various topics and requirements of asset management. Tentative training to be completed by 2/28/17. Once training has been completed, the APA Parole Program Administrator will require that an annual physical inventory be completed by the APA Office and or APA Units
3. DRC is revising existing policy 104-TAW-04 APA Equipment Policy to provide further clarification for the Asset Processor to compare the APA Safety Equipment Inventory DRC3038 to OAKS AM.
4. DRC is revising existing policy 104-TAW-04 APA Equipment Policy to provide clarification to the Asset Processors to notify the DRC Asset Management Administrator of discrepancies that cannot be resolved.
5. The DRC Safety Asset Management Workgroup was implement by DRC Director in August 2017 to review asset management for the agency. This workgroup will address the requirements of the armory inventory database and OAKS AM. The report from this workgroup is tentative mid Spring 2018.



6. The DRC Safety Asset Management Workgroup will be addressing the accountability of annual qualification procedures for Parole Officers.
7. The Office of Administration has implemented a committee to include management from IT, OSC Procurement, OSC Mailroom and the DRC Asset Management Administrator to address the existing processes in asset management. This committee will review how IT issues new assets to APA Asset Processors. DRC is revising existing policy 22-BUS-08 Inventory and Control of Property, Supplies and Other Assets. Tentative policy completion date is 11/30/17.

DRC Asset Management Administrator will continue to communicate DRC requirements, DAS Asset Management Procedures through step-by-step job aids, webinars, DAS OAKS AM classroom trainings, and DAS annual meetings for asset management. DRC Asset Management Administrator plans to attend at least one APA monthly meeting on a quarterly basis.

Risk*	Remediation Owner	Estimated Completion Date
<b>Moderate</b>	DBA Chief/Chief Fiscal Officer and the Parole Program Administrator	June 2018



## Observation 2. – Asset Disposals

It is management’s responsibility to ensure assets are properly disposed of within the asset management system. DRC utilizes the Ohio Administrative Knowledge System-Asset Management (OAKS AM) to manage their assets. Procedures should be documented to provide staff with the guidance necessary to carry out the responsibilities of disposing and removing assets from the asset management system.

DRC Policy 22-BUS-08 states the following:

- Section VI (B)(5): “The Asset Processor shall maintain and update the inventory of all tangible and intangible personal property in OAKS AM as governed by DAS. The Asset Processor shall ensure that assets are properly accounted in accordance with policies and procedures.”
- Section VI (B)(5)(c) states: “The Asset Processor or designee shall ensure that an approved Surplus Turn-In Document (ADM3672) or Vehicle to Salvage Information (ADM3911) is uploaded into OAKS AM when retiring the asset. When the asset does not have all the above referenced documents, the Incident Report (DRC1000) and or comments shall be uploaded in OAKS AM as justification for the retirement of the asset.”

Disposed assets assigned to the DRC Adult Parole Authority (APA) were selected for testing at five regional APA locations, and OIA noted the following:

### **Surplus Turn-in Documents:**

21 of 22 (95%) assets tested, the surplus turn-in form was not retained or comments were not updated into OAKS AM justifying the retirement of the asset.

#### Defiance/Lima

Three surplus turn-in documents were not completed.

One asset was marked as retired and identified as a duplicate; however, the asset was then reinstated.

One asset was previously disposed of and was not removed from OAKS AM.

#### Dayton/Springfield

Five surplus turn-in documents were not completed.

Two assets were incorrectly coded as disposals and should have been coded as lost, stolen or missing. As a result, an incident report form was not completed and approved by



the DRC Asset Management Administrator to verify that the assets were being disposed of correctly.

Cleveland

Nine surplus turn-in documents were not uploaded into OAKS AM and there were no comments OAKS AM justifying the retirement of the asset.

One asset was incorrectly coded as a disposal and should have been coded as lost, stolen or missing. As a result, an incident report form was not completed and approved by the DRC Asset Management Administrator to verify that the assets were being disposed of correctly.

**Disposals**

The Dayton Regional APA has marked assets as disposed of in OAKS AM prior to the asset being returned to Columbus for proper disposal.

Per DRC OSC Management, body armor could not be tagged and a means for disposing of the body armor was not secured at the time of the audit. However, during site visits at the APA regional offices, body armor was tagged on the panels located within the body armor cover and APA regional offices were disposing of body armor through approved means.

