



TRANSPORTATION CABINET

Frankfort, Kentucky 40622
www.transportation.ky.gov/


Steven L. Beshear
Governor

Joseph W. Prather
Secretary

STATE HIGHWAY ENGINEER POLICY #2008-05

MEMORANDUM

TO: Chief District Engineers
Division of Equipment
Division of Maintenance

FROM: O. Gilbert Newman, P.E.
State Highway Engineer 

DATE: March 24, 2008

SUBJECT: Safeguarding Assets
Access to Facilities

Attached is a copy of a Record of Control Weakness from the Office of the Auditor of Public Accounts based on an audit conducted in 2007 regarding access to our facilities. The concern centers on contractors having keys to the gates and unsupervised access to our materials. Another item of concern is the commingling of contractor-owned materials and state-owned materials.

The response to this Record of Control Weakness submitted by the Cabinet needs to be fulfilled at each facility. This may be particularly challenging at shared facilities to ensure that no one function allows an opportunity for unsupervised access by any contractor to any of the materials on the facility. Meeting this challenge will require a higher level of coordination among the employees at a shared facility. No contractor should have a key to any facility nor should any contractor remove or return materials without the oversight of a Cabinet employee. This is effective immediately.

OGN:CAK

Attachment

c: Alice Wilson, Deputy Executive Director, Budget & Fiscal Management



AGENCY: Kentucky Transportation Cabinet
 FYE 6/30/07

RECORD OF CONTROL WEAKNESS
 RECORD OF NONCOMPLIANCE

Prepared by:	<u>Lori A. Riddle</u>	Date:	<u>October 31, 2007</u>
Reviewed by:	<u>Libby Carlin</u>	Date:	<u>November 6, 2007</u>
Delivered to:	<u>Alice Wilson</u>	Date:	<u>November 7, 2007</u>
Department:	<u>Department of Highways</u>	Division:	<u>Maintenance</u>
CFDA:	<u>N/A</u>	Title:	<u>N/A</u>
Federal Award No.:	<u>N/A</u>	Year:	<u>N/A</u>
Federal Agency:	<u>N/A</u>		
Type of Compliance Requirement:	<u>N/A</u>		
Known Questioned Cost:	<u>N/A</u>	Likely Questioned Cost:	<u>N/A</u>

Condition (Nature of the Weakness or Noncompliance):

Safeguarding of assets at the Kentucky Transportation Cabinet (KYTC) maintenance barns is inadequate. The areas where KYTC stores materials and supplies are not protected against access by unauthorized personnel. Private contractors have access and/or keys to the maintenance barns so they can enter the KYTC lot at any time. Private contractors also store their supplies and materials in the same area that KYTC stores its materials.

The Auditor of Public Accounts (APA) became aware that private contractors stored materials at the KYTC maintenance barns during the FY2007 maintenance materials inventory observation. The contractors' supplies and materials were stored together with the KYTC materials. The inventory team could not determine which materials were KYTC and which materials belonged to the contractors. The inventory team also informed the auditor that the contractors had a key so they could access the lot after hours, and KYTC staff could not be certain that contractors were only taking their own materials and supplies.

Cause/Effect:

Although it is convenient for the private contractors to have their supplies and materials stored nearby at a KYTC maintenance barn, there is a greater risk of theft and asset misappropriation due to unauthorized access by non-employees and because materials are not distinctly separated from KYTC materials.

AGENCY: Kentucky Transportation Cabinet

FYE 6/30/07

X RECORD OF CONTROL WEAKNESS

___ RECORD OF NONCOMPLIANCE

Criteria:

Good internal controls dictate that proper precautions be taken to safeguard assets from loss, damage, or misappropriation. Strong internal controls are essential to protect the department's assets.

Recommendation:

We recommend that private contractors only be given access to the KYTC maintenance barns with KYTC personnel present.

We also recommend that any supplies and materials stored at the KYTC maintenance barns belonging to private contractors be kept in a separate location from the KYTC materials and supplies.

AGENCY: Kentucky Transportation CabinetFYE 6/30/07

RECORD OF CONTROL WEAKNESS
 RECORD OF NONCOMPLIANCE

NOTE TO RESPONDENT:

It is vital to respond to comments and recommendations with due thought and consideration. When agreeing with the comment and recommendation made, outline corrective steps that have already been taken or will be taken by definitive action, including the name(s) of the contact person(s) responsible for corrective action and the timeframe of the actual or anticipated correction.

When disagreeing, by clearly delineating why purported comments are incorrect or why suggested solutions are inappropriate, by including an explanation and specific reasons, you may head off potential problems, even going so far as convincing the auditor to exclude the comment from the final report when he or she is incorrect. In any event, the clearer you draft your response so that someone outside of your department, or even state government, can understand it, the better case you will present for your argument. Please note that we do not include the name of the respondent in the findings in the reports that we issue.

KRS 43.090 requires your agency to notify the Legislative Research Commission and the Auditor of Public Accounts of the audit recommendations that have been implemented and of the audit recommendations that have not been implemented within 60 days of the completion of the final audit report. For any recommendations that have not been implemented, a reason for failure to implement audit recommendations must also be provided.

Please respond by: **November 21, 2007**

Management's Response and Corrective Action Plan:

We accept the recommendation of the APA and it is our plan to safeguard the department's assets by:

- Requiring all keys to the KYTC maintenance barns be confiscated from private contractors and require district personnel to limit private contractor access to KYTC maintenance barns to regular business hours unless prior arrangement has been made ensuring a member of KYTC personnel is present if after-hour access is necessary.
- Designate an area for private contractors to store their materials separate from KYTC materials.

This action will be documented in the Maintenance materials manual no later than December 2007.

Responded to by: Andria T. Maiden