



Audit of Fixed Assets Processes and Procedures

Project # 25-11

Prepared by
Office of the Inspector General

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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

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February 12, 2026

Governing Board Members

Re: Audit of Fixed Assets
Processes and Procedures:
Project No. 25-11

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. Our audit objective primarily focused on evaluating the effectiveness of internal controls over the acquisition, inventory, transfer, and disposal of the District's non-real estate fixed assets. The audit also addressed whether the District has an effective process for identifying and tracking "attractive assets," which are tangible items below the capitalization threshold that are susceptible to loss or theft, consistent with statutory and policy requirements. Additionally, we evaluated compliance with applicable Florida Statutes, Florida Administrative Code (F.A.C.) rules, District policies and procedures, and grant-related asset management requirements. Jo Polinisse and I prepared this report.

Sincerely,

A handwritten signature in blue ink, reading "J. Timothy Beirnes".

J. Timothy Beirnes, CPA
Inspector General

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BACKGROUND

In accordance with the 2024-2025 Audit Plan, we conducted an audit of the District's Fixed Assets Processes and Procedures. The audit focused on comparing District policies and procedures for acquiring, managing and disposing of tangible assets, including "attractive items" (non-capitalized assets susceptible to loss or theft), to applicable statutory requirements and industry best practices.

The District has established policies, procedures, and processes for acquiring, safeguarding, transferring, and disposing of fixed assets. The District's Administrative Policies has two parts; Part I – District Policies and Part II – District Procedures. The District's Administrative Policy (Article V – Fixed Assets, Sec. 110-61 through 110-66) establish responsibilities for acquiring, safeguarding, transferring, disposing, and reporting on fixed assets. The policy framework is designed to ensure accurate accounting, compliance with state requirements, and stewardship of public resources. Section 110-64 of the District's policy notes that a good system of fixed asset accounting:

- Facilitates overall control and custody of District's property,
- Permits the assignment of direct responsibility for custody and proper use of specific fixed assets to individual public officials,
- Provides data essential to the proper costing of services and setting of rates and fees, and
- Provides data essential to property management of fixed assets.

The Governing Board has ultimate custodial authority in accordance with Chapter 274, Florida Statutes, and delegates operational responsibilities to the Executive Director, Finance Bureau, Asset Management staff, Bureau Chiefs, and Property Clerks. Responsibilities include maintaining current and accurate fixed asset records, conducting annual physical inventories, safeguarding attractive assets, and ensuring disposals or transfers are properly authorized and documented.

For purposes of this audit, fixed assets are defined as tangible personal property with a value at or above the District's and State of Florida capitalization threshold of \$5,000, with an expected useful life of more than one year. Attractive items, as defined by Rule 69I-73, F.A.C., include assets below the capitalization threshold that are susceptible to theft, loss, or misuse (e.g.,

laptops, tablets, cameras, tools, etc.) and require tracking for accountability. The District has approximately 10,405 personal property items with a combined original purchase price of \$168,011,135 as of the March 2025 inventory.

The Governing Board has the ultimate authority and responsibility for the custody of District fixed assets as set forth in Chapter 274 F.S - Tangible Personal Property Owned by Local Governments. The Governing Board has delegated control over the District's fixed assets to the Executive Director, who in turn has designated responsibility for physical custody of assets to Bureau Chiefs, Directors and/or Section Administrators.

The following table shows how the responsibility for fixed assets is assigned at the District in accordance with approved Administrative Policies:

TITLE	RESPONSIBILITY
Executive Director	Approval authority for all budgeted tangible personal property acquisitions and dispositions.
Finance Bureau Chief	Development and maintenance of policies, procedures, guidelines, and accounting records for fixed assets.
Bureau Chiefs of Real Estate, Engineering and Construction, and Land Management	Acquisition, management, disposition and transaction processing of District's Real Property.
Fleet Management	Development of technical specifications for the acquisition, coordination of physical control, declaration of surplus, assisting in the disposition, titling, registering and licensing fleet equipment.
Bureau Chief of Information Technology	Development of technical specifications for the acquisition and coordination of computer equipment, declaration of surplus, and assisting General Services in disposal and disposition of computer equipment.
Bureau Chiefs/Office Directors/Section Administrators	Delegated physical custody and stewardship of property assigned to their areas.

