

INTERNAL PROPERTY AUDIT REPORT

Property and Inventory Audits of Selected Locations
2013-2014



**To be presented to the:
Audit Committee
on
January 23, 2014**

**The School Board of Broward County, Florida
on
February 19, 2014**

**by
The Office of the Chief Auditor**



Broward County Public Schools

The School Board of Broward County, Florida

PATRICIA GOOD, Chair
DONNA P. KORN, Vice Chair

ROBIN BARTLEMAN
ABBY M. FREEDMAN
LAURIE RICH LEVINSON
ANN MURRAY
DR. ROSALIND OSGOOD
NORA RUPERT

ROBERT W. RUNCIE
Superintendent of Schools

The School Board of Broward County, Florida prohibits any policy or procedure which results in discrimination on the basis of age, color, disability, gender, national origin, marital status, race, religion or sexual orientation. Individuals who wish to file a discrimination and/or harassment complaint may call the Executive Director, Benefits & EEO Compliance at 754-321-2150 or Teletype Machine (TTY) 754-321-2158.

Individuals with disabilities requesting accommodations under the Americans with Disabilities Act (ADA) may call the Equal Educational Opportunities (EEO) at (754) 321-2150 or Teletype Machine (TTY) (754) 321-2158.

www.browardschools.com



THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

600 SOUTHEAST THIRD AVENUE • FORT LAUDERDALE, FLORIDA 33301 • TEL 754-321-2600 • FAX 754-321-2701

ROBERT W. RUNCIE
Superintendent of Schools

SCHOOL BOARD

Chair
Vice Chair

PATRICIA GOOD
DONNA P. KORN
ROBIN BARTLEMAN
ABBY M. FREEDMAN
LAURIE RICH LEVINSON
ANN MURRAY
DR. ROSALIND OSGOOD
NORA RUPERT

January 13, 2014

Members of The School Board of Broward County, Florida
Members of The School Board Audit Committee
Robert W. Runcie, Superintendent of Schools

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 69I-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 twenty five (25) locations in the report complied with prescribed policies and procedures. There was one (1) location 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

TABLE OF CONTENTS

	<u>PAGE</u>
AUTHORIZATION.....	1
SCOPE, OBJECTIVE AND METHODOLOGY	1-3
SECTION I: Summary of Property and Inventory Audits Performed.....	4-6
SECTION II: Property and Inventory Audits Performed – All Items Accounted for.....	7
SECTION III: Administrative Responses - Locations with Exceptions	
<u>Schools w/ Exceptions</u>	
McNicol Middle	8-13

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 2013-2014

The following report discloses the audits for twenty five (25) schools and one (1) department locations. These audits were finalized between November 6, 2013 and, January 10, 2014. For this report, we noted that one (1) location had audit exceptions. A summary of this report notes that:

- For the 26 locations, 22,781 items were listed in the property records at a historical cost of \$37,670,017.
- For the 26 locations included in this report, a total of 47 items could not be accounted for with a historical cost of \$85,243.

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 **November 6, 2013 and, January 10, 2014**. 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	0171 South Broward High	1,787	\$2,778,475	9	\$18,994	No Exception	
School	0191 Wilton Manors Elementary	558	\$775,734	0	0	No Exception	
School	0271 Dillard Elementary	534	\$573,485	0	0	No Exception	
School	0331 Collins Elementary	436	\$673,940	1	\$1,154	No Exception	
School	0405 Lanier James Education Center	394	\$578,692	1	\$1,399	No Exception	
School	0481 McNicol Middle	949	\$1,395,940	13	\$25,724	Exception	8-13
School	0491 Harbordale Elementary	516	\$797,995	0	0	No Exception	
School	0551 Plantation Middle	671	\$1,025,630	2	\$2,791	No Exception	
School	0611 Sunland Park Elementary	585	\$701,295	3	\$6,945	No Exception	
School	1291 McFatter Technical Center	2,616	\$5,785,304	7	\$10,918	No Exception	
Sub Total This Page		9,046	\$15,086,490	36	\$67,925	9 No Exception 1 Exception	

