Board of Governors of the Federal Reserve System

REPORT ON THE AUDIT OF THE BOARD'S FIXED ASSET MANAGEMENT PROCESS

OFFICE OF INSPECTOR GENERAL

May 2005

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

OFFICE OF INSPECTOR GENERAL

May 26, 2005

Mr. Stephen Malphrus
Staff Director for Management
Board of Governors of the Federal Reserve System
Washington, D.C. 20551

Dear Mr. Malphrus:

The Office of Inspector General (OIG) of the Board of Governors of the Federal Reserve System (Board) is pleased to present its *Report on the Audit of the Board's Fixed Asset Management Process*. We began this audit in response to questions raised during prior financial statement audits regarding property and equipment management and in light of inventory discrepancies and control weaknesses identified during the OIG's review of the Board's Fine Arts Program. Our audit objectives were to (1) evaluate controls over the receipt, recording, and disposal of fixed assets for two specific asset accounts: office automation (non-mainframe) computer equipment and office machine/other equipment; (2) determine whether amounts recorded in the Board's general ledger for these two accounts are accurate; (3) identify best practices for conducting, tracking, and recording fixed asset inventories; and (4) evaluate the Board's capitalization policy. As part of our audit, we conducted a physical inventory of 137 items selected as part of a stratified random sample.

Overall, we found that the Board lacks a comprehensive, integrated set of policies, procedures, and internal controls for managing its fixed assets. The current policies governing the Board's fixed asset management process are incomplete, outdated, and inconsistent; do not adequately address asset management from a life-cycle perspective; and do not include guidance for conducting periodic physical inventories. We believe that a routine physical inventory would have highlighted many of the discrepancies identified during our sample physical inventory. We also found that the Board has not fully implemented features of its financial system which we believe would help establish a more effective property management process. In addition, we identified control weaknesses related to separation of duties and inadequate documentation in the Board's disposal process. We did not, however, identify any instances of fraud or other improprieties. Through benchmarking activities, we determined that the Board's capitalization threshold, assets' useful lives, and depreciation method are generally in line with other government and private sector entities.

Our report contains two recommendations designed to address issues related to policies, financial system usage, and internal controls. In our opinion, implementation of our recommendations will result in more effective controls over the Board's fixed assets and more accurate and reliable asset management and financial accounting information.

We provided a copy of our report to the director of the Management Division for review and comment. In her response, included as appendix 1, the director concurred with our recommendations and outlined actions that will be taken to address the recommendations.

We are providing copies of this audit report to Board management officials. The report will be added to our public web site and will be summarized in our next semiannual report to the Congress. Please contact me if you would like to discuss the audit report or any related issues.

Sincerely,

/signed/

Barry R. Snyder
Inspector General

cc: Governor Mark Olson
Ms. H. Fay Peters

Board of Governors of the Federal Reserve System

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BACKGROUND

The Board of Governors of the Federal Reserve System (Board) follows generally accepted accounting principles (GAAP) to process its financial transactions and to prepare its annual financial statements. Although subject to interpretation, GAAP provides a set of common accounting principles, standards, and procedures to help standardize financial accounting. For example, GAAP characterizes a fixed asset as one that is acquired and held for use in operations (not held for sale), is long-term in nature (greater than one year), and has physical substance. GAAP generally requires that fixed assets be capitalized, with the cost depreciated over the asset's useful life.

In accordance with GAAP, the Board's capitalizes an item and classifies it as a fixed asset if the item's useful life is greater than one year and its cost exceeds pre-established dollar thresholds. The Board has established a general capitalization threshold of $5,000 for most purchases, although higher limits have been set for building acquisitions ($50,000), purchased software ($50,000), and internally-developed software ($500,000). Items that fall below these thresholds are expensed. The Board depreciates its fixed assets on a straight-line basis over each asset's estimated useful life, which generally ranges from four to ten years for furniture and equipment to fifty years for a building. As of December 31, 2003, the Board's financial records contained the following balances related to its property and equipment (i.e., fixed asset) accounts:

Land and Improvements	$ 18,640,314
Buildings	129,161,957
Furniture & Equipment	43,890,215
Software	11,425,411
Fixed Asset Total	$203,117,897
Less Accumulated Depreciation	(53,522,838)
Property & Equipment, Net	$149,595,059