**Access**

One employee no longer had asset management duties; however, this employee still had access to various OAKS AM roles. This was brought to DRC’s attention and the employee’s access was removed.

Failure to implement effective controls to ensure assets are timely, accurately, and completely disposed of in accordance with DRC asset management policies increases the likelihood that lost or stolen assets are not detected or located in a timely manner.

**Recommendation**

Update, develop, and implement procedures for the following asset management areas:

- Require the APA Asset Processors to complete and maintain the surplus turn-in documents and upload a copy of the forms into OAKS AM when disposing of an asset.
- Require the APA Asset Processors to properly code assets identified as lost, stolen or missing and complete the incident report form. A copy of the incident report form should be uploaded into OAKS AM.



- Require the DRC Asset Management Administrator to periodically review the regional APA locations' disposals in OAKS AM to ensure the proper forms (surplus turn-in document or incident report form) have been attached in OAKS AM or comments were added to justify the disposal or retirement of the asset.
- DRC OSC Management should work with the regional APA offices to determine how each location is disposing of body armor. Then, work with Department of Administrative Services (DAS) to obtain a contract for the disposal of body armor. Once a contract(s) has been established, communicate with the APA regional offices to ensure everyone is aware of how to properly tag and dispose of body armor.
- Require the DRC Asset Management Administrator to periodically review employees' access to OAKS AM and confirm their access is appropriate based on their asset management duties within the agency. Consider reducing the number of employees with the ability to dispose of assets in OAKS AM.

**Management Response**

1. The DRC Asset Management Administrator will conduct training session(s) to cover various topics and requirements of asset management. Tentative training to be completed by 2/28/18.
2. DRC is revising existing policy 22-BUS-08 Inventory and Control of Property, Supplies and Other Assets to reflect the business days required for the documents to be uploaded into OAKS AM.
3. The DRC Asset Management Administrator will begin to include APA Managers on communications regarding the discrepancy in asset codes.
4. Currently, DRC Asset Management Administrator periodically review employees' access to OAKS AM and works with DRC Budget Staff to confirm their access. OAKS AM will not allow DRC to remove asset disposal roles from Asset Processors without affecting the other asset management roles assigned to the Asset Processor.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	DBA Chief/Chief Fiscal Officer and the Parole Program Administrator	April 2018



### Observation 3. – Asset Ownership

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

DRC’s Asset Management Policy 22-BUS-08 states the following:

- Section IV states: “A state employee is the primary user of equipment, a caretaker of equipment or both. As a primary user of equipment, the Equipment Custodian personally uses his/her equipment daily to conduct business. As a caretaker, the Equipment Custodian oversees shared equipment that is used by a designated group or organizational unit: typically, these assets are located in common areas, conference/training rooms, storage areas, etc.”
- Section VI (B)(2) states:” The Equipment Custodian’s Responsibility includes but not limited to, notifying the Asset Processor of any activity that would change the inventory status of the equipment assigned to the state employee.”
- Section VI (B)(5) states: “The Asset Processor shall maintain and update the inventory of all tangible and intangible personal property in OAKS Asset Management System as governed by DAS. The Asset Processor shall ensure that assets are properly accounted in accordance with policies and procedures.”
- Section VI (B)(5)(b) states: “The Asset Processor shall ensure that an approved Asset Transfer Request (DRC1319) is received before assets are transferred within the agency.”

Currently, DRC utilizes a manual, paper-based process to document and track the assignment of assets, annual certification of inventory, and disposal of assets. DRC APA utilizes two forms: the Equipment Issue & Retrieval Documentation Form (DRC3143e) and the Asset Transfer Request Form (DRC1319) to assign assets to custodians and to evidence their acknowledgement of receipt and to retire and dispose of old assets.

OIA reviewed DRC APA’s entire population of assets recorded in OAKS AM as of January through June 2017 and noted 54 of 3,778 assets were not assigned to a custodian or were assigned to a specific room and not a custodian employed by the agency.



OIA visited five APA regional locations and noted the following during testing:

## Lima

- Seven of 14 (50%) assets did not have the correct custodian information.
  - Two of the assets did not specify an individual.
  - Four of the assets were assigned to individuals no longer employed by DRC.
  - One of the assets assigned only included the custodian's last name.
- Thirteen of 14 (93%) assets, the Equipment Issue & Retrieval Documentation Form was not maintained and/or easily accessible to view.

