
COUNTY OF SPOTSYLVANIA



BOARD OF SUPERVISORS COMMUNICATION

Date: April 6, 2021

Purpose:

<input type="checkbox"/> BOS Follow-Up	<input type="checkbox"/> Schedule Notes *
<input checked="" type="checkbox"/> Future BOS Meeting	<input type="checkbox"/> Information Only *
<input type="checkbox"/> Emerging Issue	<input type="checkbox"/> Other: _____

* May be combined

Title: Inventory Project Update and Support for April 13th Consent Agenda Item

Summary/Analysis:

As presented during the March 9th Board of Supervisors meeting, Staff is working to address the need for a County-wide policy and related procedures governing small asset/inventory controls. The project will be accomplished in three phases with the first phase due to be completed by April 13th. This communication is intended to provide a report on the completion of phase one and the project team's recommended plan and deadline for phase two. We will be requesting the Board's approval of our phase two approach and deadline as part of the April 13th consent agenda.

Phase 1 Tasking – Deadline to Complete: April 13th Completed: April 6th

Task #1: Draft definition of inventory and controlled non-capital assets

All goods purchased by the County would fall under one of the following recommended categories:

- **Capital Assets:** These items have a normal useful life expectancy exceeding two years and have a unit cost of \$5,000 or more. Goods purchased under this category are tracked and depreciated through the County's accounting system, audited, and reported in the County's annual financial report.
- **Controlled Non-Capital Assets:** A small and attractive asset is an item priced under \$5,000 with a life expectancy of more than one year. It is an item generally for

individual use, that can be easily hidden or transported, making it an ideal candidate for theft or misuse. These assets may include items in one or more of the following categories:

- Portable and marketable, either alone or as a component unit.
- Can be utilized for personal gain by either resale or personal use of the item
- May contain Personally Identifiable Information (PII).
- Are repeatedly reported as lost and/or stolen within the industry.

Examples include, but are not limited to, communications equipment (portable radios, mobile radios, repeaters), optical devices (binoculars, range finders, infrared viewers), cameras and photographic equipment, mobile commuting and storage devices (laptops, notebooks, netbooks, tablets, and smart phones), computer peripherals (portable scanners, monitors, printers, etc.), office equipment, shop equipment (power tools, ladders, lawnmowers etc.), and registered or titled assets (cars, trucks, trailers, boats, ATVs, golf carts).

Permanent fixtures such as desks, tables and shelving are not considered small and attractive assets. Controlled non-capital assets are not to include items that are equipment for the purpose of accomplishing tasks that are very small in nature or of minimal monetary value (generally under \$150), like shovels, wrenches, staplers and the like.

Some categories of controlled non-capital assets may require tracking regardless of cost due to the real and perceived administrative or legal consequences to the County. Common examples include grant-funded assets, law enforcement firearms, and assets holding PII.

- **Consumable inventories:** Items purchased by a department for reissue/reuse/resale which the department controls and stocks as part of its ongoing operations (e.g., controlled substances, ammunition, bulk fuel, automotive parts, public works and utilities maintenance parts, and perishable and non-perishable tourism and museum goods.)
- **Supplies:** Items purchased by a department and used immediately or within a reasonable period of time after they are acquired (e.g., office supplies, cleaning supplies). Due to their temporary nature, and a relatively low unit cost and aggregate value, supplies are not required to be individually tracked or inventoried.

Task #2: Identify entity-wide control procedures for immediate implementation

The following three entity-wide control procedures were identified and communicated for implementation:

- **Receiving of goods:** Entity-wide procedures governing the receiving, inspecting and acceptance of goods was issued to all departments on March 26th with a required start date of April 12th. Earlier implementation encouraged.
- **Invoice processing:** Entity-wide procedures governing the required reconciliation of received goods via a certified packing receipt to the supplier invoice was issued to all departments on March 26th with a required start date of April 12th. Earlier implementation encouraged.
- **Password protections:** Staff implemented the requirement to password protect all goods currently identified and tracked via spreadsheet. This control is intended to reduce the risk of unidentified asset misappropriation through the unauthorized adjustment or deletion of tracked goods.

Task #3: Establish phase two project deliverables and timelines (This phase two plan is what we will seek the Board's approval for in the April 13, 2021 consent agenda item.)

The project team has established the following phase two deliverables and timelines:

- Draft an inventory and controlled non-capital assets accounting and control policy. Intentionally, the draft policy will identify a future date by which the County will be in full compliance with the policy. There will be a "burn in" period during which time we are working any bugs out of organization-wide procedures, getting staffing in place, and doing the what's necessary to be 100% compliant with the policy at the identified future date.
- Define and document organization-wide asset management processes drawing from recommendations made by our internal auditors that include:
 - Identification and categorization of assets
 - Segregation of duties
 - Assigning responsibility and accountability
 - Securing assets
 - Periodic inventory counts

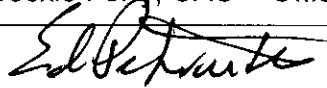
These processes will be systematically rolled out to applicable departments. During implementation, the team can document resource (i.e. staffing, technology) gaps for which requests will be made for FY 2023's budget process.

- Perform a June 30th count of consumable inventories and establish a schedule for future periodic inventory counts of controlled non-capital assets
- Establish deliverables and timeline for completion of phase three, the final phase of the project to include further adoption of automated inventory control systems and security enhancements.

The deadline for completing phase two is 11/15/2021. Staff will update the Board on their progress, request approval of the draft policy and submit any requested resources for consideration in the FY 2023 budget process.

Prepared By: Beckie Forry, CAO – Office of Accounting & Procurement

Reviewed By:

A handwritten signature in black ink, appearing to read "Ed Schmitt", is written over a horizontal line.