

2022 Capital Assets Inventory

Review



August, 2022

www.claycountymo.gov/departments/auditor

Victor Hurlbert, CGAP

Clay County, Missouri Auditor

Table of Contents

- I. Introduction and Scope (pg. 3)
- II. Audit (pgs. 4-8)
 - Total Inventory Results (pgs. 4-5)
 - Department Inventory Results (pgs. 5-8)
- III. Overall Rating (pg. 9)

I. Introduction and Scope

Revised Statute of Missouri (RSMo) 55.030, or 55.160 by virtue of County Constitution Section 4.02, states that County Auditors “may keep an inventory of all county property under the control and management of the various officers and departments and shall annually take an inventory of any such property at an original value of one thousand dollars or more showing the amount, location and estimated value thereof.” County Ordinance 37.102.1 further stipulates that the County Auditor track “computer equipment with an acquisition cost of \$500.00 or more.”

As part of composing annual financial statements, the Auditor’s office searches through accounts payable activity to identify any such purchases above minimum values. Those assets over the threshold accordingly become added to the County’s entire capital listing. Each office is provided a complete listing of all its assets after year end and asked to notify the Auditor of any discrepancies noted through separate inventories at that level. Clarifying questions are asked to determine if unclear items truly qualify as capital under Generally Accepted Accounting Principles (GAAP). Likewise, this capital assets listing shows depreciation schedules in order to arrive at a true current value that factors into the County’s total net worth.

The Auditor’s Office removes assets from its listing upon a form of disposal. Typically this occurs through a surplus auction governed by County Ordinance Chapter 37, Article VII. The Auditor physically views all assets centrally compiled by the Facilities Department to confirm serial numbers along with internal County asset tags. The Commission then approves this list after the audit and it proceeds to auction. Other forms of possible disposal include trade-ins, accidental losses, approved donations, and trashing if of no remaining value or use.

A best practice in addition to these above mentioned steps involves visually locating assets on the list through an annual inventory performed by the Auditor’s Office. With 4,971 assets as of 12/31/2021, excluding Highway infrastructure, such an effort presents a logistical impracticality to see each one. Therefore, as an acceptable auditing method, for assets as of 12/31/2021 we took a 7% statistical sample to test or 329 items.

We personally visited some 22 departments and even more sub-locations for them as part of this year’s inventory. For 8 departments with not many capital assets, however, we conducted an inventory of all items. Each site required about an hour, with some larger departments needing more time. In future years, the plan is to rotate through different sample selections. We determined this approach allows for a wider breadth of an inventory as opposed to cycling through only one or some departments per year with larger samples, instead of all 22 with capital assets in their possession.

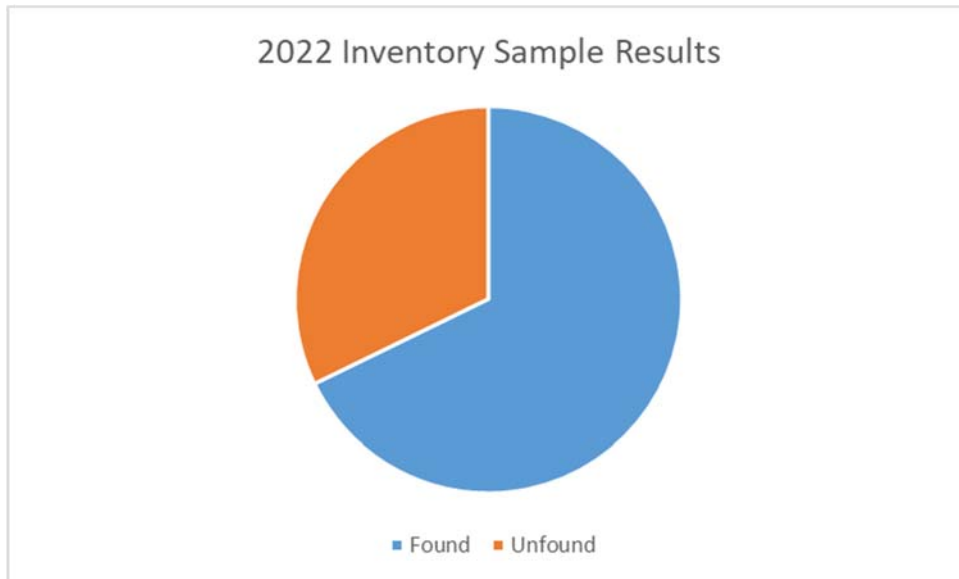
The purpose of this audit report is to quantify our results and offer any appropriate explanations for them. Per Generally Accepted Government Auditing Standards (GAGAS), this audit will be presented as a Review. In a Review, the auditor reaches conclusions based on adequate and sufficient evidence. No recommendations or opinions will be delivered to management. Consequently, there are no corresponding management responses to any findings. Given the scope of covering 22 departments or offices, too, a Review form of audit made the most sense. Said findings are made with the obligatory elements of criteria, condition, cause, and effect.