Area	Name	Total Items	Historical Cost	Items Not Accounted For (INAF)	Historical Cost (INAF)	No Exception/ Exception	Page No.
School	1791 Apollo Middle	837	\$1,210,071	2	\$2,582	No Exception	
School	1851 Royal Palm Elementary	640	\$1,026,298	0	0	No Exception	
School	2052 Westpine Middle	944	\$1,341,269	4	\$6,102	No Exception	
School	2221 Atlantic Technical Center	3,367	\$6,321,053	1	\$3,362	No Exception	
School	2771 Broward Fire Academy	249	\$1,038,520	1	\$1,500	No Exception	
School	2881 Welleby Elementary	552	\$887,199	0	0	No Exception	
School	2942 Everglades Elementary	693	\$984,383	0	0	No Exception	
School	2981 Country Isles Elementary	706	\$887,338	0	0	No Exception	
School	3011 Stoneman Douglas High	1,858	\$2,921,539	0	0	No Exception	
School	3031 Riverside Elementary	511	\$650,795	0	0	No Exception	
School	3041 Coral Park Elementary	692	\$1,033,005	0	0	No Exception	
School	3131 Hawks Bluff Elementary	577	\$839,384	1	\$1,290	No Exception	
School	3151 Tequesta Trace Middle	946	\$1,493,240	0	0	No Exception	
Sub Total This Page		12,572	\$20,634,094	9	\$14,836	13 No Exception	

Area	Name	Total Items	Historical Cost	Items Not Accounted For (INAF)	Historical Cost (INAF)	No Exception/ Exception	Page No.
School	3331 Silver Trails Middle	1,031	\$1,441,356	0	0	No Exception	
School	3851 College Academy	80	\$138,881	0	0	No Exception	
DEPT	9613 Material Stockroom	52	\$369,196	2	\$2,482	No Exception	
Sub Total This Page		1,163	\$1,949,433	2	\$2,482	3 No Exception	
Sub Total Page 4		9,046	\$15,086,490	36	\$67,925	9 No Exception 1 Exception	
Sub Total Page 5		12,572	\$20,634,094	9	\$14,836	13 No Exception	
TOTAL		22,781	\$37,670,017	47	\$85,243	25 No Exception 1 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

0191 Wilton Manors Elementary

0271 Dillard Elementary

2881 Welleby Elementary

2942 Everglades Elementary

2981 Country Isles Elementary

3011 Stoneman Douglas High

3031 Riverside Elementary

3041 Coral Park Elementary

3151 Tequesta Trace Middle

3331 Silver Trails Middle

3851 College Academy

SECTION III:
Locations with Exceptions

School Name: McNicol Middle 0481

Administrator's Name: Mr. Horace Hamm

Address: 1602 South 27th Avenue
Hollywood, Florida 33020

Total Number of Items in Inventory: 949
Total Dollar Cost of Items in Inventory: \$1,395,940
Total Number of Items Unaccounted for: 13
Total Dollar Cost of Items Unaccounted for: \$25,724
Total Net Value of Items Unaccounted for: \$0

Audit Committee Dates	Total Assets Unaccounted For	Historical Value of Assets Unaccounted For	Status
12-13	9	\$15,388	Exception <i>Hamm, H.</i>
10-11	2	\$2,843	No Exception <i>Hamm, H.</i>
08-09	30	\$73,224	Exception <i>Jones, D.</i>

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 implementation of internal monitoring controls has been inconsistent at the location.

PROPERTY TEAM

Functional back up roles should be developed to increase the efficiency of archiving support documentation utilizing a Property Binder and updated locally managed equipment tracking database. It should be noted that the sharing of oversight responsibilities can foster an improved level of compliance, awareness and adherence to school/department expectations related to property control. The Principal and involved staff should maintain access to these items at all times.

MONITORING PROPERTY RECORDS

A pre-audit discrepancy report identified sixty nine (69) asset record discrepancies that were not corrected by school staff prior to the start of the audit. Optispool PNI 811 & PNI 954 Reports, provided by Information & Technology (IT), should be reviewed routinely to ensure that record modifications, additions and amendments are executed in the Master File of Assets effectively.

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.

