




CITY AUDITOR'S OFFICE

TO: Mayor and Council Members
FROM: Margaret Krym, CIA, CGAP, City Auditor 
DATE: September 27, 2012
SUBJECT: Capital Assets – Equipment Final Report

The FY2012 Audit Plan included a review of the City's Capital Assets - Equipment. We engaged the CPA firm of Carr, Riggs and Ingram, LLC to assist us by performing the necessary procedures to evaluate controls and governance related to these assets. We have attached the electronic copy of their final report, which we received this morning. When we receive the hard copy we will distribute a copy to each of you.

The report includes:

- A Transmittal Letter – Executive Summary
- Detail Report
- Grid with recommendations and Management's responses

Carr, Riggs and Ingram, LLC have made five specific recommendations, which Management has agreed to implement. They have also noted that the Financial Services Department is well informed regarding the areas in need of improvement and they are actively working to resolve the problems noted.

We will be happy to respond to any questions or concerns. You may contact me at 239-242-3380.

C: John Szerlag, City Manager
Dolores Menendez, City Attorney
Rebecca van Deutekom, City Clerk
Victoria Bateman, Financial Services Director
John MacLean, ITS Director
Audit Committee

City of Cape Coral

Agreed Upon Procedures Report

**For the year ended
September 30, 2011**



Certified Public Accountants
Business Consultants
Limited Liability Company

August 20, 2012

City of Cape Coral
Margaret Krym
City Auditor

Re: Agreed upon procedures for the detail fixed assets equipment category – Transmittal Letter

We have performed the procedures as enumerated in our report to the City Auditor of the City of Cape Coral. We strongly recommend that the report be read in detail in order to fully understand the procedures performed and the results of those procedures and our findings. Overall we have noted, that there is still quite a bit of work to be done with the fixed asset equipment detail subsidiary ledger, however, the Financial Services Department is aware of the issues. The fixed asset manager is diligently working to resolve the problems.

We are providing this letter to summarize the results of the agreed upon procedures related to the detailed fixed assets equipment category as maintained in the subsidiary ledger of fixed assets by the Financial Services Department of the City of Cape Coral.

- We have obtained the fixed asset equipment detail totaling \$53,530,995 as of September 30, 2011 and the related accumulated depreciation of \$43,832,854. We noted that the total of the subsidiary detail tied to the September 30, 2011 CAFR to within a nominal difference. We further noted that approximately \$16 million in equipment assets have not been assigned to their specific division/department.
- We reviewed the 2011 inventory sheets, reconciliations and adjustments for 5 divisions. We noted that the asset custodians appear to be very aware of what assets are at their respective locations and they keep their own detail records. However, the inventory count sheets prepared by the Financial Services Department by division do not match up very well for the majority of the sites we visited. This is due primarily to the fixed asset subsidiary ledger conversion in 2008 and the fact that many assets were not identified to the specific divisions and are therefore not on the inventory sheets.
- In addition, we noted that the threshold for assets to be tracked in the fixed asset system is \$1,000. There are approximately, 3,400 items with a cost value of \$3,000 or less out of 9,200 total items. Almost 37% of the equipment assets being tracked are less than \$3,000. As most governments, the City of Cape Coral is trying to do more with less, therefore, we recommend that the Council consider a threshold between \$2,000 and \$5,000 for capitalization of the equipment assets. This will assist in making some of the City employees more efficient.
- Based on testing of the depreciation calculations, we noted that the estimated lives of the assets did not convert appropriately in 2008 for all equipment items. The Financial Services Department is aware of this issue and the fixed asset manager will be working on making the necessary corrections.

City of Cape Coral
Margaret Krym
City Auditor
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August 20, 2012

We appreciate the help and assistance from the City Auditor, staff and the Financial Services Department of the City of Cape Coral during this process.