The District's Procedures are comprehensive and cover the following areas:

- Controlling and Safeguarding Fixed Assets
- Fixed Asset Reporting
- Records Maintenance
- Retirement and Disposal of Fixed Assets
- Transfer of Fixed Assets
- Physical Inventory

The policies and procedures incorporate requirements specified in the Florida Statutes and the Florida Administrative Code. Assets are recorded in the SAP system and periodic physical inventories are performed.

The District meets the definition of "governmental unit" as stated in Florida Statutes Chapter 274 – Tangible Personal Property Owned by Local Governments, and therefore, must comply with the Statute's requirements. The Statute defines property as equipment, fixtures, and other tangible personal property of a non-consumable and non-expendable nature. It states that "the State's Chief Financial Officer shall establish by rule the requirements for the recording of property in the State's financial systems and for the periodic review of property for inventory purposes." These rules are contained in Chapter 69I-73 F.A.C. (Florida Administrative Code).

The Asset Management Section within the Finance Bureau is responsible for oversight of the asset management function, ensuring that the assigning, distributing and recording of asset tag numbers to all fixed assets is completed. They also coordinate with District staff in the management, administration, and review of the District's tangible personal property. The Section ensures that the processes are in compliance with District policies and applicable State laws and regulations. They administer the annual fixed asset inventory process, and surplus asset sales, conduct training for staff on inventory procedures, asset tagging requirements, property transfers, research of unallocated and missing assets, and asset disposals and recordkeeping.

OBJECTIVE, SCOPE, AND METHODOLOGY

The main objective of this audit was to:

- Evaluate the effectiveness of internal controls over the acquisition, inventory, transfer, and disposal of the District’s non-real estate fixed assets,
- Assess whether the District has an effective process for identifying and tracking “attractive assets,” tangible items below the capitalization threshold that are susceptible to loss or theft, consistent with statutory and policy requirements, and
- Determine compliance with applicable Florida Statutes, Florida Administrative Code (F.A.C.) rules, District policies and procedures, and grant-related asset management requirements.

To achieve the audit objectives, the Office of Inspector General (OIG):

- Reviewed District Administrative Policy Article V – Fixed Assets (Secs. 110-61 through 110-66) and related procedures.
- Reviewed Florida Statutes Chapter 274 and Florida Administrative Code Rule Chapter 69I-73 requirements.
- Reviewed grant agreements to determine compliance requirements for grant-funded assets.
- Considered whether information systems were significant to audit objectives. SAP, the District’s enterprise system for recording asset acquisition, disposals, transfers, and inventories, was determined to be significant.
- Relied on assurance gained from the District’s external auditors, who annually review internal controls over SAP as part of the Annual Comprehensive Financial Report (ACFR)

The scope of this audit included District policies, procedures, and practices related to the acquisition, inventory, transfer, and disposal of fixed assets, including attractive items. The audit covered transactions and activities for the 27-month period from October 1, 2022, through December 31, 2024.

The judgmental sample method was used throughout the audit. Judgmental sampling was considered the preferred methodology based on consideration of the size of the various audit populations and characteristics, as well as audit efficiency and professional judgment. Although the sample cannot be statistically projected to the populations from which the samples were selected, we believe the sample, along with the results of the audit tests, provide reasonable assurance for us to determine whether there are adequate controls over fixed asset processes.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Executive Summary

Purpose & Scope

In accordance with the 2024–2025 Audit Plan and GAGAS (Yellow Book), the OIG evaluated the effectiveness of internal controls over acquiring, inventorying, transferring, and disposing of District non-real estate fixed assets, including “attractive items” below capitalization thresholds. The audit covered October 1, 2022, through December 31, 2024, and included targeted testing of acquisitions, disposals/transfers, inventory processes, records retention, and compliance with Florida Statutes Ch. 274 and F.A.C. Rule 69I-73.

