



MEMORANDUM

City of Fort Smith

Internal Audit

TO: Russell Gibson, ITS Department Head
Carl Geffken, City Administrator

FROM: Tracey Shockley

DATE: May 2021

SUBJECT: City ITS Assets Disposal

Background

Internal Audit (IA) received information that the ITS Department brought a large box of technology items to the Sanitation Department and dropped it off at the E-Waste container. It was also reported that the box contained a significant number of cell phones, HDMI cables, phones, hard drives, etc... The informing person was concerned that the assets were not being disposed of properly. The E-Waste container does not belong to the City, it is owned by the County and is maintained at Sanitation. The Sebastian County Solid Waste District (SCSWD) allows citizens to bring their technology items to the E-Waste container ensuring that the e-waste is legitimately recycled by sending it to eSCO Processing and Recycling in Rogers, AR.

IA identified the box at the E-Waste container and took pictures of some of the items in the box. It was noted that there were a number of cell phones, HDMI cables, cell phone cases, hard drives, and chargers and that IT Identification tag stickers were still on some of the items. IA asked Sanitation to take the boxes and secure them until further instruction from ITS.

IA met with the ITS Department Head to discuss the technology items that were taken to the E-Waste container from his department. IA also provided photos of some of the items. IA discussed with the ITS head the importance of having policies in place for technology disposals including a requirements to inventory the items that were to be disposed, ensure the items were marked as a disposition and reported to the accounting department as a disposal to be removed from fixed asset records, the items were wiped of City data, and the physical disposal was witnessed.

Conclusion:

Based on the discussion with the ITS head, ITS did not maintain any record of the steps taken to remove confidential information stored on the devices prior to disposal or any sign-off record that these steps had been taken. There was no evidence that every device was examined to determine if confidential residual data remained prior to disposal.

ITS should establish formal procedures for the appropriate disposal of all its equipment in order to minimize the risk of loss of unauthorized information. These procedures should be proportional to risks and take into consideration the removal of data, disposal of equipment based on their security classification, secure storage of devices prior to disposal and the maintenance of relevant disposal records as audit trail.

The policies and procedures should specify the disposal of computer equipment and peripheral devices (including personal computers, servers, hard drives, laptops, smart phones and handheld tablets, scanners, compact discs, etc...). It should stipulate that all data should be removed using a disk sanitizing software that cleans the equipment, be labeled with a sticker indicating the date and initial of the person who performed the disk wipe. Additionally, it should specify how the equipment is to be disposed (i.e. drill a hole, sold on govdeals, local vendor, etc...).

Assets disposed should also be reported to accounting for removal from fixed asset records.

Managements Responses

The vast majority of the damaged devices depicted in the photographs were correctly removed/marked discarded from the ITS inventory database. It does appear that we missed the headset cradle shown and that error has been adjusted in inventory and is an isolated incident.

Regarding the cell phones/smart devices depicted in the photographs. The previous method of discharge for cell phones/smart devices was physical destruction by hammer. However, with newer smart phones and devices, the batteries are integrated with the device and it's no longer safe to dispose of the device by physical destruction due to potential for fire or explosion of caustic battery chemicals. Staff from ITS have been told by Solid Waste officials that e-waste at sanitation was deemed the best method available to us. Presently, the devices are generally not salvageable except by extreme recycling methods. None of the disposed devices or any potential data were accessible due to service encryptions and/or the loss of passcodes associated with the devices from departing users. In their present state, the devices are essentially "bricked" or unusable. Any devices deemed re-usable are re-cycled into the user community. To re-iterate, none of the disposed devices had remaining usefulness or re-marketability. Attached you will find a spreadsheet that does contain the IMEI numbers and date a de-commission for the phones contained in the box mentioned in this memo.

Regarding the various cables depicted in the photographs. Sorting of the cables from a bulk is generally not done due to the high number and probability that the cables are non and/or inconsistently functional. The vast majority of re-claimed cables are tested at the time of return to ITS to ensure functional disposition. Those cables deemed unusable or incompatible (e.g. RS-232, serial cables, etc.) are marked for disposal.