Sincerely,

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

City of Cape Coral
Margaret Krym
City Auditor

We have performed the procedures enumerated below, which were agreed to by the City Auditor of the City of Cape Coral, solely to assist you with respect to a review of the internal controls, processes and procedures related to the detail fixed assets equipment category as maintained in the subsidiary ledger of fixed assets by the Financial Services Department of the City of Cape Coral as of the year ended September 30, 2011. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit I either for the purpose for which this report has been requested or for any other purpose.

See Exhibit I for the results of our procedures and the findings.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City Auditor, City Management and the City Council of the City of Cape Coral and is not intended to be and should not be used by anyone other than those specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Certified Public Accountants

August 20, 2012

Exhibit I

In 2009, the City changed the software used to track and account for capital assets. This conversion was tedious and time consuming. The Financial Services Department has invested significant effort in verifying the accuracy of the data base created in the new software. Although they have reconciled the detailed fixed asset subsidiary ledgers to the CAFR reported balances they have not as yet completed all the necessary corrections required. As a result, we were asked to perform the following procedures as agreed-upon by the City Auditor of Cape Coral and later (May 21, 2012) agreed to by City Management with the following results:

1. Obtain the detailed capital equipment cost basis and related depreciation schedules for the equipment asset groupings for governmental activity and business type activity summarized and subtotaled at a departmental level for both 2010 and 2011.

We obtained the detailed fixed asset subsidiary ledgers cost basis and related depreciation schedules for the fixed assets in total. We then sorted the detail in Excel to identify the total of the capital equipment inventory by governmental activity (\$53,530,995 for 2011 and \$53,668,540 for 2010) and business type activity (\$33,087,402 for 2011 and \$33,178,580 for 2010) for the years ending September 31, 2010 and 2011(as disclosed in the CAFR). We noted the totals of these two sorts agreed to the 2010 and 2011 CAFR ending balances without exception except for the 2011 governmental activity which was agreed to within \$45,000.

Each location within the City is identified with a number. Each asset record indicates the asset location by including the location number. Some assets are not assigned to a location and their location number ends in "000". These "000" assets are in an "Unidentified location holding account." From the fixed asset listing that agrees to the City's CAFR we obtained a listing of these unassigned assets. We found that these accounts include over 900 assets with a total cost over \$16 million. Since these assets are not included in any business unit location they are not printed on any inventory sheets. These assets have not been tracked or tested for existence.

2. Review the documentation and adjustments required to reconcile the detail subsidiary records listed in Step 1 with the general ledger totals for both the 2011 and 2010 fiscal year ends.

See the response above.

3. For 2010 and 2011 randomly select for each year 15 additions, 15 disposals and 15 interdepartmental transfers. For each selected item, review supporting vendor invoices, evidence of the procurement bidding when required, and use of City required documentation as outlined in AR Number 51.

Additions:

Of the 15 additions tested for the fiscal year end 2011, we specifically reviewed the purchase order process noting it to be in compliance with AR 51. We observed that the purchase orders selected were properly approved, noted the "purchase of a new asset" form was used, in accordance with AR 51 and noted the asset tag number per the form agreed to the fixed asset schedule. In addition we viewed the invoice/packing slip in support of this purchase. We noted no exceptions.

Of the 15 additions tested for the fiscal year end 2010, we specifically reviewed the purchase order process noting it to be in compliance with AR 51. We observed that the purchase orders selected were properly approved. We also noted the "purchase of a new asset" form was used in accordance with AR 51 and noted the asset tag number per the form agreed to the fixed asset schedule. In addition we viewed the invoice/packing slip in support of this purchase. We noted no exceptions.

Disposals:

Of the 15 disposals tested for the fiscal year end 2011, we specifically noted that the "Retirement of Asset" form was completed in compliance with AR 51 and signed by the division director. Carr, Riggs & Ingram LLC (CRI) noted that the journal entries to record the gain/loss on the sale for the asset were properly recorded. We examined the sales receipts for disposal of asset by sale through auction as described in AR 51. If the asset was not sold at auction then we noted an "acceptable reason" as to why the asset was not sold at auction in accordance with AR 51 and the final disposition of the property. No exceptions were noted.