Board divisions identify fixed asset requirements during the biennial budget cycle and, once their budgets are approved, initiate the acquisition of these assets. Division staff input the basic information necessary to create an asset record (such as description and dollar value) into the Board's financial system during the procurement process. Accounting staff in the Management Division (MGT) review all transactions exceeding the capitalization thresholds to verify the information entered by division staff and to determine which acquisitions will ultimately be classified as fixed assets. Division staff are responsible for the physical control of their assets once the assets are received and placed in operation. When a division determines that an asset has become fully exhausted or is no longer needed to support operations, the division notifies MGT staff who are responsible for the disposal of the asset. MGT is also responsible for updating the Board's financial system to remove the cost and related accumulated depreciation for disposed assets from the financial records.

During previous financial statement audits, questions were raised regarding the need for the Board to perform physical inventories of all or part of the property and equipment account. Our audit was designed to address these questions.

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted audit fieldwork from August 2004 through March 2005. Our audit objectives were to (1) evaluate controls over the receipt, recording, and disposal of fixed assets for two specific asset accounts: office automation (non-mainframe) computer equipment and office machine/other equipment; (2) determine whether amounts recorded in the Board's general ledger for these two accounts are accurate; (3) identify best practices for conducting, tracking, and recording fixed asset inventories; and (4) evaluate the Board's capitalization policy. We decided to focus our audit work on the two office equipment accounts because they represent the majority of the Board's property and equipment balance, excluding buildings and land. We also chose these accounts because they include capitalized items such as servers and other computer equipment with potentially sensitive information. As of July 31, 2004, these two accounts contained 961 line items with a total cost of $31,085,807 and a net book value of $10,746,954.

To accomplish our objectives, we identified and examined policies and procedures governing the Board's fixed asset management process. We met with MGT staff responsible for the receipt, accounting, and disposal of the Board's assets, and interviewed representatives from five Board divisions to discuss their internal property management and inventory-tracking processes. We also benchmarked the Board's asset management policies and practices against three other agencies and two Reserve Banks, and performed additional research related to asset management and physical inventories.

To determine whether amounts recorded in the Board's general ledger are accurate, we conducted a physical inventory of 137 items selected as part of a stratified random sample from the two fixed asset accounts that we reviewed in depth. We obtained the assistance of an experienced statistician from the Board's Division of Research and Statistics to assist us in selecting and implementing a sampling methodology that would allow us to project the results of our sample over the population for these two accounts. We chose a 95-percent confidence level, allowing us to predict with 95-percent certainty that the true error rate in the population is no greater than the upper error estimate that we calculated. We performed our audit in accordance with generally accepted government auditing standards.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Overall, we found that the Board lacks a comprehensive, integrated set of policies, procedures, and internal controls for managing its fixed assets. During our sample inventory of 137 items, we were able to locate and specifically verify only sixty-three items (46 percent); i.e., we could

state with certainty that these items were accurately recorded in the Board's financial system. Of the remaining seventy-four items in our sample, we classified fifty-six items (41 percent) as "unverifiable." These items are assets that may be accurately recorded in the Board's financial records and may still be in use, but we were unable to verify their existence either because of the asset's physical nature or the lack of sufficient descriptive information. Specifically, we found that:

- Components of large assets were separately recorded as individual items, even though the components lost their individual identity when put into use and could not be separately tracked (e.g., cabling inside the building or disk drives installed in a data system). Conversely, some systems with multiple components which could have easily been separately identified were not recorded with sufficient descriptions of the individual components to permit an accurate inventory of the entire system (e.g., closed circuit television system).

- Bulk purchases of like items, such as door locks, were recorded as a single asset.

- A large purchase of unrelated information technology items, some with values over the capitalization threshold and some with values below the threshold, was recorded as a single asset.

- Individual items were either recorded without a unique identifier, preventing us from distinguishing between similar items, or the identifying information in the Board's financial system did not match the information on the physical asset.

The remaining eighteen items in our sample (13 percent) represent assets that we believe the Board no longer possesses. These assets include items that division staff (who were responsible for the assets) told us had been disposed of, although supporting paperwork was not available, as well as items that we and Board staff simply could not identify from available information. We recognize that the number of potentially missing items and the corresponding net book value ($72,118) are small. However, when the results of our sample are projected onto the population, between seventy-two and 163 items in the Board's records are potentially no longer in service and the net book value for the two accounts from which our sample was drawn is potentially overstated by an amount between $72,118 and $277,657. While this amount may not be material to the Board's total asset balance, we believe the magnitude of the potential discrepancy, when combined with the large percentage of other items that we could not positively verify, warrants policy, procedural, and control changes to the Board's asset management function.