Overall Conclusion

The District has established policies and procedures and a generally functioning control framework for fixed asset management. However, implementation gaps and inconsistent documentation were noted in several areas, particularly for attractive items and disposal documentation, which reduce asset visibility, introduce compliance risk, and weaken accountability for public resources.

Highlights of Results

Following are highlights of the audit results:

1. Completeness of Asset Records
 - One attractive asset purchased with FDEP grant funds was created in SAP without a serial number. This indicates a breakdown in data-entry controls and potential grant-compliance risk. This matter was corrected during the audit.
2. Disposals & Transfers – Documentation and Accuracy
 - In a sample of 20 disposals/transfers, 5 exceptions (25%) were identified: missing surplus forms, missing heavy-equipment decommissioning checklists, and one asset deactivated in error while still in service. Root causes include clerical error, unclear ownership for uploading documents, training gaps, and SAP workflow limitations that do not enforce required attachments.

Key Effects & Risks

Following is a summary of the key affects and risks regarding the above audit results:

1. Regulatory & Grant Compliance: Gaps may conflict with F.S. Ch. 274 and F.A.C. Rule 69I-73, and create exposure under grant reporting/retention requirements.
2. Governance & Transparency: Inconsistent execution across divisions diminishes audit readiness and confidence in control execution.

Update Asset Management Training and Procedures to Clarify Process for Lost or Stolen Attractive Items

Audit procedures included assessing whether the District has an effective process for identifying, recording, and tracking attractive assets. Attractive assets are tangible personal property under the capitalization threshold that, due to their portability and susceptibility to loss or theft, require tracking. District procedures and training documents were evaluated and compared against applicable Florida statutes and administrative code requirements.

OIG reviewed the “Asset Property Management Training for Property Clerks,” last updated on March 5, 2025, and noted that the end-of-life procedures for assets — including handling stolen, vandalized, or lost property — are outlined on slide 95; however, this section refers only to fixed assets greater than \$5,000 and does not explicitly mention attractive items. OIG followed up with Asset Management staff and confirmed that the process is also intended to apply to attractive items. The results of this lack of clarity are:

- 1) District divisions may inconsistently handle the loss or theft of attractive items,
- 2) Staff may not initiate documentation, reporting, or SAP record updates for lost or stolen items under \$5,000 and,
- 3) The District may be at increased risk of audit findings or reputational risk due to lack of accountability over taxpayer-funded assets.

Recommendation

- 1. The Asset Management Team should revise the “Asset Property Management Training” and related procedure documents to clearly indicate that the “End of Life Procedure – Stolen, Vandalized, Loss” applies to attractive items. This clarification will help ensure consistency in how divisions manage the loss or theft of attractive items, support proper accountability, and reinforce compliance with statutory requirements.**

Management Response: Management agrees with the recommendation to update the training documentation and highlight the updates in the next training session.

Responsible Division: Administrative Services Division

Estimated Completion: June 30, 2026

Incomplete Asset Master Record Due to Missing Serial Number at Time of Creation

The Office of the Inspector General (OIG) selected a sample of 20 attractive item purchases coded to GL account 541590. Sample 19 consisted of a Vibratory Plate Compactor purchased individually for \$2,360.00 and received on December 17, 2024. This asset met the District's definition of an attractive item and was therefore expected to be entered into SAP with a complete asset master record upon receipt, including a serial number for tracking. OIG also noted that the asset was procured using grant funding from the Florida Department of Environmental Protection (FDEP), grant agreement number WP025.