Of the 15 disposals tested for the fiscal year end 2010, we specifically noted that the "Retirement of Asset" form was completed in compliance with AR 51 and signed by the division director. CRI noted the journal entries to record the gain/loss on the sale for the asset was properly recorded. We examined the sales receipts, for disposal of asset by sale through auction as described in AR 51. If the asset was not sold at auction then we noted an "acceptable reason" as to why the asset was not sold at auction in accordance with AR 51 and the final disposition of the property. No exceptions were noted.

Transfers:

Of the 15 equipment asset transfers tested for fiscal year 2011, we specifically noted that 13 of transfers were between a governmental activity and a business activity. We noted one was a change in useful lives from a 5 year to a 3 year life in accordance with AR 51. This appears appropriate. We noted that one transfer was an asset valued at \$25,800 that was on loan from the Nation Insurance Crime Bureau and therefore is not an asset of the City. We would recommend that this asset not be recorded as an asset. CRI noted that 13 of the 15 items examined had corresponding journal entries that properly transferred the proper net value of the asset. See the two exceptions above. This step does not apply to them. In addition, for 13 of the 15 tested we noted that the "Transfer of Asset form" was properly completed and signed by both the parties to the transfer in accordance with AR 51. We further noted that 6 of the 15 transfers had physically taken place in a fiscal year 2010 or prior but were recorded in fiscal year 2011.

Of the 15 equipment asset transfers tested for the fiscal year 2010, we specifically noted that 10 were between a governmental activity and business activity. Five of these 15 transfers were either within the governmental activity departments or within the business enterprise departments. An actual entry to transfer was not recorded as there is no impact on the assets in total within the two sub groups. For 3 of the 15, we noted that the location of the asset was changed in the subsidiary ledger however the journal entry required to transfer the net book value had not been posted.

4. Randomly select 5 departmental annual equipment inventory reports for 2011. Review the reconciliation and adjustments procedures used to identify and record errors noted during these annual physical inventory procedures.

AR 51 requires an annual physical examination of all assets. This process is coordinated by the Financial Services Department and carried out by asset custodians and staff in the various departments across the City. CRI randomly selected the Water Production-South Plant, Code Compliance, DCD Administration, Golf Course Greens and Water Reclamation-Everest and met with each of the asset custodians. We discussed their physical inventory examination process and then using the inventory count sheets provided by the Financial Services Department from 2011 for that location, we selected items on the sheet and asked the custodians to show us the asset and we matched the asset tag number on the observed equipment to the inventory count sheet. We then selected items from the location and found them on the inventory sheet. We would expect some movement of the equipment as it had been nine months since staff completed their inventory examination however, we expected the asset custodians to have documentation as to where the assets were. We noted the following:

Water Production- South Plant

In discussions with asset custodian, he stated that he keeps “asset books”. The books contain copies of all the asset forms for equipment maintained at the plant. He also notes the location at the plant where the item can be found. He was very knowledgeable as to the location of the assets. The asset books were of great assistance in locating equipment that had been moved since the 2011 inventory had been completed. At this location we noted the following:

- *Of the 9 items selected on the 2011 inventory sheet, the asset custodian was either able to physically show us the piece of equipment and we agreed the asset tag number or he was able to show us where the piece of equipment had been moved to. For example, there were some assets that had been spare parts that have now been moved into deep wells and they can no longer be observed.*
- *Of the 11 items we selected from the “floor” as we walked through the plant we were able to agree three items to the inventory sheet as of 2011. The other 8 items were not included in the inventory sheet although they should have been. This is a result of the fixed asset subsidiary ledger conversion. Not all of the assets were put into the correct division. The fixed asset manager is in the process of correcting the subsidiary ledgers however, this had not yet been completed.*
- *CRI also noted 3 asset tag numbers that were duplicated, however they were assigned JDE numbers in the new subsidiary ledger and the JDE numbers were not duplicated.*