II. Audit

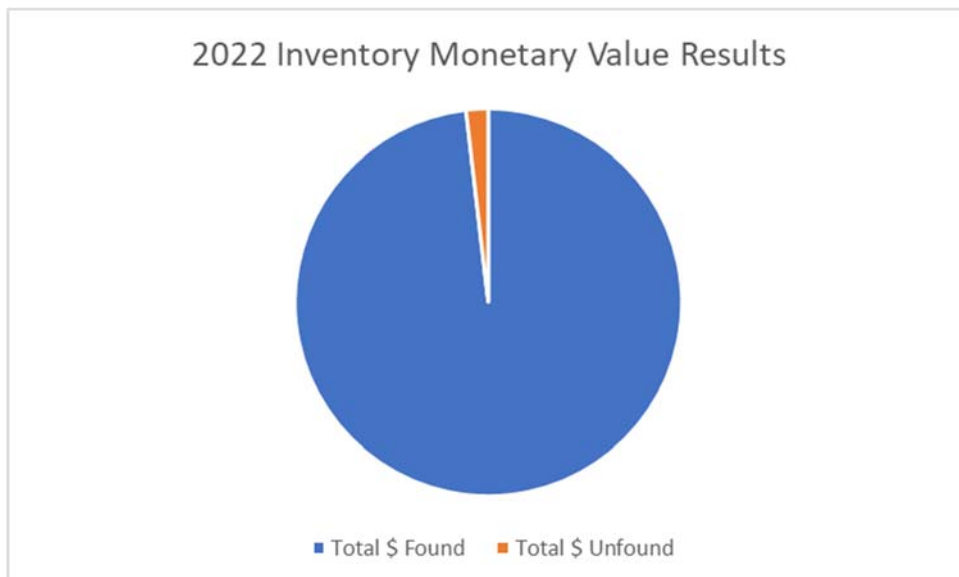
- **Total Inventory Results**

Criteria: Pursuant to RSMo 55.030 and County Ordinance 37.102.1, the Auditor tracks all items purchased at \$1,000 or more and computer equipment of \$500 or more.

Condition: In summary we viewed or put eyes on 223 assets out of the 329 sampled, but not 106 of them. This figure equates to approximately two-thirds at 68% found versus 32% unfound or not seen during fieldwork. A simple graph depicts these outcomes as follows:



Expressed in dollars by original acquisition cost, however, that number improves to 98% found compared to only 2% unfound. In other words, out of \$23,497,445.08 in beginning purchase cost for the 329 items, we located \$23,062,973.38 for the 223 we saw. The 106 unseen items had an original price of \$434,471.70 when bought. Here is the chart for monetary value:



Cause: Broadly speaking, the only plausible cause for missing assets is improper disposal. That is because per County Ordinance the Auditor is to inventory any capital asset that leaves the County’s possession through a surplus auction or other means. While it is possible that the Auditor’s Office failed to remove said items or missed them in a surplus listing, we learned this year of several instances where the actual reason amounted to lack of communication by prior administrations. Specific examples ranged from items disposed of at the end of 2017 into 2018 that were not on a surplus list approved by the Commission. Also, some departments disposed of assets just this year after we made our selections to test. If those records could be provided to us, we did not mark the tested asset as unfound but rather found. Thus the unfound assets have no true explanation to our knowledge. More hypothetical detailed rationales for missing assets by department will be provided in the following section.

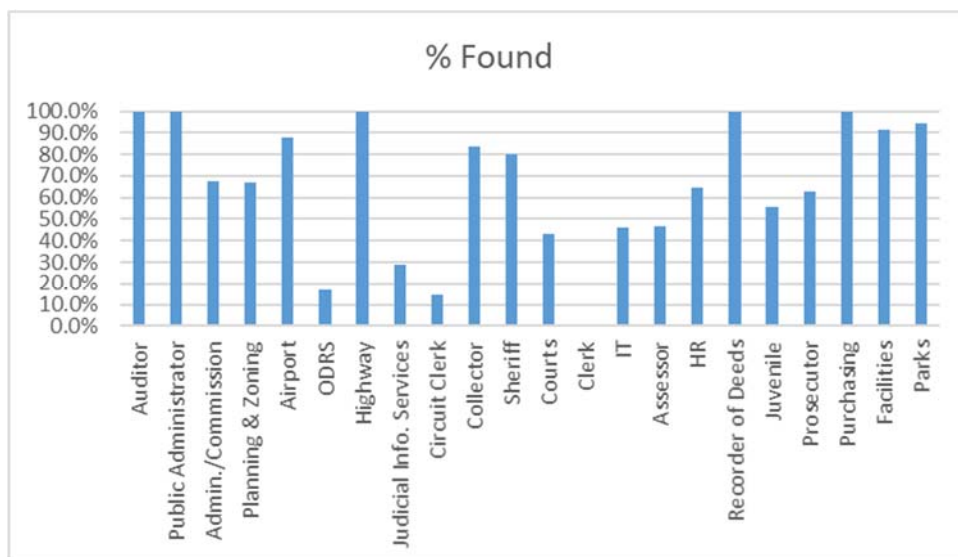
Effect: It is vital that the County accurately monitor its capital assets because they are acquired with taxpayer dollars. An inability to know how they are disposed leads to potential waste of public resources. Moreover, maintaining correct capital asset listings leads to the right balance sheet figures for the County’s reported net worth on the financial statements—although depreciation for older assets often offsets that impact.

Conclusion: The County’s capital asset disposal procedures did not adequately succeed from previous administrations—primarily the most recent one in 2017 and 2018. More frequent surplus auctions starting in 2021 and annual inventories by the Auditor’s Office appear to have worked in making the capital asset listings better up to date.

- **Department Inventory Results**

Criteria: Pursuant to RSMo 55.030 and County Ordinance 37.102.1, the Auditor tracks all items purchased at \$1,000 or more and computer equipment of \$500 or more.

Condition: A majority, 15 or 68%, of the 22 departments positively located more than 50% of their sampled capital assets selected for our annual inventory. In 7 departments or 32%, less than 50% of the items were found. This matches closely with the overall result described earlier at 68% of items found. A graph highlights these facts along with an accompanying chart:



Department	Total	% of Total	Sample	% Sample	Found	Unfound	% Found	% Unfound
Auditor	3	0.1%	3	100%	3	0	100.0%	0.0%
Public Administrator	4	0.1%	4	100%	4	0	100.0%	0.0%
Admin./Commission	34	0.7%	34	100%	23	11	67.6%	32.4%
Planning & Zoning	6	0.1%	6	100%	4	2	66.7%	33.3%
Airport	79	1.6%	8	10%	7	1	87.5%	12.5%
ODRS	6	0.1%	6	100%	1	5	16.7%	83.3%
Highway	373	7.5%	19	5%	19	0	100.0%	0.0%
Judicial Info. Services	419	8.4%	21	5%	6	15	28.6%	71.4%
Circuit Clerk	71	1.4%	7	10%	1	6	14.3%	85.7%
Collector	121	2.4%	12	10%	10	2	83.3%	16.7%
Sheriff	1750	35.2%	35	2%	28	7	80.0%	20.0%
Courts	66	1.3%	7	11%	3	4	42.9%	57.1%
Clerk	4	0.1%	4	100%	0	4	0.0%	100.0%
IT	722	14.5%	37	5%	17	20	45.9%	54.1%
Assessor	150	3.0%	15	10%	7	8	46.7%	53.3%
HR	31	0.6%	31	100%	20	11	64.5%	35.5%
Recorder of Deeds	49	1.0%	10	20%	10	0	100.0%	0.0%
Juvenile	88	1.8%	9	10%	5	4	55.6%	44.4%
Prosecutor	80	1.6%	8	10%	5	3	62.5%	37.5%
Purchasing	7	0.1%	7	100%	7	0	100.0%	0.0%
Facilities	226	4.5%	12	5%	11	1	91.7%	8.3%
Parks	682	13.7%	34	5%	32	2	94.1%	5.9%
Total	4971	100.0%	329	7%	223	106	67.8%	32.2%
Average	226	4.5%	15	42%	10	5	65.8%	34.2%

Again reflected in monetary value, though, the results appear as this—notably the average also reports 68% found versus 32% unfound:

Department	Total \$ Selected	Total \$ Found	Total \$ Unfound	% Found	% Unfound
Auditor	\$ 7,195.57	\$ 7,195.57	\$ -	100%	0%
Public Administrator	\$ 24,556.12	\$ 24,556.12	\$ -	100%	0%
Admin./Commission	\$ 20,867,265.86	\$ 20,803,797.50	\$ 63,468.36	100%	0%
Planning & Zoning	\$ 85,508.72	\$ 59,775.28	\$ 25,733.44	70%	30%
Airport	\$ 219,520.83	\$ 208,020.83	\$ 11,500.00	95%	5%
ODRS	\$ 5,219.52	\$ 986.22	\$ 4,233.30	19%	81%
Highway	\$ 632,390.70	\$ 632,390.70	\$ -	100%	0%
Judicial Info. Services	\$ 43,258.79	\$ 4,267.51	\$ 38,991.28	10%	90%
Circuit Clerk	\$ 5,924.41	\$ 692.45	\$ 5,231.96	12%	88%
Collector	\$ 24,892.15	\$ 17,706.37	\$ 7,185.78	71%	29%
Sheriff	\$ 248,276.89	\$ 192,891.27	\$ 55,385.62	78%	22%
Courts	\$ 16,429.15	\$ 13,126.00	\$ 3,303.15	80%	20%
Clerk	\$ 13,825.27	\$ -	\$ 13,825.27	0%	100%
IT	\$ 174,966.67	\$ 120,898.54	\$ 54,068.13	69%	31%
Assessor	\$ 51,117.15	\$ 35,916.54	\$ 15,200.61	70%	30%
HR	\$ 53,402.73	\$ 36,432.13	\$ 16,970.60	68%	32%
Recorder of Deeds	\$ 34,414.15	\$ 34,414.15	\$ -	100%	0%
Juvenile	\$ 30,618.45	\$ 5,842.05	\$ 24,776.40	19%	81%
Prosecutor	\$ 5,861.29	\$ 3,203.49	\$ 2,657.80	55%	45%
Purchasing	\$ 21,935.56	\$ 21,935.56	\$ -	100%	0%
Facilities	\$ 132,715.61	\$ 105,775.61	\$ 26,940.00	80%	20%
Parks	\$ 798,149.49	\$ 733,149.49	\$ 65,000.00	92%	8%
Total	\$ 23,497,445.08	\$ 23,062,973.38	\$ 434,471.70	98%	2%
Average	\$ 1,068,065.69	\$ 1,048,316.97	\$ 19,748.71	68%	32%

Cause: As for discussion on the dollar value data, County buildings and land within the Administration/Commission department by far throw off the interpretation. Yet without them, albeit a value of \$20,753,238.67, the inventory still produced 84% of asset value located contrasted with 16% unfound.

