

INTERNAL PROPERTY AUDIT REPORT

Property and Inventory Audits of Selected Locations
2012-2013



**BROWARD COUNTY
PUBLIC SCHOOLS**

The Nation's Sixth Largest School District.



**To be presented to the:
Audit Committee
on
June 20, 2013**

**The School Board of Broward County, Florida
on
July 23, 2013**

**by
The Office of the Chief Auditor**



Broward County Public Schools

The School Board of Broward County, Florida

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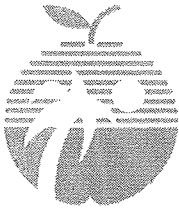
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June 10, 2013

Members of The School Board of Broward County, Florida
Members of The School Board Audit Committee
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Ladies and Gentlemen:

We have performed a Review of the Property and Inventory of selected locations, pursuant to The Rules of the Florida Administrative Code, Section 691-72, and School Board Policy 1002.1.

Audits of Property and Inventory require that we account for all of the Property and Inventory charged to the locations. In order to complete this task, we have reviewed all property and inventory records disclosed from District accounts and made a determination as to the status of each item. This disposition may include:

- items which are at the location and are accounted for,
- items which were not available for review prior to the issuance of this report,
- items which may have been stolen and are supported by the proper District forms,
- items that have been transferred from one location to another and are supported by the proper District forms, and
- items which have been declared surplus or obsolete and are supported by the proper District forms.

We conducted our audits in accordance with generally accepted Government Accounting Standards issued by the Comptroller of the United States.

Our property audits indicated that forty two (42) locations in the report complied with prescribed policies and procedures. There were two (2) locations that contained audit exceptions consisting of unaccounted for property and the failure to follow some prescribed rules.

We wish to express our appreciation to the administration and staff of the various departments for their cooperation and courtesies extended during our audits.

Sincerely,

Patrick Reilly, CPA
Chief Auditor

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PROPERTY AUDIT REPORT

AUTHORIZATION

The Rules of the Florida Administrative Code, Section 69I-72, require that each custodian shall ensure that a complete physical inventory of all property is taken at least once each fiscal year. Each custodian shall ensure that a complete physical inventory of all property under the control of the custodian or custodian's delegate is taken whenever there is a change of custodian or custodian's delegate. In accordance with School Board Policy 1002.1 and the Audit Plan for The Office of the Chief Auditor, the inventories of the locations in the District that have been audited are presented in Section I of this report. School Board Policy 3204 – Property Accountability and Responsibility states, “The Board designates that Principals shall be the custodians of property at schools. Directors shall be the custodians of property for the County Support Services Departments.” Rule 1 states “**All physical inventories shall be conducted by the Office of the Chief Auditor’s Property Audits Division.**”

SCOPE, OBJECTIVES AND METHODOLOGY

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures represented on property records. We have reviewed all property and inventory records disclosed from District accounts and made a determination as to the status of each of the items. This disposition may include:

- items which are at the location and are accounted for,
- items which were not available for review prior to the issuance of this report,
- items which may have been stolen and are supported by the proper documentation and District forms,
- items that have been transferred from one location to another and are supported by the proper District forms,
- items which have been declared surplus or obsolete and are supported by the proper District forms.

Compliance

We tested compliance with policies and procedures prescribed by the School Board Policies and Business Practice Bulletin 0-100 Procedure for Property & Inventory Control. The results of our tests of compliance indicated some locations did not comply with some policies and procedures established in the sources identified above. Noncompliance items are reported in **Section I** and **Section III** of this report.

Property Control Structure

In planning and performing our examinations, we obtain an understanding of the:

- internal property control structure established by the administration.
- assessed level of controlled risk to determine the nature, timing, and extent of substantive tests for compliance with applicable laws, administrative rules and district policies; including the safeguarding of assets.

A material weakness is a reportable condition in which the design or operation of one or more internal property control structure elements does not reduce the risk of material errors or irregularities from occurring. As a result, it would be extremely difficult for employees to recognize errors in the normal course of performing their assigned functions. Reportable internal control weaknesses are noted in **Section I** and **Section III** of this internal property audit report.

