

Office of the
Internal Auditor

Engagement Report

May 2025

Asset Management Engagement



Table of Contents:

Page



Executive Summary

Background	1
Objectives and Scope	1
Results	2-3
Conclusion	3



Detailed Findings

1. Segregation of Duties	4
2. Laptop Inventory Tracking	5-6
3. Unreturned Laptops	7
4. Disposition Recycle Contract	8-9



Distribution

10



Executive Summary

Background

Effective asset management supports operational efficiency and the achievement of long-term organizational goals. Management is responsible for maintaining robust internal controls over the organization's physical and technological assets throughout their lifecycle. This process includes systematic acquisition, tracking, tagging, maintenance, upgrading, delivery, and disposal of assets.

Asset management is essential to the organization's operations and strategic success. Custodianship of various asset categories is carefully delegated to specialized teams to ensure optimal management and sustainability:

- Facilities Management oversees the custody and maintenance of office equipment, furniture, fleet vehicles, and CAT (Catastrophe Response Center) equipment. This team is tasked with managing the inventory of physical assets and ensuring upkeep, allowing for seamless operations across locations.
- IT Asset Management (ITAM) is responsible for managing the lifecycle of all IT-related assets, including hardware, network components, and related technology. The ITAM team is involved in acquiring, storing, tracking, and disposing of these assets when they reach the end of their useful life. Additionally, ITAM facilitates the fulfillment of business unit requests through the myService ticketing system, ensuring that all technology needs are met.

Together, Facilities Management and ITAM form the backbone of an integrated asset management strategy, contributing to the organization's ability to meet its objectives while maintaining cost-effective control over resources.

The ITAM team comprises three staff members who perform various tasks to maintain the lifecycle of multiple types of IT equipment. In 2024, they processed and completed 3,248 myService tickets, including tickets for new hires, changes to users, and deactivations. Additionally, they processed 758 shipping labels for IT Equipment to be mailed to employees and for equipment to be returned.

Objectives and Scope

We assessed asset records management, compliance with relevant policies, maintenance strategies, and disposition at the end of the life cycle for IT equipment. The scope of the review included:

- Policies and procedures
- Inventory Control
- Management of Facilities assets and IT assets
- Procurement and recording of assets
- Disposition of assets
- Protection of data on disposed assets
- Access permissions for secured IT and Facilities storage areas



Executive Summary

Results

Positive Practices: Our review noted several favorable practices demonstrating a commitment to complying with established Policies and Procedures.

- The ITAM and Facilities units collaborate to ensure an accurate inventory of assets within the Asset Management Database system, enabling real-time tracking and end-of-lifecycle management. Their efforts include securing an asset tag for IT and facilities equipment, monitoring usage and assignment, performing maintenance as required, and securely wiping data from IT hardware and laptops before recycling.
- ITAM and Facilities have secured storage rooms that require approved badge access to enter and active door cameras. ITAM management reviews and approves a monthly access report for the secure spaces.
- The Data Center Services (DCS) Team's primary function is to manage, maintain, and protect the critical computing environments upon which the organization relies to deliver core IT services. The team successfully supports these functions using industry best practices and innovative technologies.
- The inventory of catastrophe equipment, trailers and company vehicles is fully accounted for and accurate.
- Physical asset inventories are completed every two years, well-documented, and updated in the Asset Management Database.
- When IT equipment and cell phones reach the end of their life cycles, they are disposed of with a recycling vendor.
- Citizens partners with three distinct mobile service providers to supply employees with devices, including cell phones, tablets, and MiFi units. Our telecom team ensures seamless support, manages invoicing and tracks all company-issued devices.

During our audit fieldwork, we identified the following areas where control effectiveness may be improved to enhance and strengthen the control environment.

- **Segregation of duties for the Sale of IT Assets** - Segregation of duties related to the receipt of checks from the sale of capital and IT assets needs to be enhanced. An informal, undocumented process may create vulnerabilities where checks could be mishandled or misused, increasing the risk of fraud. Checks should be routed directly to accounting personnel from the vendor for processing.
- **Laptop Inventory Tracking**—The process for inventorying new shipments of laptops needs to be enhanced. To ensure compliance and maintain accurate inventory records, new untagged laptops should have their serial number, asset number, and current location added to the asset management database. A formal procedure should be established to ensure compliance and inventory controls the security of newly received assets.
- **Unreturned Laptops** - An informal, undocumented process exists across three departments (ITAM, HR, and Legal) to collect IT equipment from terminated employees. The process was not clearly formulated and has procedural and control shortcomings. As a result, over the past 18 months, twenty-three laptops have not been returned by terminated employees. It is recommended that a formal written procedure be established with defined processes and responsibilities for each department, and the laptops be recovered from the former employees.