## Cleveland

- Six of 29 (21%) assets did not have the correct custodian information.
  - Five assets were transferred to Operation Support Center (Columbus) and the custodian information had not been updated at the time of the site visit. However, the OAKS AM information was updated after the issue was brought to DRC management's attention.
  - One of the assets did not specify an individual.

## Defiance

- Three of 12 (25%) assets did not have the correct custodian information.
  - Two of the assets did not specify an individual.
  - One of the assets was assigned to the wrong custodian.
- One of 12 (8%) assets, the Equipment Issue & Retrieval Documentation Form was not maintained and/or easily accessible to view.

## Dayton/Springfield

- One of 30 (3%) assets were transferred to the DRC Operation Support Center (Columbus) and the custodian information had not been updated at the time of the site visit.

Testing was also performed over inter-departmental transfers and separated employees and the following exceptions were noted:



**Inter-Department Employee Transfers**

- Ten of 15 (67%) transferred APA employees did not have their assets transferred and updated in OAKS AM during the period under review.
- Regional APAs are not consistently utilizing the Asset Transfer Request Form (DRC1319), resulting in OIA being unable to complete testing over the transferred assets. The Defiance and Lima regional locations could not provide an example of a completed transfer form during the site visit.

**Separated Employees**

- Eight of 25 (32%) separated APA employees were designated as custodians for several assets, 17 in total, during the period under review, which consisted of cell phones, tablets, laptops, body armor, and high-risk assets.

Not maintaining accurate ownership information in OAKS AM increases the risk of misplacement, loss, and/or theft of assets. In addition, failure to properly track and manage high-risk assets can result in the loss of PII, CPI, and sensitive data, intellectual capital, as well as negatively impact the agency. As a whole, the manual processes being used are inefficient and more susceptible to error.

**Recommendation**

Update current OAKS AM records to ensure all assets have the correct 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 to a permanent custodian.

Develop and implement procedures for the following asset management areas:

- Require APA employees to periodically validate the assets in their possession. This could be accomplished by having APA Asset Processors email employees asking them to verify the assets currently assigned to them in OAKS AM. The Regional APA Asset Processors should notify the DRC Asset Management Administrator when these asset verifications take place and if any significant discrepancies were identified. Any discrepancies found should be researched, the appropriate forms completed, and corrected in OAKS AM.
- Parole Program Management should periodically review the OAKS Business Intelligence (BI) AM-0015 Asset Custodian Report. Reviewing this report will assist the Asset Processors in verifying that OAKS AM records are updated when staffing changes (new hires, transfers, and separated employees) occur.



DRC APA should work with DRC Asset Management to provide additional training to the APA Regional Offices to assist in the enforcement and awareness of the agency’s asset management policy. Training should emphasize the importance of maintaining accurate asset ownership in OAKS AM. Training should address the timely reassignment of assets and completion of the Asset Transfer Form, when staffing changes occur.

**Management Response**

1. DRC is revising existing policy 104-TAW-04 APA Equipment Policy to provide further clarification for the Asset Processor to compare the APA Safety Equipment Inventory DRC3038 to OAKS AM.
2. Each APA Asset Processor has access to run the OAKS BI AM-0015. On a quarterly basis, the DRC Asset Management Administrator will run the OAKS BI AM-0015 and share with the APA Asset Processors. Tentative start date is 10/1/17.
3. The DRC Office of Administration will communicate with DRC Human Resources for reports showing staff changes to be shared with DRC Asset Management Administrator and Parole Program Administrator.

DRC Asset Management Administrator will continue to communicate DRC requirements, DAS Asset Management Procedures through step-by-step job aids, webinars, DAS OAKS AM classroom trainings, and DAS annual meetings for asset management. DRC Asset Management Administrator plans to attend at least one APA monthly meeting on a quarterly basis.

Risk*	Remediation Owner	Estimated Completion Date
<b>Moderate</b>	DBA Chief/Chief Fiscal Officer and the Parole Program Administrator	January 2018



Appendix A – Classification of Audit Objective Conclusions and Observations

**Classification of Audit Objective Conclusions**

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	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.
<b>Major Improvement Needed</b>	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
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	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
<b>High</b>	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