Our evaluation of the internal control structure does not necessarily disclose all matters that might be reportable conditions. Thus, all material weaknesses may not be identified.

Property Audit Exceptions

In order to establish reporting parameters and afford the locations some latitude in monitoring their assets, we set thresholds of approximately one (1) percent of the total property inventory historical cost. The District does not track depreciation for each capital asset. The Office of the Chief Auditor (OCA) has used the following table, provided by the Director of Accounting & Financial Reporting (**AFRD**), to determine the total accumulated depreciation of assets which have not been accounted for.

• Computers, Printers	5 Years
• Band Instruments	7 Years
• Office Equipment	5 – 20 Years
• Audio/Visual Equipment	6 – 8 Years
• Vocational Equipment	7 – 20 Years
• Other	From 5 to 20 Years

The Office of the Chief Auditor reported no property exceptions for locations with an aggregate historical value, of items unaccounted for, falling below the designated 1% threshold unless significant process control weaknesses have been identified. As of July 1, 2004, Florida State Statute 274.02, changed the value of capital assets to be recorded and monitored from \$750 to \$1,000. The District administration requires follow-up verification of all items not accounted for during the physical audit with a historical cost of \$1,000 or more. Subsequently, location administrators must designate the location of recovered individual assets by room/fish number or demonstrate activity on the appropriate District approved forms.

Unaccounted / Found Items

While conducting the audit, there are instances in which items are determined to be unaccounted for. When the Office of the Chief Auditor and the location's staff agree that the item(s) is not accounted for, the asset is moved to a Missing List. This item will remain designated on the Missing List until the item is located and reactivated by **Accounting & Financial Reporting Department (AFRD)**. If the item is not reactivated after two (2) years, the item(s) is removed from the location's active list of property records.

In addition to having items which are not accounted for, the Office of the Chief Auditor issues a final audit report to the property custodian, identifying the final discrepancy list as well as outlining any material weaknesses associated with the location's inventory control. A copy of the final discrepancy report will be forwarded to AFRD in order to amend the property records as deemed appropriate. For any new/found tangible personal property listed on the final audit discrepancy report with a historical cost/estimated value of \$1,000 or more, the location must forward a **03290** Equipment Acquisition Form signed by the property custodian with invoices or supported estimated values authorizing AFRD to add these property items to the Master File of Capital Assets database.

Summary of Property and Inventory Review for Fiscal Year 2012-2013

The following report discloses the audits for thirty one (31) schools and thirteen (13) departments. These audits were finalized between **May 2, 2013 and June 7, 2013**. For this report, we noted that two (2) locations had audit exceptions. A summary of this report notes that:

- For the 44 locations, 22,963 items were listed in the property records at a historical cost of \$52,831,251.
- For the **44** locations included in this report, a total of **38** items could not be accounted for with a historical cost of \$75,933.

SECTION I: Summary
Property and Inventory Audits Performed

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
The Office of the Chief Auditor
Property Audits

The following table presents a summary of the property and inventory audits that were finalized during the period **May 2, 2013 and June 7, 2013**. For any location that received an exception, we have included a detailed listing of the items that were unaccounted for and the administration's response.

Area	Name	Total Items	Historical Cost	Items Not Accounted For (INAF)	Historical Cost (INAF)	No Exception/ Exception	Page No.
School	0101 Dania Elementary	506	\$733,961	0	0	No Exception	
School	0111 Hollywood Hills Elementary	527	\$726,806	0	0	No Exception	
School	0121 Hollywood Central Elementary	666	\$1,042,431	5	\$7,120	No Exception	
School	0201 Bennett Elementary	407	\$638,794	2	\$2,443	No Exception	
School	0221 Croissant Park Elementary	502	\$733,331	3	\$4,370	No Exception	
School	0422 Sunset School	527	\$726,806	0	0	No Exception	
School	0521 North Andrews Gardens Elementary	777	\$1,236,198	0	0	No Exception	
School	0531 Miramar Elementary	551	\$815,197	0	0	No Exception	
School	0631 Westwood Heights Elementary	498	\$738,543	1	\$1,506	No Exception	
School	0721 Driftwood Elementary	479	\$688,499	0	0	No Exception	
School	0761 Meadowbrook Elementary	499	\$802,679	2	\$2,584	No Exception	
Sub Total		5,939	\$8,883,245	13	\$18,023	11 No Exception	