Code Enforcement

CRI met with the asset custodian. The majority of the assets held in this division are vehicles and laptops. The code enforcement officers are out of the office most of the time. The asset custodian also noted that tracking the correct location and asset numbers of laptops are difficult because when they do not work they go to the ITS department and ITS sends them a replacement. This exchange may or may not be communicated to the fixed asset manager in financial services. In order to view assets we went to the cubicle area where the officers come in to synch their laptops. At this location, we noted the following:

- *There were eight laptops in the office of which, four were on the inventory list and the asset tag numbers agreed to the inventory sheet. There were three that had been written in during the 2011 inventory and we noted one that needs to be added to the list as an addition for 2012.*
- *We then went into the parking lot and found 9 vehicles marked Code Enforcement and we noted the asset tag number (painted on the vehicles) agreed to the inventory sheet.*

DCD Administration

We met with the asset custodian for all three DCD divisions however we only reviewed administration. As we looked at the 2011 inventory list with the asset custodian, she noted that the majority of the assets listed did not belong in this specific division. She had noted on the 2011 inventory sheet the division locations where many of the assets should have been reassigned to. Therefore we obtained the inventory listing for DCD administration as of May 24, 2012 and we noted the following for this location:

Of the 40 items still on the 2012 inventory list for DCD administration:

- 2 items are modular systems (cubicles). Although the office location does have modular systems, these items should not be classified as equipment*
- 1 item, a laptop, does belong to the department however it is no longer operational. DCD was waiting to hear how to physically dispose of the asset. ITS has not yet responded. We did view the asset tag and it agreed to the listing*
- 2 items were appropriately included in the department and we viewed the asset tags and traced them back to the listing.*
- 22 items all computer related equipment (primarily laptops) were not in the DCD administration department or any other DCD department. The asset custodian did not know where these items were or where they belonged.*
- 7 items had been identified by the asset custodian as assets that do not belong in DCD administration and she had provided in the comment section the division they should have been moved to.*
- 6 items were ITS related. It may be appropriate that they are charged to DCD administration however since they are not physically housed in DCD the asset custodian did not know anything about the assets. Verification of these assets would need to be done by ITS however they were included in the DCD Administration inventory listing for the annual physical examination.*

Golf Course Greens

CRI met with the asset custodian for the golf course greens. We randomly selected eight items from the 2011 inventory report and the asset custodian took us to those items and we noted that the asset tag number agreed without exception. We then selected three items from the maintenance building and traced those items back to the inventory sheet noting the asset tag number agreed to the inventory sheet without exception.

Water Reclamation – Everest Plant

We met with the asset custodian at the Everest Plant. She is the asset custodian for five divisions all at this site. We focused on water reclamation. She maintains asset books using the fixed asset forms. We examined the 2011 inventory report with her and noted her many notes indicating that assets were in the wrong department and which department the assets should have been moved to. At this location we noted the following:

- *Seven of the eleven items randomly selected from the inventory sheet were located and the asset tag numbers on the equipment agreed to the number on the inventory sheet*
 - *Three of the eleven items randomly selected from the inventory sheet were actually at the Southwest Plant and should have been transferred out of this division. We traced these items and the related asset tag numbers to the Southwest Plant asset books without exception.*
 - *For one of the eleven items selected we were unable to positively identify the asset because there was not an asset tag number on the piece of equipment. We did note a serial number on the equipment that was identified as the asset however the asset sheet did not have a serial number.*
 - *We randomly selected 9 items from the water reclamation area and all were agreed back to the inventory sheet based on the asset tag number.*
5. Randomly test the assigned useful life and depreciation calculation of 45 listed assets in the 2011 fixed asset listing for governmental activity and business activity equipment to determine compliance with the procedures outlined in AR Number 51.

CRI randomly selected 45 fixed assets out of the equipment listing for governmental activity and business activity from the fiscal year ended 2011 equipment fixed asset listings. Of the 45 items tested we noted 10 items were being depreciated using the wrong life as outlined in AR 51. Some were being depreciated over too long a life and some too short of a life.