The first change we believe the Board needs to make is to develop an overall policy to set the framework for effective asset management. We found that the current policies in the Board's *Internal Administrative Procedures Manual* (IAPM) are incomplete, outdated, and inconsistent. The policies do not adequately address asset management from a life-cycle perspective (i.e., from budgeting to acquisition and receipt, through recording and use, to disposal when no longer needed) and a key component of effective asset management—periodic physical inventories—is missing. We believe that a routine inventory would have highlighted many of the discrepancies we identified, particularly in the area of disposed assets. During our audit, we also found that the

Board has not fully implemented features of its financial system which we believe would help it establish a more effective property management process and that information entered into the Board's financial records was inaccurate or incomplete. We also identified control weaknesses related to separation of duties and inadequate documentation in the Board's disposal process.

Our report contains two recommendations designed to address these issues. Where appropriate, we have incorporated benchmarking results into our discussions. We also provided MGT staff with updated flowcharts of the receipt, recording, and disposal processes based on the work performed during the audit. Our review of the Board's capitalization policy showed that the Board's capitalization threshold, assets' useful lives, and depreciation method are generally in line with other government and private sector entities and we have no recommendations regarding changes to the policy.

1. **We recommend that the Director of MGT (a) develop an overall property management policy that governs the receipt, tracking, and disposal of Board assets and also includes requirements for conducting periodic physical inventories and (b) finalize the related accounting policies and procedures.**

The Board's IAPM contains two asset-related policies. The "Furniture and Furnishings Acquisition and Disposition" policy, dated July 1990, contains general guidance on the acquisition, maintenance, and disposition of furniture and furnishings, to include the necessary approval levels when acquiring new items. The "Sale of Surplus Furniture and Equipment" policy, dated September 1993, outlines the Board's process for selling furniture, equipment, and software that is no longer required. MGT also maintains accounting-specific policies and procedures to provide additional guidance to MGT staff for capitalizing, depreciating, and disposing of fixed assets.

We found that the current guidance in the IAPM is incomplete and outdated. Neither IAPM policy establishes a framework for effectively managing all assets from receipt through disposition. The policies address limited categories of assets, discuss only portions of the overall asset management process, and contain outdated references to functional areas and processes that are no longer in place. The policy on surplus equipment, for example, focuses only on one method for asset disposal (i.e., sales) and contains numerous references to the Board's property manager, even though this position no longer exists. We believe the Director of MGT should develop one overall asset management policy to provide Boardwide guidance on effective property management. The document should identify the requirements and responsibilities for all aspects of the property management process to include receiving, tracking, and disposing of assets.

We also found that one of the key components of effective asset management is missing from the Board's policies. Regular physical inventories can help verify the accuracy of an organization's financial and property records and help improve the accuracy of data required for budgeting, financial, and operational decision-making. Conducting physical inventories should be an integral component of an organization's internal control environment.

Until a few years ago, the property management function in the former Division of Support Services had responsibility for conducting physical inventories of property and equipment. However, organizational responsibilities were realigned when MGT was established in 1998 and we were unable to determine whether responsibility for conducting physical inventories was specifically assigned to any functional area. MGT staff we spoke with stated that performing a physical inventory was not required because, in their opinion, the primary reasons for conducting an inventory do not apply to the Board. These reasons include providing a valuation for insurance purposes, minimizing the property tax base, identifying theft or other undocumented disposals, and substantiating the gross asset balance in the general ledger. According to MGT staff, because the Board does not carry insurance on its assets or pay property taxes, a valuation for these purposes is not required. Staff also believe that the nature of the Board's assets, primarily furniture and computer systems, renders them less likely to be stolen and makes it unlikely that theft would go unnoticed. In addition, the Board maintains a high level of security that serves as a deterrent and minimizes the risk of loss due to theft. Finally, MGT staff believe that the costs of conducting an inventory may outweigh the benefits it would achieve.