Executive Summary

- **Disposition Recycle Contract** - ITAM relies on a recycling vendor to dispose of IT equipment at the end of its useful life. However, there is no formal contract or agreement governing the services provided or the vendor's compliance with the disposal of IT equipment. It is recommended that you investigate other recycling vendors who can provide services with a formal contractual agreement.

Conclusion

The engagement highlights several positive practices that show compliance with policies and procedures. ITAM and Facilities collaborate to maintain accurate inventory tracking, secure IT storage access, and manage the CSX Data Center using industry best practices. Catastrophe equipment and physical assets are well-documented, and asset disposition follows a structured recycling process. Additionally, telecom services are efficiently managed across multiple providers.

The internal audit identified areas for improvement to strengthen internal controls, especially with segregation of duties for IT asset sales, timely inventory tracking of new laptops, and formalizing procedures for collecting IT equipment from terminated employees. Additionally, the absence of a formal contract with the recycling vendor poses risks, prompting recommendations for enhanced controls and structured agreements.

We would like to thank management and staff for their cooperation and professional courtesy throughout this audit.



Detailed Findings

1. Segregation of Duties for the Sale of Assets

Classification	Medium	Control Evaluation	Control is not appropriately designed
Observation	<p>There is inadequate segregation of duties related to the receipt of checks from the sale of capital and IT assets. Currently, the Facilities Asset Coordinator (FAC) handles inventorying, selling the assets, receiving checks from sales, and delivering these checks to the accounting department for processing.</p> <p>To strengthen internal controls, the responsibility of receiving checks should be reassigned to the accounting department to ensure appropriate segregation of duties and be documented in a procedure. Concentrating duties within a single role increases the risk of misappropriation of funds.</p>		
Cause(s)	An informal, undocumented process appears to have resulted from a misalignment in the definition of roles, responsibilities, and duties.		
Exposure	Due to insufficient safeguarding controls, checks may be misplaced, lost, or misappropriated, resulting in a loss of funds.		
Recommended Action	<p>Establish a formal written procedure to document the receipt and processing of these types of checks to ensure consistency, accuracy, and proper internal controls. The following points should be considered for inclusion in the procedures.</p> <ul style="list-style-type: none"> • Checks should be routed to accounting personnel for processing. • Once received, Accounting will generate a PDF copy of the check and forward it to the FAC via email for review of the dollar amount, ensuring its accuracy for the assets sold. • The FAC will then communicate any necessary processing instructions to accounting. • Timeframes and adherence should be included. 		
Management Response	Management agrees, and the recommended process of having all checks go directly to accounting has already been implemented; just the written process needs to be formally documented to close out.		
Responsible Individual	<p>Cherri Linn, Director – Facilities Management and Real Estate</p> <p>Mike Sills, Sr. Director – Accounting and Budget</p>	Completion Date	July 30, 2025



Detailed Findings

2. Newly Acquired Laptop Inventory Tracking

Classification	Medium	Control Evaluation	Control not appropriately designed
Observation	<p>Shipments of IT equipment are not timely inventoried, tagged, and scanned into the inventory system to ensure appropriate inventory control. The expectation is that all received IT equipment shipments are fully inventoried upon receipt and logged into the inventory system.</p> <p>Currently, newly purchased laptops arrive on a shrink-wrapped pallet with a Dell label indicating the expected count, but the wrap is not removed for verification. While the inventory is bulk verified against the Purchase Order, it is not manually counted at the time of delivery. Serial numbers from newly acquired laptops are not scanned into tracking systems (Asset Mgmt. Database or Pendragon), to ensure the receipt of invoiced laptops, until needed for employee assignment. Therefore, the bulk receipt of IT equipment is not accurately inventoried and is not placed into the inventory system until needed.</p>		
Cause(s)	The responsibilities for managing IT equipment inventory were not fully understood or documented, leading to a gap in process ownership and execution.		
Exposure	Failure to promptly verify incoming shipments can result in discrepancies between actual stock and recorded inventory, potentially leading to financial loss or theft.		
Recommended Action	<p>Implement a procedure that ensures:</p> <ul style="list-style-type: none"> The serial numbers of newly received laptop inventory should be scanned and entered into the Asset Management Database using dual controls of two ITAM delegates to ensure the PO matches the delivery we received. This will ensure accountability and proper tracking of untagged laptops. Newly received laptop inventory should be moved from the loading dock room to the secured MER room within 24 hours or less of delivery. A formal written procedure is developed to ensure proper inventory of newly acquired IT Equipment for tracking, compliance and security. 		
Management Response	We will revise the current procedure by manually creating a new asset shell record through the asset import process in the Asset Management Database (AMDB) before we proceed with the imaging process. This new asset shell record will include critical information such as the serial number, asset number, and current location of these newly acquired laptops.		