6. Determine the names of the assigned Capital asset custodian for each of the five departments selected in Step 4. Review with each asset custodian the completed 2011 equipment inventory report and request process improvement feedback.

Based on discussions with each of the five asset custodians in Step 4, we received the following feedback:

- *Every year they mark up the inventory reports requesting items to be moved to another department/division, many times naming the department/division. The changes have not been made. The asset custodians requested that the subsidiary ledgers be corrected.*
- *AR 51 defines the threshold for capitalizing an asset as \$1,000. This is a low threshold. Some of the asset custodians we met with have many items between the \$1,000 to \$3,000 range that are kept on hand as spare parts and used as needed. It is difficult and extremely time consuming to track all of these parts.*
- *The asset custodians would like to receive the inventory sheets in Asset tag number order.*

Based on discussions with the fixed asset subsidiary ledger manager, we noted the following:

- *The fixed asset manager is fairly new in the position. She is very knowledgeable, however there is still quite a bit of clean-up work required to complete the accuracy of the software conversion in the equipment area. In examining the 2011 inventory sheets for the 5 divisions we randomly selected, each one had pieces of equipment marked that still need to be researched and corrections identified and entered.*
- *As of May 24, 2012 there were approximately 9200 assets, of these 1831 had cost values between \$0 and \$2,000 and 1594 of the assets had cost values between \$2,001 and \$3,000.*
- *The fixed asset manager is responsible for sending out all the asset inventory sheets to the asset custodians for the purpose of physically examining the assets annually. Although, she did originally have a log of the physical examination inventory sheets that she sent out to the departments/divisions, they were not tracked when they were returned to her therefore she cannot verify that all were received.*

7. Determine if the City received any donated capital assets in either 2010 or 2011 and review compliance with the City accounting procedures.

Based on discussions with the fixed asset manager, she was not aware of any donated assets in 2010 or 2011.

Recommendations:

It is our understanding, that when the fixed asset subsidiary system was converted in 2009, the assets did not all transfer into the new system smoothly. The fixed asset manager has worked diligently since she began in this position in 2010 to reconcile the assets from the ending balance in the old system to the beginning balance in the new system. This process is close to completion. She is beginning to work on detail depreciation schedules and ensuring that the accumulated depreciation is correct. This has been a large project and it appears that the subsidiary ledger for equipment ties very closely to the general ledger in total. However, we have noted that by division there are still many issues between governmental activity and business type activities. Therefore we are recommending the following:

- I. It is almost time to begin the 2012 inventory for fixed asset equipment. It has been frustrating for the asset custodians that for each of the last two years since the fixed asset software conversion the inventory sheets have not been corrected. There are many assets missing from their lists which we believe are basically in the unidentified location holding account waiting to be moved to specific divisions. They have also noted many assets on their inventory sheets that belong to other divisions. This issue is really two fold. The City has been through a lot of reorganization in the last several years and the assets were not properly moved in the subsidiary ledger then on top of that when the fixed asset conversion took place not all of the assets were moved to the specific divisions and instead went into "unidentified location holding" accounts.

We recommend that the fixed asset manager receive assistance to get the individual division's equipment inventory updated. This could be accomplished by having the fixed asset manager work with each of the asset custodian individually to understand each division's inventory sheet and make corrections as needed. This process will still require further research to completely accomplish. We further recommend that in order to accomplish this reconciliation process the fixed asset manager should have a back up who will be able to assist with input of the corrections. Currently, the fixed asset manager has no back up.

- II. CRI also recommends that for the 2012 inventory process a control log be created for all divisions with equipment inventory that notes the date the inventory sheets went out and the date the completed inventory sheets come back in. This will assist the fixed asset manager, by giving her a control sheet so she can monitor and ensure all inventory sheets are returned and that any corrections that need to be made for 2012 are completed.