We disagree. Conducting a physical inventory is a fundamental component of any system of basic internal controls, the absence of which increases financial risk through potential misstatement of account balances. While we did not identify any fraud or mismanagement during our audit, we believe that conducting a routine inventory could help identify discrepancies in the accounting data and ensure that disposed items are properly adjusted in the Board's financial records, thus reducing the risk of improper accounting and asset management. All of the organizations we contacted during our benchmarking study conduct a routine physical inventory as part of their overall property management process.

We believe that the Board should require routine physical inventories as part of its asset management process and that this effort can be accomplished in a cost-effective manner. First, the Director of MGT should decide which items should be inventoried. As we found during our sample inventory, not all assets have a clear physical presence and thus should not be subject to physical inventory requirements. Assets in this category include individual system components, cabling, and other items that lose their identity when placed in operation. In addition, bulk purchases of items such as locks probably do not merit being inventoried, given the small individual dollar value of these assets. The director could also use dollar thresholds or other criteria (such as assets containing sensitive data) in establishing inventory requirements. In deciding what assets to inventory, the director could also consider including non-capitalized items such as laptops and personal digital assistants. Although outside the scope of this audit, we noted during our fieldwork that divisions already track these items, even though the divisions have no specific requirement to conduct periodic inventories or report on the status of these items.

The director will also need to determine how often inventories are to be performed and who should perform them. The Board could, for example, perform physical inventories either periodically throughout the year or annually as part of the year-end closing process. The organizations included in our benchmarking generally perform inventories on an annual basis and we believe this frequency is sufficient for the Board. Although the director could give responsibility for performing inventories to MGT staff, we believe it would be more cost-

beneficial for individual divisions and offices to perform this function since division staff are in a better position to quickly locate their assets. Our benchmarking showed that most organizations require individual departments to confirm the existence of assets under their responsibility, and we believe this places accountability at the proper level in the organization. Depending on the decision made regarding which assets should be inventoried, we do not believe that this requirement will create a burden on most divisions. The MGT director will need to establish timeframes and reporting requirements to assist divisions in fulfilling this responsibility.

The director of MGT should also ensure that accounting-specific policies and procedures are finalized, approved, and are consistent with the updated guidance in the IAPM. Although the accounting-specific policies and procedures we reviewed related to asset management were dated January 2003, we found no indication that they had ever been approved by management, and staff we spoke with referred to them as "living documents." During the audit, we also obtained additional procedures related to the disposal process, but it was unclear whether these procedures were part of the accounting policy and procedure manual or if they had ever been approved. Our review of the accounting policies and procedures showed that the guidance was more in line with current Board practices than was the information in the IAPM. However, the accounting-specific documents are internal to MGT and staff in other divisions would not have direct access to this additional guidance.

An effective set of policies and procedures is important to provide ongoing guidance and serve as a training tool for new employees. Policies should clearly identify the processes to be followed and who is responsible for performing which functions. To be effective, policies and related procedures must be clearly documented, approved by an appropriate level of management, and communicated to affected individuals. Once promulgated, management must ensure that the guidance is consistently followed by all staff to help enhance accountability and consistency in the Board's asset management process.

2. We recommend that the Director of MGT strengthen internal controls over the Board's property management process by (a) fully implementing available functionality in the Board's financial system, (b) ensuring that sufficient descriptive information is recorded for each asset, and (c) improving controls over the disposal process.

Property management systems should be designed to effectively manage and control an organization's property from initial acquisition and receipt through disposal. Property management systems must also provide accurate and timely information for accounting and financial management purposes. An effective system should encompass and integrate the basic property management functions of acquiring, receiving, recording, tracking, and disposal.

We found that the Board has not yet implemented a comprehensive property management system. Although the Board's financial system includes all of the requisite functionality, the Board has implemented the system from a financial accounting, rather than a property management, perspective. As a result, key components of the system which could support a robust asset management process—the receiving module and the inventory functionality—have not yet been fully implemented. Implementing the receiving module will allow management to

automate what we believe is currently a manually-intensive process and establish tracking for assets at the point of receipt. We noted that the financial system also supports bar code technology which could further automate and streamline asset tracking. Using the current system's full functionality, MGT staff would be able to generate automated reports for divisions to use in conducting inventories and thus facilitate reconciliation of inventory results. We understand that information technology staff in the MGT Division have begun implementing additional financial system capabilities. We are encouraged by this effort, but believe that the director's oversight will be required to ensure that the system is implemented from a broader asset management perspective.