Area	Name	Total Items	Historical Cost	Items Not Accounted For (INAF)	Historical Cost (INAF)	No Exception/ Exception	Page No.
School	0831 Lake Forest Elementary	591	\$895,237	0	0	No Exception	
School	0941 Plantation Elementary	566	\$876,614	3	\$4,513	No Exception	
School	1221 Pembroke Pines Elementary	517	\$770,792	0	0	No Exception	
School	1251 Plantation Park Elementary	362	\$508,848	0	0	No Exception	
School	1391 Lauderhill Middle	841	\$1,177,622	2	\$2,730	No Exception	
School	1421 Coconut Creek Elementary	485	\$728,079	0	0	No Exception	
School	1951 Park Ridge Elementary	383	\$594,866	0	0	No Exception	
School	2021 Glades Middle	1,454	\$2,221,026	4	\$5,983	No Exception	
School	2121 James A. Rickards Middle	667	\$1,105,501	2	\$3,538	No Exception	
School	2571 Pioneer Middle	960	\$1,331,647	0	0	No Exception	
School	2871 Sea Castle Elementary	580	\$753,301	0	0	No Exception	
School	3001 Walter C. Young Middle	1,026	\$1,214,605	4	\$6,185	No Exception	
School	3111 Country Hills Elementary	686	\$983,924	0	0	No Exception	
Sub Total		9,118	\$13,162,062	15	\$22,949	13 No Exception	

Area	Name	Total Items	Historical Cost	Items Not Accounted For (INAF)	Historical Cost (INAF)	No Exception/ Exception	Page No.
School	3121 Quiet Waters Elementary	838	\$1,331,647	0	0	No Exception	
School	3301 Endeavour Primary Learning Center	412	\$645,666	0	0	No Exception	
School	3491 Silver Palms Elementary	561	\$825,009	0	0	No Exception	
School	3571 Panther Run Elementary	523	\$778,094	0	0	No Exception	
School	3581 Silver Shores Elementary	802	\$1,141,772	1	\$1,977	No Exception	
School	3631 Parkside Elementary	635	\$937,157	0	0	No Exception	
School	3871 Westglades Middle	1,118	\$1,900,602	0	0	No Exception	
DEPT	9605 Building Department	70	\$103,309	1	\$1,597	Exception	10-14
DEPT	9652 Instructional Staffing	86	\$141,058	2	\$3,552	Exception	15-18
DEPT	9675 Athletics & Student Activities	8	\$22,873	0	0	No Exception	
DEPT	9775 Chief Academic Officer	15	\$33,118	0	0	No Exception	
DEPT	9802 Chief Portfolio Officer	12	\$35,080	0	0	No Exception	
DEPT	9804 Student Support Initiatives	40	\$75,427	0	0	No Exception	
Sub Total		5,120	\$7,970,812	4	\$7,126	11 No Exception 2 Exception	

Area	Name	Total Items	Historical Cost	Items Not Accounted For (INAF)	Historical Cost (INAF)	No Exception/ Exception	Page No.
DEPT	9805 Student Services	284	\$427,719	2	\$2,913	No Exception	
DEPT	9814 Special Education Operations	53	\$78,286	0	0	No Exception	
DEPT	9817 ESOL	109	\$220,704	0	0	No Exception	
DEPT	9818 Psychological Services	299	\$533,609	1	\$1,532	No Exception	
DEPT	9852 Strategic Achievement	79	\$135,919	0	0	No Exception	
DEPT	9853 Chief Service Quality Officer	15	\$24,797	0	0	No Exception	
DEPT	9858 Information & Technology	1,947	\$21,394,098	3	\$23,390	No Exception	
Sub Total This Page		2,786	\$22,815,132	6	\$27,835	7 No Exception	
Sub Total Page 4		5,939	\$8,883,245	13	\$18,023	11 No Exception	
Sub Total Page 5		9,118	\$13,162,062	15	\$22,949	13 No Exception	
Sub Total Page 6		5,120	\$7,970,812	4	\$7,126	11 No Exception 2 Exception	
TOTAL		22,963	\$52,831,251	38	\$75,933	42 No Exception 2 Exception	