(McNicol Middle 0481 continued)

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 IT (fka-ETS) Production or actively monitor the Optispool PNI 954A Report.

Appropriate staff will physically verify that 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.

Procedures for allocating and securing high risk items such as laptop computers should be strengthened. Updated property passes and daily logging of cart based equipment should be implemented to assist in the safeguarding of assets in the future. The plan should incorporate daily and/or hourly (as needed) laptop cart allocation logs to be certified by the Micro Tech Specialist and the assigned teachers. Administrators should verify that the expectations regarding the planned implementation by the teachers and property team members are realized at the location. This is a repeat condition.

REPORTING THEFT OR VANDALISM per Business Practice Bulletin O-100

All locations must take appropriate measures to ensure the safekeeping of all tangible personal property. This includes securing all high-theft equipment during hours of non-operation.

To the extent possible, tangible personal property should be designated to individual staff that is requested to oversee the equipment and report any loss or theft to appropriate administration in "real-time". Additionally, tangible personal property that is not utilized on a day-to-day basis should be stored in a secured location, and the appropriate staff should physically verify this property as needed to provide the most effective means of securing tangible personal property.

NEW FOUND ITEMS REPORTED

Eighty nine (89) items were located at the school that did not appear in the Master File of Assets. The school has followed up by completing the documentation required to have the equipment added in alignment with the State and District requirements for recording fixed assets at a value exceeding \$1,000. In some cases, the historical cost was certified below the value of assets captured by Accounting & Financial Reporting Department (AFRD) for tracking, but should still be maintained in the school's database and secured accordingly. Support records for the items identified in the New Found Items Report should be kept in the location's property binder for future audit review. This is a repeat condition.

*The OCA will then issue a final audit report to the property custodian, identifying the final discrepancy list and outlining any material weaknesses associated with the location's inventory control. A copy of the final discrepancy report will also be forwarded to Accounting & Financial Reporting Department (AFRD) - Capital Assets 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 Tangible Property Loss/ Equipment Acquisition Form** signed by the property*

(McNicol Middle 0481 continued)

custodian with invoices or estimated values authorizing Accounting & Financial Reporting Department (AFRD) - Capital Assets to add these property items to the Master File of Capital Assets database.

SECONDARY DATABASE

The Inventory Audit Specialist did not receive a confirmation of the school's database for tracking items and/or band equipment with a value of less than \$1,000. Business Practice Bulletin O-100 establishes the procedures for schools to track all types of equipment.

Although tangible personal property purchases with a unit value of less than \$1,000 are not maintained on the District's Master File of Capital Assets database, property custodians should take appropriate precautions to safeguard and track all tangible personal property, especially high risk items such as computers, cameras, LCD Projectors, custodial equipment, and musical instruments. Locations must maintain records of these high risk items within a secondary, site based tracking database. The property custodian will determine the format for maintaining the information contained in the location's secondary, site-based tracking database (Excel, FileMaker Pro, etc.) unless otherwise mandated by the respective SLT (fka ELT) administrator.

**The Office of the Chief Auditor
Property Division
2013-14**

Items not accounted for:

McNicol Middle 0481

	BPI NUMBER	ITEM DESCRIPTION	HISTORICAL COST
1	08-11933	APPLE MACBOOK 2.1 GHZ W/CD-RW/DVD 13.3"	\$ 1,499.00
2	08LA00646	Apple MacBook 2.4 GHz; 2 GB RAM	\$ 2,769.81
3	08LA00655	Apple MacBook 2.4 GHz; 2 GB RAM	\$ 2,769.81
4	08LA00661	Apple MacBook 2.4 GHz; 2 GB RAM	\$ 2,769.81
5	08LA00663	Apple MacBook 2.4 GHz; 2 GB RAM	\$ 2,769.81
6	08LA00668	Apple MacBook 2.4 GHz; 2 GB RAM	\$ 2,769.81
7	07-03028	DELL LAPTOP D620 W/CD-RW/DVD/15.4" DISPL	\$ 1,624.00
8	06-10588	DELL, LAPTOP D510 W/CD-RW/DVD/14.1" DISP	\$ 1,689.00
9	05LD01536	Dell-Refresh Laptop	\$ 1,418.35
10	05LD01538	Dell-Refresh Laptop	\$ 1,418.35
11	05LD01540	Dell-Refresh Laptop	\$ 1,418.35
12	05LD01563	Dell-Refresh Laptop	\$ 1,418.35
13	02-12621	MICROSCOPE, COAXINAL ADVANCED BOREAL	\$ 1,389.75