To effectively use the system for asset management, the director also needs to ensure that complete information is entered for each asset record. The individual record for each asset in the system contains several descriptive fields necessary to effectively track the asset. These fields include the asset's description, its location, and a unique identifier. We found, however, that the description field did not always contain sufficient information to permit someone, including the asset owner, to accurately identify the item. We also found that the description field for systems with multiple components did not always identify all the components that the system included. We believe that additional guidance is required to ensure that all staff know what information should be entered in the system to create an accurate, fixed-asset record. We also found that the Board has not made effective use of the location field. MGT staff told us that they designate all assets with a location of "DC" simply to populate information into the field when creating an asset record. Although we recognize that assets may change location, we believe that accurately recording this information (e.g., room number) will facilitate the physical inventory and disposal processes by helping to distinguish between similar items.

Along with a more complete and accurate description and location, establishing a unique identifier for each asset can facilitate the physical inventory and disposal processes, particularly if a division owns multiple assets of the same make and model. The Board presently uses either an asset's serial number or a tag number (which a MGT staff member affixes to the asset) as a unique identifier. We found however, that these numbers are not consistently recorded in the Board's financial system. Sixty out of 137 items in our sample did not have a unique identifier recorded in the asset record. We recognize that some of the items in our sample, such as cabling, do not contain a serial number or lend themselves to being tagged. However, MGT staff responsible for the disposal process told us that the primary reason they have difficulty ensuring that the correct line item is removed from the financial records is the lack of a unique identifier which would distinguish an asset from other line items.

In addition to the lack of complete information in the financial system, we identified other weaknesses in the Board's disposal process. We found that one individual is presently performing many of the functions of a "property manager" and that this individual is responsible for the receipt, storage, and disposition of assets no longer needed by the divisions, to include arranging for sale or other transfers to outside vendors. Although we did not identify any instances of fraud or other improprieties, we believe that responsibility for the physical custody of assets, the processing and recording of transactions, and the approval of transactions should be separated to provide enhanced accountability. This could be accomplished by transferring custodial responsibility for assets identified for disposal to MGT's Facility Services Function and

ensuring that the edit capabilities in the financial system for the individual responsible for asset disposal remain at read-only access. We also found that the divisions do not always provide sufficient information to permit MGT to accurately identify the disposed asset in the financial system. Although the Board's standard disposal form (which divisions must complete as part of the disposal process) contains a column for the item's description and a column for the unique identifier, the forms we reviewed often contained a general description of the asset (e.g. "pc," server) and were frequently missing the unique identifier. As a result, MGT staff spend considerable time performing research to ensure the correct item is removed from the financial records. Unless the correct asset is identified, disposed assets may remain in the Board's financial records or the wrong line item may be inadvertently removed.

ANALYSIS OF COMMENTS

We provided a copy of this report to the director of MGT for review and comment. Her response, included as appendix 1 to this report, indicates agreement with the report recommendations and discusses actions that will be taken to implement the recommendations. Specifically, the director plans to revise the outdated IAPM policies to include property management from cradle to grave and incorporate budget planning; requirements for the identification, tagging, and disposal of items; and the role of procurement and receiving in the process. The policies will also incorporate specific guidance for conducting physical inventories of Board assets. Accounting-specific policies and procedures will be adjusted to reflect the new IAPM policies. In addition, accounting staff will work with MGT's information technology staff to determine changes needed in the Board's financial system for conducting physical inventories. The director also expects that the policy changes made in response to recommendation 1 will provide the requirements for sufficient, descriptive asset information as well as improved controls over the disposal process.

APPENDIXES

Appendix 1 – Division Director's Comments

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
MANAGEMENT DIVISION

DATE: May 11, 2005

TO: Mr. Barry Snyder

FROM: Ms. H Fay Peters ***/signed/***

SUBJECT: Audit of the Board's Fixed Asset Process

Thank you for the opportunity to comment on the draft Audit of the Board's Fixed Asset Process. The comments in the report appear to be reasonable and, in conjunction with the operating divisions, we will seek the resources to develop and implement the policy and procedural changes recommended in the report.