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Each piece of equipment returned to ITS is generally assessed for re-use at the time of return. Items not deemed re-usable are sent to e-waste at the Landfill pursuant to recommendations from Solid Waste staff. Also, there is aged technology equipment kept in storage in ITS offices that will be included in the eventual return to yearly City auctions. Presently, ITS staff does not have the time to investigate, price and market the re-sale viability of equipment on e-commerce sites mentioned in this report.

Regarding the absence of a policy specifically addressing procedure for technology equipment disposal and/or discharge. Presently there does not exist a specific policy to address the concerns expressed in this memo. However, ITS is agreeable and encourages an cooperative effort between ITS, Purchasing, Internal Audit and Finance to prepare a detailed policy that defines equipment tracking and disposal of all types of equipment. In fact, there exist within the Tyler ERP an un-used platform that would be ideally suited to compliment such a policy.

Russell Gibson

IA Assessment of Management Response(s):

IA does not agree with Management Responses. IA did not take pictures of all technology items in the boxes. Therefore ITS cannot state that the devices were all damaged, were correctly removed/marked discarded from the inventory database and that the one sticker left was an isolated incident. Additionally a list of all items discarded was not maintained and witnessed by ITS or others, so ITS did not have documented support to validate that process or exactly what was disposed

The cell phones, and smart devices that IA saw were not physically destroyed by a hammer. A list was not maintained of what was being disposed and the reason for disposition. For example, the phone was wiped of data, the phone cannot be turned on, the phone cannot be accessed because it is password protected and was destroyed by a hammer, etc.... IA took a cell phone to test and it powered up. IA looked at the excel cell phone sheet provided by ITS and the phone was listed on the list as new and was not decommissioned or provided to another employee to use. Additionally, IA reviewed the phones and tablets assigned to IA and a number of discrepancies were noted. Also noted during the review of the cell phone sheet was a cell phone assigned to a Dept. Head who resigned in 2019 that had not been decommissioned. Upon further research the City (Utilities Dept.) it appears has been paying for the line that is not in use as well as the Netgear (hotspot – that has since been reassigned to another employee). The Utility Dept. has paid approximately \$1100 (19 months) for the cell phone line. The Utility Dept. was contacted regarding the cell phone charges and it was stated that they have asked ITS and Purchasing numerous times about the charges and why it has not been disconnected.

ITS stated “To re-iterate, none of the disposed devices had remaining usefulness or re-marketability. Attached you will find a spreadsheet that does contain the IMEI numbers and date a de-commission for

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the phones contained in the box mentioned in this memo”. However, IA disagrees, as stated above one of the cell phones on the list was not decommissioned, and had the potential to be reused and/or sold or traded in on a new phone. The IMEI is a unique number for identifying a device on a mobile network. The carrier can blacklist it, but would have to contact the other carriers in order to do the same where the phone could not be used.

IA spoke with the prior Sanitation Department Head and staff when we received the tip. They stated they received a call from ITS regarding the disposal request. Sanitation explained that the E-Waste container was for citizens of Fort Smith and not for businesses/companies. The prior Sanitation Department Head asked SCSWD if they would allow a one-time courtesy to dispose the items, which was granted and explained to ITS.

IA recommended policies and procedures identifying disposal steps to minimize risk to the City and disposal options. IA did not recommend ITS to investigate, price and market the resale viability of equipment on e-commerce sites.

IA continues to recommend that ITS establish policies for the appropriate disposal of all its equipment in order to minimize the risk of loss of unauthorized information, or data, ensure that all related records are updated for the disposals, including accounting records. The policies should also cover reassignment of equipment that is suitable for reassignment (cell phones and computers) and updating of appropriate internal records regarding reassignment. Additionally, ITS should follow the Arkansas Code **§14-54-302 Purchase, lease, sale, and disposal authorized** that specifically state the procedures for disposing of municipality assets.

cc: Audit Advisory Committee
Board of Directors