

Neil Kelly
Clerk of the Circuit and County Courts
Lake County, Florida

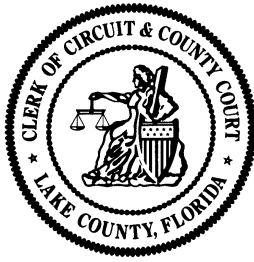
Fixed Asset Verification
Public Works Department
Fiscal Year Ending September 30, 2013

Division of Inspector General
Audit Report

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Inspector General

Audit Conducted by:
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Report No. BCC - 115
February 19, 2014



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February 19, 2014

Board of County Commissioners

We have conducted our annual verifications of the FY 2013 Fixed Assets for the Public Works Department as scheduled per our Annual Internal Audit Plan.

We appreciate the cooperation and assistance provided by the Public Works Division and all other local county and governmental entities contacted during the course of this audit.

Respectfully submitted,

Bob Melton

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Inspector General

BM/sp

CC: Honorable Neil Kelly, Clerk of Circuit & County Court
David Heath, County Manager
Barbara Lehman, Chief Deputy Clerk, Finance Department
Jim Stivender, Director of Public Works

Neil Kelly

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INTRODUCTION

Scope and Methodology

We have conducted Fixed Asset Verifications for the Public Works Department fixed assets (on a sample basis), as scheduled per our Annual Audit Plan. Our objectives were to:

1. Determine whether fixed assets are reasonably present and accounted for properly.
2. Determine whether fixed assets purchased during the current fiscal year are present and accounted for properly.

The areas included in our verification are:

Traffic Operations	Aquatic Plant Management
Road Operations	Water Resources
Engineering	Yard Waste Operations
Scales Services	Solid Waste Administration
Environmental Services	Hazardous Waste
Mosquito Control	Recycling
Collection Services	Landfill Operations
Residential Drop-Offs	Construction Inspection

In order to determine whether all fixed assets are reasonably present and accounted for, we obtained a list of all Public Works fixed assets as reported in the County's asset accounting software, selected a random sample of fixed assets to verify, and physically viewed each randomly selected fixed asset or appropriate disposal paperwork to account for the asset.

In order to determine whether all fixed assets purchased during the current fiscal year are present and accounted for, we obtained a list of all fixed assets purchased in the current year, verified that each asset was accounted for in the fixed asset accounting system, selected a random sample, and physically verified the presence of the selected fixed assets.

The audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was from October 1, 2012 through September 30, 2013.

Overall Conclusion

We conclude that County fixed assets are reasonably present and accounted for properly. We also conclude that fixed assets purchased in FY 2013 are reasonably present and accounted for properly.

Background

The Board of County Commissioners is responsible and accountable for all fixed assets acquired for its employees' use. The Public Works Department, which encompasses the Engineering, Environmental Services, Road Operations, and Solid Waste Divisions, maintains a significant level of fixed assets due to the nature of services provided. We calculated a combined total of 703 fixed assets with a value of \$11,791,011. Thirty nine of these fixed assets, valued at \$367,065, were purchased during FY 2013.

Tangible personal property with a value or cost of \$1,000 or greater and a useful life of at least one year must be recorded in the County's financial system as property for inventory purposes.

Covanta is a waste to energy facility utilized by Lake County for solid waste disposal. The facility was built in 1989 as an alternative to burying the County's waste. Solid waste is collected, and then incinerated at the facility. The energy produced during the incineration process is generated into electricity which powers thousands of homes and businesses. As trucks carrying waste enter and leave the facility, they are weighed on large truck scales. Determining the weight of the waste dropped off is essential for activities such as calculating electric revenues, proper hauler billing, and estimating capacity levels at the facility.

It should be noted that the contract with Covanta is being terminated, and the County has elected to begin burying its waste in the future at a landfill.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed a policy, procedure, or practice that should be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, Opportunities for Improvement may exist which were not identified during the course of the audit.

Covanta Truck Scales are Improperly Included in County Fixed Assets

The County purchased computerized truck scales for \$121,274 on February 1, 1989. These scales are located at and permanently affixed at the Covanta facility. In addition to the purchase cost of this asset, the County has expended \$7,243 for an external display board on April 5, 2001 as well as \$29,880 for upgrades on August 10, 2001.

Currently, Lake County does not have ownership of the scales located at the Covanta facility. Per the most recent contract with Covanta Lake II, Inc., the "County shall not have, through this Agreement or otherwise, (a) any title to or ownership interest in the Facility or (b) physical possession of or control over the Facility, during the term of this Agreement." The contract defines the Facility as "the Mass Burn Resource Recovery, steam and electric generating facility, together with all additions, replacements, appurtenant structures and equipment, located on the Site." Though Covanta maintains ownership of all structures and equipment, "the County at its own expense shall maintain the scales and gatehouse in good condition."

The computerized truck scales, display boards and upgrades for the scales are currently listed in the County's fixed asset inventory system as Lake County owned assets.

The contract with Covanta is due to expire in June 2014 at which point the County will have no interest in the assets located at Covanta.

We Recommend management remove the truck scales and related hardware from the fixed asset inventory system.

Management Response:

We concur with the recommendation.