Total Historical Cost of Property unaccounted for as of November 13, 2013	\$ 25,724.20
[1]Total Accumulated Depreciation as of November 13, 2013	\$ 25,724.20
Net Value of Property considered to be unaccounted for as of November 13, 2013	\$ -

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

**DESMOND K. BLACKBURN, Ph.D.
CHIEF SCHOOL PERFORMANCE AND ACCOUNTABILITY OFFICER**

Telephone: 754-321-3838

Facsimile: 754-321-3886

January 13, 2014

TO: Patrick Reilly, Chief Auditor
Office of the Chief Auditor

FROM: Desmond K. Blackburn, Ph.D.
Chief School Performance and Accountability Officer

SUBJECT: **PROPERTY AND INVENTORY AUDIT RESPONSE – MCNICOL
MIDDLE SCHOOL**

The Office of School Performance and Accountability has reviewed the property and inventory audit findings for McNicol Middle School. These audit findings have been discussed with the Principal, Horace Hamm, and he has taken full responsibility to implement deliberate steps to ensure exception-free property and inventory audits in the future. The Office of School Performance and Accountability will monitor the school's progress and hold the Principal appropriately accountable through progressive discipline.

If additional information is needed, please let me know.

DKB/DH:bjw

cc: David Hall, Director, Office of School Performance and Accountability
Horace Hamm, Principal, McNicol Middle School



THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

McNICOL MIDDLE MAGNET SCHOOL

HORACE HAMM, Principal

Andrea Ellis, Intern Principal - 8th Grade
David Martin II, Asst. Principal - 7th Grade
Melissa Gurreconero, Intern Principal - 6th Grade
1602 South 27th Avenue
Hollywood, Florida 33020

Telephone: 754-323-3400
Facsimile: 754-323-3485

SCHOOL BOARD

Chair PATRICIA GOOD
Vice Chair DONNA P. KORN

Board Members ROBIN BARTLEMAN
ABBY FREEDMAN
KATHERINE M. LEACH
LAURIE RICH LEVINSON
ANN MURRAY
DR. ROSALIND OSGOOD
NORA RUPERT

ROBERT W. RUNCIE
Superintendent of Schools

December 4, 2013

TO: Dr. Desmond Blackburn
Chief School Performance and Accountability Officer

FROM: Horace A. Hamm, Principal
McNicol Middle School

VIA: Mr. David Hall
Cadre 8 Area Director

SUBJECT: AUDIT REPORT ON PROPERTY & INVENTORY – FISCAL YEAR 2013-14

I have reviewed the draft audit report from the Chief Auditor regarding the examination of the property and inventory of McNicol Middle School. After examining the report, our corrective actions to address the areas of concern identified include the following:

1. Restructuring our Property & Inventory team to include Principal taking a more integral role to ensure adherence to school board policies, procedures, and the Standard Practice Bulletin (O-100) with fidelity.
2. Laptops that are not in use will be secured in a locked storage unit and will be monitored on a weekly basis by the new Micro Tech Specialist. Twelve of the 13 items unaccounted for (laptops) were located in previous Micro Tech's room prior to inventory audit. A new and experienced Micro Tech was hired to ensure proper accounting for all items. The other item, a microscope was located with the BPI number 02-12621 written on the microscope, however the auditor explained that it was not the correct item.
3. Optispool PNI 811 & PNI 954 reports will be routinely reviewed to ensure that record modifications and additions are executed in Master File of Assets in a timely manner.
4. Principal will also hold key personnel responsible for not adhering to directives.

I am very confident that these corrective actions will ensure compliance with school board policies, procedures, and Standard Practice Bulletins and result in accounting for all property and inventory assigned to McNicol Middle School.