Audits Performed by:
Bryan Erhard
Ivette Lima
Bruce Norris
Stephanie Ormsby
Rhonda Schaefer

Audits Processed by:
Gail Mouzon-Williams

Audits Managed by:
Mark Magli

SECTION II:
Locations-All Items Accounted for

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
The Office of the Chief Auditor
Property Audits

During the property audit at the following locations, all assets were reconciled.

SCHOOL NAME

Dania Elementary
Hollywood Hills Elementary
Sunset School
North Andrews Gardens Elementary
Miramar Elementary
Driftwood Elementary
Lake Forest Elementary
Pembroke Pines Elementary
Plantation Park Elementary
Coconut Creek Elementary
Park Ridge Elementary
Pioneer Middle
Sea Castle Elementary
Country Hills Elementary
Quiet Waters Elementary
Endeavour Primary Learning Center
Silver Palms Elementary
Panther Run Elementary
Parkside Elementary
Westglades Middle

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
The Office of the Chief Auditor
Property Audits

During the property audit at the following locations, all assets were reconciled.

DEPARTMENT NAME

Athletics & Student Activities
Chief Academic Officer
Chief Portfolio Officer
Student Support Initiatives
Special Education Operations
ESOL
Psychological Services
Strategic Achievement
Chief Service Quality Officer

**SECTION III:
Locations with Exceptions**

Department Name: Building Department 9605

Administrator's Name: Robert Hamberger

**Address: 2301 NW 26th Street
Oakland Park, Florida 33311**

Total Number of Items in Inventory:	70
Total Dollar Cost of Items in Inventory:	\$103,309
Total Number of Items Unaccounted for:	1
Total Dollar Cost of Items Unaccounted for:	\$1,597
Total Value of Items Unaccounted for:	\$0

The expectations for monitoring and safeguarding District assets are defined by Business Practice Bulletin O-100. Policies, procedures and best practices should be reviewed with all staff to ensure proper compliance and systemic efficiency.

The Office of the Chief Auditor suggests "hands on all" item reconciliation be completed at all departments to ensure an accurate physical accounting of designated assets by the staff.

CONDUCTING SEMI-ANNUAL INVENTORIES per Business Practice Bulletin O-100

One item was not accounted for during this evaluation. An additional item was located during this property audit that was not reconciled during the previous audit and marked as unaccounted for in the Master File of Assets. "Found" items should be reported to Accounting & Financial Reporting at the time of recovery to ensure that the item is reactivated accordingly. Unaccounted for items are submitted to the School Board for elimination from the Master File if they are not activated for a period of two years or more.

All locations are minimally required to conduct semi-annual inventories to ensure the District's property records are accurately maintained and updated. This includes the high-risk property items maintained within the secondary database established by the location.

The location will request an electronic copy of its PNI 811 report from ETS Production or actively monitor the Optispool PNI 954A Report.

Appropriate staff will physically verify each property item listed on the PNI 811 report is accounted for on premises or there is a current Property Pass executed for tangible personal property assigned to individuals.

Locations shall surplus tangible personal property twice per year in accordance with conducting self-inventories.

SECONDARY DATABASE

The Inventory Audit Specialist did not receive confirmation of the department's secondary database for tracking high risk items and tools with a value less than \$1000. Business Practice Bulletin O-100 establishes the expectations for schools and departments to track this equipment.

(Building Department continued)

The purpose of this audit will be to verify the physical presence of tangible personal property designated on a location's property inventory and to ensure appropriate controls are in place to safeguard the location's tangible personal property. This will include a cursory review of the safeguards associated with high-risk items maintained within the location's secondary database.