- III. In our discussions with some of the asset custodians it was noted that the number of assets that have to be tracked based on the current \$1,000 capitalization threshold (per AR 51) is a very big job. It takes quite a bit of man hour resources to track the movement of all of these relatively small dollar items including the work that the fixed asset manager must do to ensure the fixed asset subsidiary ledger is correct.

The Florida Department of Financial Services has adopted rules to implement Chapter 274, which establishes a threshold for recordkeeping and inventorying at \$1,000 for tangible personal property. However, this Florida Statute only applies to Counties and Special Districts. It does not apply to municipalities. Municipalities should establish and follow their own policies.

It was noted in the report above that of the approximate 9200 fixed asset equipment items being tracked approximately 1800 of the items have a cost value of \$2,000 or less and another approximate 1600 items with a cost value of between \$2,000 and \$3,000.

CRI recommends that management consider raising the threshold of equipment to be capitalized to between \$2,000 and \$5,000. This will allow City employees to be more efficient in their work efforts and will focus resources on the accurate tracking of those higher cost items representing more risk to the City.

- IV. We understand the ITS division is responsible for tracking computer hardware and software. Several of the divisions we reviewed had computer equipment (specifically laptops) on their inventory sheets; however they do not have the equipment at their locations. The fixed asset manager does not receive information on a regular basis regarding movement of this computer equipment. We recommend that the ITS department and the fixed asset manager develop a system to properly track these particular assets. Some of these concerns may be eliminated if the threshold to capitalize equipment is increased. In that case we recommend that the ITS department assume the full responsibility for monitoring these particular assets closely as they most likely have information on the hard drives that require proper disposal.
- V. We understand that the fixed asset manager is currently going through the fixed asset subsidiary ledgers to correct depreciation calculations. The City Management is aware that during the fixed asset subsidiary ledger conversion some of the asset lives did not convert correctly. The City has been estimating depreciation due to this conversion issue. We recommend the City continue to work on correcting this problem.

**RECOMMENDATIONS AND MANAGEMENT
RESPONSE**

City of Cape Coral
 City Auditor's Office
 Capital Equipment - Agreed-Upon Procedures Report
 Recommendations and Management Response

Finding	Recommendation	Management Response	Target Completion Date
<p>I</p> <p>The City has been through a lot of reorganization in the last several years and the assets were not properly moved in the subsidiary ledger then on top of that when the fixed asset conversion took place not all of the assets were moved to the specific divisions and instead went into "unidentified location holding" accounts.</p>	<p>We recommend that the fixed asset accountant receive assistance to get the individual division's equipment inventory updated. This could be accomplished by having the fixed asset accountant work with each of the asset custodian individually to understand each division's inventory sheet and make corrections as needed. This process will still require further research to completely accomplish. We further recommend that in order to accomplish this reconciliation process the fixed asset accountant should have a back up who will be able to assist with input of the corrections. Currently, the fixed asset accountant has no back up.</p>	<p>For the fiscal year ending 9/30/2012 we still have corrections and changes that need to be made from the custodian inventory sheet to the subsidiary ledger. We will have all historical changes entered and correct before we conduct the fixed asset inventory for the 2013 fiscal year. Also, during 2013 we expect to visit custodians to review their most current listing to ensure that subsidiary ledger matches actual physical inventory. With review of staff assignments, an additional accountant will be trained to serve as back-up for the fixed asset processes. During July 2012 a Senior Accounting Manager, Carla Benison, was hired and will provide the accounting support and backup to the fixed asset accountant Kathy Lewis.</p>	<p>7/31/2013</p>

City of Cape Coral
City Auditor's Office
Capital Equipment - Agreed-Upon Procedures Report
Recommendations and Management Response