In response to the 2002 financial audit, the Management Division reviewed the costs and benefits of conducting an inventory. In 2003, we briefed the Committee on Board Affairs (CBA) on the results of our cost benefit analysis and informed them that, given our business needs, there was insufficient reason to conduct inventories. Subsequent to the 2003 financial audit, we briefed the CBA in July 2004 and told them that we were rethinking our position and proposed to bring in an outside consultant to help us determine the most advantageous course of action for the Board to consider. In that briefing the Management Division indicated that it planned to hire a contractor to make recommendations for a cost effective process to manage assets. The recommendations were to include a framework for a cost effective property management program including a review of our capitalization policy, suggestions concerning the frequency and type of equipment to be included in inventories, and thoughts on changes to our automated fixed asset system to provide the data required for the inventories.

The Audit of the Fixed Asset System was conducted by the OIG to replace the need for an outside contractor, consequently, we abandoned that plan pending the outcome of this report. To some degree the report meets the needs identified to the CBA and to some degree it provides information that we already had or suggests the need for action where we were seeking concrete recommendations that we might consider in order to develop a cost effective program. We concur with findings in the report that:

- Some of our policies need to be updated.
- Our capitalization threshold, asset's useful lives and depreciation method are generally in line with other government and private sector entities.

Appendix 1 – Division Director's Comments

- Many components of automation systems and capital projects and other items that do not have a clear physical presence (e.g., cabling) will pose unique challenges and probably should not be inventoried.
- Assets accounting for slightly over one percent of the net book value of the items the OIG audited could not be found and no instances of fraud or mismanagement were identified.

The draft report states that by clearly identifying what is to be inventoried as part of the asset management process, the costs can be kept reasonably in line with the benefits. That may well be true but the process will require more effort from budget, procurement, receiving, the requesting division, and accounting just to tag the item, acquire the needed data, and enter it into the system before it is ever inventoried. Maintaining synchronized records with physical location changes for property requires continuous support by staff in the divisions and the property management and accounting areas. If specialized reports are needed to conduct the inventory, then additional costs may be incurred for automation support.

Again, we concur with your overall assessment that an inventory is a fundamental component of any system of basic internal controls. We will expedite the process of revising policies and procedures, gathering data, and taking such other measures as are required to implement an asset management system and inventories. Comments specific to your recommendations are attached.

Attachment

Appendix 1 – Division Director's Comments

Attachment

1. **We recommend that the Director of MGT (a) develop an overall property management policy that governs the receipt, tracking, and disposal of Board assets and also includes requirements for conducting periodic physical inventories and (b) finalize the related accounting policies and procedures.**

   Concur. We will revise current outdated management polices and adjust accounting policies and procedures to reflect the new policies. In brief, the management policies will cover property management from cradle to grave. The policy will begin with budget planning to ensure that the need for the new item is clearly demonstrated (documentation of need with cost benefit analysis required in most cases). The policy will require discussions with Accounting and Property Management staff prior to issuing a purchase requisition to ensure that decisions necessary to plan for receipt, identification (description) and tagging of the new item and disposal of any old item can be made and documented in the purchase requisition. This will allow coordination with receiving and ensure that specific entries needed for the accounting system are included in the procurement documents. Procurement will be involved to ensure that disposal of any old equipment is considered as part of the transaction. Receiving will be incorporated in the process to ensure that the item is matched properly to receiving documents, tagged, turned over to the recipient and reported to accounting (tag number, serial numbers and other information needed to identify the item for inventories) and the property manager. The recipient will report the location of the item, responsible individual, and changes in the location or status of the equipment to accounting and the property manager. Accounting will provide reports needed to conduct inventories to the property manager who will coordinate the inventories with the division staff and report the results back to accounting. Items that are no longer needed will be reported to the Property Manager who will notify Procurement to effect the disposal and Accounting which will record the change.

2. **We recommend that the Director of MGT strengthen internal controls over the Board's property management process by (a) fully implementing available functionality in the Board's financial system, (b) ensuring that sufficient descriptive information is recorded for each asset, and (c) improving controls over the disposal process.**

   Concur. The Accounting and the ASAP Programs will determine what changes need to be made to the current Oracle Assets Module to meet the expanded needs for conducting physical inventories for assets and, if necessary, non-capital equipment property tracking. The policies described in response to recommendation 1, above, will provide sufficient descriptive information and improved controls over the disposal process to meet the goals of this recommendation.

Appendix 2 – Principal Contributors to this Report

Kimberly Whitten, Senior Auditor and Project Lead

Victor Calderon, EDP Auditor

Keisha Turner, Auditor

William Mitchell, Assistant Inspector General for Audits and Attestations