**The Office of the Chief Auditor
Property Division
2012-13**

Items not accounted for: **Building Department 9605**

BPI NUMBER	ITEM DESCRIPTION	HISTORICAL COST
1 06-12573	DELL, LAPTOP D510	\$ 1,597.00

Total Historical Cost of Property unaccounted for as of May 13, 2013	\$	1,597.00
[1]Total Accumulated Depreciation as of May 13, 2013	\$	1,597.00
Net Value of Property considered to be unaccounted for as of May 13, 2013	\$	-

**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
OFFICE OF THE CHIEF STRATEGY & OPERATIONS OFFICER**

**Maurice L. Woods
Chief Strategy & Operations Officer**

Telephone: 754-321-2610

Facsimile: 754-321-1999

May 24, 2013

TO: Patrick Reilly
Chief Auditor

FROM: Maurice L. Woods *MLW.*
Chief Strategy & Operations Officer

SUBJECT: **AUDIT REPORT ON PROPERTY INVENTORY – FISCAL YEAR 2012-13**

Attached you will find the Building Department response to the 2012-13 property audit conducted in April 2013. I have reviewed the response and acknowledge the oversight and managements plan to mitigate any future liability.

Going forward, I will provide oversight on the identified corrective action plan and support the department in making improvement in areas related to property and inventory management.

MLW:jp
Attachment



THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

2301 NW 26 STREET, BUILDING 9 • OAKLAND PARK, FLORIDA 33311 • TEL 754-321-4800 • FAX 754-321-3389

ROBERT F. HAMBERGER

*Chief Building Official
Building Department*

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Superintendent of Schools

Memorandum

To: Maurice L. Woods

From: Robert Hamberger

Re: Final Property Audit Report FY 2012-13

Date: May 15, 2013

During a property audit conducted in April 2013, it was discovered that a 2006 Dell laptop computer was missing from the inventory. This computer was valued at \$1597.00. We believe that the laptop was sent to a tech for repair, but without a property transfer. We have asked the repair technician that we interact with if he recalled any such event or if he had a laptop with the service tag number in question without resolution. We have followed the protocols for the last 4 years without any problems, so I look at this oversight as human error. We will continue to follow the firm's policies regarding property transfers and as an additional safeguard and corrective action plan, we will send any surplus equipment to B-stock to mitigate any future liability.

Department Name: Instructional Staffing 9652

Administrator's Name: Susan Rockelman

**Address: 600 SE 3rd Avenue
Ft. Lauderdale, Florida 33301**

Total Number of Items in Inventory:	86
Total Dollar Cost of Items in Inventory:	\$141,058
Total Number of Items Unaccounted for:	2
Total Dollar Cost of Items Unaccounted for:	\$3,552
Total Net Value of Items Unaccounted for:	\$0

The expectations for monitoring and safeguarding District assets are defined by Business Practice Bulletin O-100. Policies, procedures and best practices should be reviewed with all staff to ensure proper compliance for this and related secondary locations.

MONITORING PROPERTY RECORDS

A pre-audit discrepancy report identified two (2) items in the Master File of Assets that contained incomplete or erroneous record information prior to the start of the audit. Invoice documentation has been provided to the Inventory Audit Specialist so that omitted manufacturer serial numbers can be applied as required.

PURCHASING TANGIBLE PERSONAL PROPERTY per Business Practice Bulletin O-100

All non-consumable tangible personal property with a unit value of \$1,000 or greater must be ordered through the District's Purchasing system utilizing appropriate coding.

Six (6) items were located at the location that did not appear in the Master File of Assets. As a result of the audit, the department's administration completed the required documentation to have the equipment added in alignment with the state and district requirements for recording tangible fixed assets or for transferring the remaining items identified by the New Found Items Report.

CONDUCTING SEMI-ANNUAL INVENTORIES per Business Practice Bulletin O-100

The Office of the Chief Auditor suggests "hands on all" item reconciliation be completed at all schools/departments to ensure an accurate physical accounting of designated assets by the staff.

All locations are minimally required to conduct semi-annual inventories to ensure the District's property records are accurately maintained and updated. This includes the high-risk property items maintained within the secondary database established by the location.