Regarding further departmental answers for unlocated assets, we'll focus on those with below 50%.

- *ODRS* – At 12/31/2021, the Auditor's Office reported only 6 assets as belonging to or purchased by the Office of Dispute Resolution Services (ODRS). As part of the larger Juvenile Department, however, the technology for ODRS is ultimately maintained by the Judicial Information Services (JIS) for the 7th Circuit Court of Clay County. Some 5 of the 6 unlocated assets were laptops acquired in 2021. The rationale given for these unfound items was that they are elsewhere within the Juvenile Department or Circuit Court and not located at ODRS. We did inventory what 3 computers they do possess and found the iPad in our system.
- *JIS* – We did not have much success with the JIS inventory field visits. Many items we learned were recently sent to auction. JIS along with the Circuit Court is also a quasi-State and County entity, so they maintain separate tracking systems for assets. The Auditor's Office compared those surplus records to the sample selections accordingly. Still, we still didn't see many assets. JIS has committed to a complete inventory of their own to identify all of their assets and specific locations. That effort should assist with making our lists more accurate.
- *Circuit Clerk* – This result was essentially the same as both ODRS and JIS. One iPad was located as being sent to surplus. The other 5 computers and temperature scanner were not seen.
- *Courts* – This department also had substantially similar outcomes as the above 3. Recent upgrades and technology improvements to courtrooms were taken as active and in place. We did not see the 4 computers sampled, however. We look forward to the results of the JIS inventory.
- *County Clerk* – We found none of the sampled 4 items associated with the County Clerk. These were dated assets, however, with purchases going back to 2004. It's apparent the disposal of these items wasn't communicated to the Auditor's office. We did inventory the 8 capital items physically in their office, including 2 scanners, 1 higher end monitor, and 5 computers.
- *IT* – Inventorying IT presents challenges given the lower threshold of \$500 for computer equipment. IT often procures these items on behalf of other departments as well, yet they remain assigned on the capital assets list to IT. Historical attempts of inventorying IT with previous administrations proved fruitless. Fortunately the current IT provided the Auditor's Office with their own inventory and tracking list. Upon comparing the 2 lists, we noted over half as still unfound with no proof of disposal yet. Nevertheless, this current inventory marked a step in the right direction.
- *Assessor* – Akin to IT, several dated assets were claimed as having been sent to prior surplus auctions, but the Auditor's official records do not verify them. The Assessor's Office indicated they relied on County IT to handle its items, but no records show them leaving County possession.

Effect: Again, it is vital that the County accurately monitor its capital assets because they are acquired with taxpayer dollars. An inability to know how they are disposed leads to potential waste of public resources. Moreover, maintaining correct capital asset listings leads to the right balance sheet figures for the County's reported net worth on the financial statements—although depreciation for older assets often offsets that impact.

Conclusion: The Auditor Office's recent heightened attention to monitoring capital assets has led to individual departments creating their own inventory lists. This is vital in order for all offices to coordinate and be on the same page regarding County property and assets. The Auditor's Office will continue to fulfill its role in providing an independent listing of capital assets. This function is key for proper segregation of duties.

III. Overall Rating for this Audit



Victor Hurlbert, CGAP

Clay County, Missouri Auditor

1 Courthouse Square,
Liberty, MO 64068
Phone: (816) 407-3592
Fax: (816) 407-3591