Per the District's Asset Management Procedure for Procuring Attractive Assets, users must populate the asset master record in SAP upon receipt of goods, including the serial number on the General tab if the serial number is available.

Florida Administrative Code Rule Chapter 69I-73.006 requires that, for property subject to inventory, the entity must maintain a property record that includes, among other data points; the manufacturer's serial number, model number, or other identification number, if applicable. Florida Statutes Chapter 274.03 outlines that tangible personal property records must be maintained with sufficient detail for identification, accountability, and safeguarding of public assets.

FDEP Grant Agreement, Section 5 – Equipment Purchase: Requires that grantees: Maintain an accurate inventory of all non-consumable and/or non-expendable property or equipment purchased with state funds.

The omission occurred because the employee who received the asset in SAP in December, was still learning the receiving process and was not fully apprised of the complete requirements for creating attractive item records. Although the employee received a notification to create the asset record, they were not aware that all identifying information, including the serial number, was required at the time of entry. The issue came to light only after another employee reached out for follow-up, at which point the property clerk provided the missing asset details, and the serial number was added by the property clerk during the audit review process.

Recommendations

2. **Asset Management leadership should reemphasize the requirement to capture serial numbers at the time of the asset master record creation during training sessions and communications with users responsible for goods receipt and asset entry.**

Management Response: Management agrees with the recommendation to update the training documentation and highlight the updates in the next training session.

Responsible Division: Administrative Services Division

Estimated Completion: June 30, 2026

3. **SAP system enhancements of data validation controls should be evaluated to ensure serial number fields are flagged as required for applicable attractive items, where a serial number is available on the invoice or shipping documents.**

Management Response: Management agrees with the recommendation to update the fields in SAP and will discuss options to update fields and forms with SAP support team.

Responsible Division: Administrative Services Division

Estimated Completion: June 30, 2026

4. **Periodic monitoring or exception reports should be implemented to identify asset records that lack critical fields such as serial number or model number so that corrective action can be taken proactively.**

Management Response: Management agrees with the recommendation to create a monitoring exceptions report. Staff will discuss development of reporting components available with SAP support team.

Responsible Division: Administrative Services Division

Estimated Completion: September 30, 2026

Establish Division of Duties for Property Clerks

As part of the audit of fixed asset management, the Office of the Inspector General (OIG) reviewed a sample of 20 asset disposals and transfers from FY 2023 through Q1 FY 2025. The objective was to assess whether asset disposals and transfers were accurately processed, supported with appropriate documentation, and compliant with District procedures and Florida Administrative Code Rule 69I-73.005. Particular attention was given to high-risk assets such as IT equipment and heavy machinery, which are more susceptible to loss or misuse if improperly recorded or unsupported by proper documentation.

Per District Asset Management Procedures (2025 Training):

- All disposals require a completed and signed Surplus Inventory Form uploaded to the SAP asset master record.
- Decommissioning Checklists must be completed for vehicles and heavy equipment and uploaded to SAP.
- Assets must not be removed from inventory unless supporting documentation is completed, reviewed, and approved by management.

Florida Administrative Code Rule 69I-73.005(2):

- "Each governmental unit shall ensure that property records are maintained accurately, and that all deletions from property records are documented and approved by the governmental unit's management."

Florida Administrative Code Rule 69I-73.005(2):

- "Required Information - The following information shall be recorded on the individual property record for each item lawfully disposed of, pursuant to sections 274.05, 274.06 or 274.07, F.S.:
 - (a) Date of disposition.
 - (b) Authority for disposition (resolution of the governing body properly recorded in the minutes as required by section 274.07, F.S.).
 - (c) Manner of disposition (sold, donated, transferred, cannibalized, scrapped, destroyed, traded).

- (d) Identity of the employee(s) witnessing the disposition, if cannibalized, scrapped or destroyed.
- (e) For items disposed of, a notation identifying any related transactions (such as receipt for sale of the item, insurance recovery, trade-in).
- (f) For property certified as surplus, reference to documentation evidencing that such property was disposed of in the manner prescribed by section 274.05 or 274.06, F.S.”