Detailed Findings

	By implementing this change, we aim to streamline our process and ensure that all necessary data is accurately captured in an inventory right from the start.		
Responsible Individual	Sudheer Kondabrolu , Director – IT Infrastructure	Completion Date	August 30, 2025



Detailed Findings

3. Unreturned Laptops

Classification	Medium	Control Evaluation	Control not appropriately designed
Observation	<p>An informal, undocumented process exists across three departments (ITAM, HR, and Legal) to collect IT equipment from terminated employees.</p> <p>The process should be formalized through documented procedures to ensure all three departments are aligned and understand their role and responsibility in the process. The procedures should include specific timelines to follow to trigger escalation to the next department.</p> <p>Lack of a formalized, documented process has resulted in 23 laptops not being returned from terminated employees over the past 18 months.</p>		
Cause(s)	The informal undocumented process was never codified, which resulted in the three departments not being aligned on their respective responsibilities, including the designation and adherence to timeframes.		
Exposure	Loss of Citizens' assets, confidential information, or unauthorized access to company systems.		
Recommended Action	<p>The Human Resources department acknowledges and agrees with the observation. HR will work with the relevant business departments to develop a streamlined process and procedure with appropriate timelines to remedy/minimize the loss of assets for terminated employees.</p> <ul style="list-style-type: none"> • The procedure should include a clear timeline for each area to perform its retrieval procedures and a mode of communication with the next area. • Determine which department is ultimately responsible for any continued follow-up beyond 30 days of the unreturned laptop. • Management should explore and consider withholding a portion of the terminated employee's final paycheck until all equipment is returned. • Escalate the unreturned laptops through the process to recover the assets. 		
Management Response	The Human Resources department acknowledges and agrees with the observation and suggested action provided. HR will work with the relevant business departments to develop a streamlined process and procedure with appropriate timelines to remedy/minimize the loss of assets for terminated employees.		
Responsible Individual	Denise Bass , VP – Human Resources	Completion Date	August 30, 2025



Detailed Findings

4. Contract with Recycling Company for the disposition of IT Equipment

Classification	Medium	Control Evaluation	Control not appropriately designed
Observation	<p>IT Asset Management (ITAM) relies on a recycling vendor to dispose of IT equipment at the end of its useful life. There is no formal contract or agreement governing the services provided or compliance with e-cycling standards.</p> <p>A contractual agreement with an IT equipment recycling vendor should be in place and, at a minimum, outline the services provided, costs or payment schedule, pricing, and compliance with the Sorting Recycling and Reselling Equipment standards. The current vendor provides this service at no cost, and no financial reimbursement or incentive is offered for the resale of recycled items. Internal Audit contacted a local Jacksonville IT equipment recycling vendor, whose standard agreement is to pay a 25% rebate back to the company for any resold equipment.</p> <p>Note: ITAM requests equipment pickup quarterly or as needed, and during the last pickup in February 2025, over 400 IT Equipment items were picked up for disposal.</p>		
Cause(s)	<p>In 2018, the Vendor Management department provided ITAM with details of the current vendor, and since then, the ITAM team has been utilizing the vendor's services to dispose of IT assets. Business Unit Management assumed there was an agreement in place with the vendor. No funds are exchanged, as the vendor neither charges for its services nor compensates for the used equipment.</p>		
Exposure	<p>Without a vendor agreement in place, there are no clear terms ensuring compliance protection for the disposal and/or resale of IT assets.</p> <ul style="list-style-type: none"> • Service Quality Issues – vendors may not be accountable for meeting service level expectations and disposition requirements. • Improper disposal of IT assets can lead to environmental violations, occupational health and safety management systems, or potential data breaches. 		
Recommended Action	<p>Management will investigate other recycling vendors that can service Jacksonville, Tallahassee and Tampa and can provide certified recycling services with a formal contractual agreement in place. In addition, seek out a qualified vendor that has a corporate rebate program for any resold IT equipment.</p>		
Management Response	<p>We agree with the OIA finding that we do not have a formal contract in place with our current vendor. The IT infrastructure team will collaborate with the VMO to identify a vendor capable of delivering services across all our sites,</p>		



Detailed Findings

	including Jacksonville, Tallahassee & Tampa, and ensure that we have a proper contractual agreement in place.		
Responsible Individual	Sudheer Kondabrolu , Director – IT Infrastructure	Completion Date	August 30, 2025



Distribution

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The Honorable James Uthmeier, Attorney General
The Honorable Wilton Simpson, Commissioner of Agriculture
The Honorable Ben Albritton, President of the Senate
The Honorable Daniel Perez, Speaker of the House of Representatives

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