	Finding	Recommendation	Management Response	Contact Person	Target Completion Date
II	<p>It was noted in the report above that of the approximate 9200 fixed asset equipment items being tracked approximately 1800 of the items have a cost value of \$2,000 or less and another approximate 1600 items with a cost value of between \$2,000 and \$3,000.</p>	<p>CRI also recommends that for the 2012 inventory process a control log be created for all divisions with equipment inventory that notes the date the inventory sheets went out and the date the completed inventory sheets come back in. This will assist the fixed asset accountant, by giving her a control sheet so she can monitor and ensure all inventory sheets are returned and that any corrections that need to be made for 2012 are completed.</p>	<p>Effective with the fiscal year ending 9/30/2012 fixed asset process, a control log has been utilized to track key dates of inventory sheets initially sent to custodians, and the return of those same sheets. The due date for custodian inventory sheets to be returned is August 31, 2012. A log system will be utilized for all future fixed asset inventory counts, and for follow-up actions.</p>	Kathy Lewis or Carla Benison	9/30/2012
III	<p>It was noted in the report above that of the approximate 9200 fixed asset equipment items being tracked approximately 1800 of the items have a cost value of \$2,000 or less and another approximate 1600 items with a cost value of between \$2,000 and \$3,000.</p>	<p>CRI recommends that management consider raising the threshold of equipment to be capitalized to between \$2,000 and \$5,000. This will allow City employees to be more efficient in their work efforts and will focus resources on the accurate tracking of those higher cost items representing more risk to the City.</p>	<p>A recommendation will be made to the City Manager to increase the capitalization threshold. This will apply to any new purchases; current capitalized assets under the threshold will remain on fixed asset ledger until fully depreciated. Administrative Regulation (AR) number 51 will be updated with any changes. Financial Services staff will continue to emphasize and train staff on procedures for accountability with the new thresholds.</p>	Melanie Purcell	1/1/2013

City of Cape Coral
 City Auditor's Office
 Capital Equipment - Agreed-Upon Procedures Report
 Recommendations and Management Response

Finding	Recommendation	Management Response	Contact Person	Target Completion Date
<p>IV We understand the ITS division is responsible for tracking computer hardware and software. Several of the divisions we reviewed had computer equipment (specifically laptops) on their inventory sheets; however they do not have the equipment at their locations. The fixed asset accountant does not receive information on a regular basis regarding movement of this computer equipment.</p>	<p>We recommend that the ITS department and the fixed asset accountant develop a system to properly track these particular assets. Some of these concerns may be eliminated if the threshold to capitalize equipment is increased. In that case we recommend that the ITS department assume the full responsibility for monitoring these particular assets closely as they most likely have information on the hard drives that require proper disposal.</p>	<p><i>ITS concurs. We will be acquiring the FootPrints CMDB software to act as the central "asset" management database for key elements of IT equipment including all desktops and laptops irrespective of financial asset categorization. This software will also have the capability for auto-discovering devices as they connect to the network. This system will be fully implemented by the end of March 2013 and we will update our written procedures to reflect the new capability. In the meantime we will continue with the Excel based IT tracking system and will work closely with the Financial Services to reconcile laptop inventories by department. We will also immediately ensure that Financial Services receives disposition paperwork for all assets brought into ITS to be retired. ITS confirms responsibility for overall asset custodianship for IT equipment and specifically will maintain reports indicating which department have which specific asset items. Discrepancies will be researched with the departmental asset coordinators.</i></p>	<p style="text-align: center;">John MacLean</p>	

City of Cape Coral
 City Auditor's Office
 Capital Equipment - Agreed-Upon Procedures Report
 Recommendations and Management Response

	Finding	Recommendation	Management Response	Contact Person	Target Completion Date
V	<p>The City Management is aware that during the fixed asset subsidiary ledger conversion some of the asset lives did not convert correctly. The City has been estimating depreciation due to this conversion issue.</p>	<p>We recommend the City continue to work on correcting this problem.</p>	<p><i>Effective with the fiscal year ending 9/30/2012, staff is no longer manually estimating depreciation. All asset lives in the fixed asset subsidiary ledger are correct, and all depreciation is system generated.</i></p>	<p><i>Kathy Lewis</i></p>	<p>9/30/2012</p>