Documentation gaps or inconsistencies were identified in 5 of 20 samples examined (25%):

Asset #	Description	Documentation Issue(s)
414139	Dell Blade Chassis	Surplus form missing from SAP at time of review
419351	Air Conditioner	Incorrectly deactivated; no surplus form; asset still in service
500564	Excavator (Super Long Front)	Missing decommissioning checklist in SAP
502188	Frontloader, Skid Steer	Surplus form missing from SAP
501200	Utility Truck, F-550	Decommissioning checklist missing from SAP

The Decommissioning Checklist is a form used for fleet and heavy equipment items that includes additional information not included on the surplus Form; such as, vehicle mileage and other information regarding the assets condition. Seven of the 20 sampled items were vehicles and heavy equipment items for which the Decommissioning Checklist usually completed. Five of the seven Decommissioning Checklist form were attached to the asset in SAP; thus, the typical practice appears to be to upload the Decommissioning Checklist to SAP. Although the procedures specifically state the Surplus form is required to be uploaded to SAP; the procedures do not specifically state the Decommissioning Checklist for vehicles and heavy equipment are required to be uploaded. The Decommissioning Checklist contains valuable information regarding these large assets. Uploading these forms to SAP ensures that such information is retained and readily available for future reference for assets that produce most of the revenue generated from surplus asset sales. We recommend including uploading the Decommissioning Checklist to SAP part of the fixed assets disposal procedures.

As a result of these issues:

- 1) Assets were removed from the inventory system prematurely, risking inaccurate financial records,
- 2) Audit trails for disposed assets were incomplete, impacting transparency and accountability,
- 3) Potential for noncompliance with state statutes, especially where evidence of proper disposal method, authority, or witness was absent.

Recommendations

- 5. Clarify roles and responsibilities for uploading surplus forms and decommissioning checklists in both training materials and job duties.**

Management Response: Management agrees with the recommendation to update the training materials. Staff will coordinate with documentation updates and will highlight the updates and forms in the next training session.

Responsible Division: Administrative Services Division

Estimated Completion: June 30, 2026

- 6. Ensure that all disposals or transfers are supported by a signed surplus form and uploaded to SAP by the property clerks before changes to asset status are made.**

Management Response: Management agrees with the recommendation to update the training materials. Staff will coordinate with documentation updates and will highlight the updates and forms in the next training session.

Responsible Division: Administrative Services Division

Estimated Completion: June 30, 2026

7. Reinforce training for property clerks and staff responsible for receiving or disposing of assets, particularly:

- **The importance of uploading both surplus forms and decommissioning checklists, as applicable,**
- **The risk of prematurely removing assets without full documentation, and**
- **The importance of investigating discrepancies when scanning assets that are not found in Neptune.**

Management Response: Management agrees with the recommendation to update the training materials. Staff will coordinate with documentation updates and will highlight the updates and forms in the next training session.

Responsible Division: Administrative Services Division

Estimated Completion: June 30, 2026

8. Implement the following SAP workflow improvements, as practical:

- **Require upload of mandatory forms (e.g., surplus forms, decommissioning checklists) before asset status can be changed to “Disposed” or “Retired”**
- **Flag missing critical fields like serial numbers or disposal authority**

Management Response: Management agrees with the recommendation to update workflow. Staff will discuss the workflow programming components available with SAP support team.

Responsible Division: Administrative Services Division

Estimated Completion: September 30, 2026

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9. **Introduce a secondary validation step (checklist) prior to approval of transfer to verify supporting documents are complete and accurate.**

Management Response: Management agrees with the recommendation to have a secondary validation step prior to approval of transfer to verify supporting documents are complete and accurate.

Responsible Division: Administrative Services Division

Estimated Completion: September 30, 2026