The location will request an electronic copy of its PNI 811 report from ETS Production or actively monitor the Optispool PNI 954A New Records Report.

Appropriate staff will physically verify each property item listed on the PNI 811 report is accounted for on premises or there is a current Property Pass executed for tangible personal property assigned to individuals.

(Instructional Staffing continued)

Locations shall surplus tangible personal property twice per year in accordance with conducting self-inventories.

ASSIGNMENT OF PROPERTY TO STAFF per Business Practice Bulletin O-100

It is recognized that tangible personal property will be assigned to staff for temporary removal of the property from the primary operational site location.

Some equipment was identified that was housed outside the primary operational site during the preliminary physical property audit. Property Passes were completed as requested by the Inventory Audit Specialist.

SURPLUS OF TANGIBLE PERSONAL PROPERTY per Business Practice Bulletin O-100

All staff members must review the requirements for asset removal in an effort to prevent undocumented or improper disposal.

Periodically, the location should surplus any obsolete or damaged tangible personal property in order to remove these records from their property inventory. Locations shall surplus tangible personal property twice per year in accordance with their self inventories conducted semi-annually.

The location should complete a 3290a Surplus/Transfer Declaration Form to identify the tangible personal property to be salvaged.

The 3290a Surplus/Transfer Declaration Form must list the BPI Number (Property Asset Number), serial number, model number, and equipment description for each property item being surplussed. The 3290a Surplus/Transfer Declaration Form must then be signed and dated by the property custodian and adequate explanation/documentation provided for surplussing the tangible personal property.

The location should make a copy of the 3290a Surplus/Transfer Declaration Form(s) for their record and forward the original to the Manager, Material Logistics at the Warehouse.

The Warehouse will arrange to pick-up the tangible personal property designated for surplus from the applicable location. A work order document will be provided to the property custodian at each location to certify removal activity.

**The Office of the Chief Auditor
Property Division
2012-13**

Items not accounted for: **Instructional Staffing 9652**

BPI NUMBER	ITEM DESCRIPTION	HISTORICAL COST
1 04-20053	APPLE IBOOK G4	\$ 1,531.50
2 00-12785	COMPUTER, LAPTOP MAC IBOOK	\$ 2,020.00

Total Historical Cost of Property unaccounted for as of May 13, 2013	\$	3,551.50
[1]Total Accumulated Depreciation as of May 13, 2013	\$	3,551.50
Net Value of Property considered to be unaccounted for as of May 13, 2013	\$	-

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

SUSAN T. ROCKELMAN, DIRECTOR

INSTRUCTIONAL STAFFING

Telephone 754-321-2324

Facsimile 754-321-2716

May 20, 2013

TO: Gracie M. Diaz, Chief Human Resources Officer
Human Resources

FROM: Susan T. Rockelman, Director
Instructional Staffing

SUBJECT: **APRIL 3, 2013, AUDIT RESPONSE AND CORRECTIVE ACTION PLAN**

Please see the response to the concerns noted on the auditor's report:

Missing Items – Two inventory items were unaccounted for during the 2013 inventory/property audit. The items identified below were purchased in 2004 and 2000 respectively. These items are now considered lost or stolen.

Apple IBook G-4	BPI #04-20053	Location-3 rd Floor
Computer, Laptop MAC IBook	BPI #00-12785	Location-3 rd Floor

Monitoring Property Records – The pre-audit discrepancy identified two (2) additional items that were recently purchased. These items have been verified and corrected on the PNI report.

Purchasing Tangible Personal Property – Six items were identified as not appearing on the Master File of Assets. Three of the six items were Kronos Clocks and they have been returned to the Network Integration Department. The three remaining items, the Epson Projector, and two new laptops have been added to the Master File.

Conducting Semi-Annual Inventories – The Instructional Staffing Department will ensure that a semi-annual inventory audit with physical verification of all items is conducted. Instructional Staffing has a Filemaker database that contains all inventory items, this database will be used to monitor equipment and verify that the data matches the items on the Master File.

STR:kds

c: Pat Reilly, Chief Auditor, Office of the Chief Auditor
Mark Magli, Manager, Property Audits Division