

INTERNAL PROPERTY AUDIT REPORT

Property and Inventory Audits of Selected Locations
2013-2014



**BROWARD COUNTY
PUBLIC SCHOOLS**

The Nation's Sixth Largest School District.



**To be presented to the:
Audit Committee
on
March 13, 2014**

**The School Board of Broward County, Florida
on
April 1, 2014**

**by
The Office of the Chief Auditor**



Broward County Public Schools

The School Board of Broward County, Florida

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Patrick Reilly, Chief Auditor
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March 3, 2014

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 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 thirty three (33) 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

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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 2013-2014

The following report discloses the audits for thirty three (33) schools and one (1) department location. These audits were finalized between **January 10, 2014 and February 24, 2014**. For this report, we noted that one (1) location had audit exceptions. A summary of this report notes that:

- For the 34 locations, 33,295 items were listed in the property records at a historical cost of \$49,880,924.
- For the 34 locations included in this report, a total of 116 items could not be accounted for with a historical cost of \$205,348.

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 **January 10, 2014 and February 24, 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	0011 Deerfield Beach Elementary	586	\$956,833	0	0	No Exception	
School	0211 Stranahan High	1,500	\$2,638,176	3	\$5,696	No Exception	
School	0241 McArthur High	2,324	\$3,471,741	4	\$6,881	No Exception	
School	0251 Sunrise Middle	968	\$1,404,688	2	\$6,057	No Exception	
School	0341 Mary M. Bethune Elementary	655	\$1,020,953	0	0	No Exception	
School	0403 Hallandale High	1,230	\$2,016,023	9	\$17,989	No Exception	
School	0471 Olsen Middle	975	\$1,373,622	5	\$7,285	No Exception	
School	0601 Seagull School	632	\$881,667	2	\$2,610	No Exception	
School	0641 Bayview Elementary	447	\$580,764	0	0	No Exception	
School	0653 Pine Ridge Education Center	595	\$847,407	4	\$7,257	No Exception	
School	0861 Driftwood Middle	1,258	\$1,901,967	7	\$18,942	No Exception	
Sub Total This Page		11,170	\$17,093,841	36	\$72,717	11 No Exception	

Area	Name	Total Items	Historical Cost	Items Not Accounted For (INAF)	Historical Cost (INAF)	No Exception/ Exception	Page No.
School	0911 Deerfield Beach Middle	987	\$1,632,401	4	\$6,168	No Exception	
School	1161 Margate Elementary	641	\$866,464	0	0	No Exception	
School	1631 A.C. Perry Elementary	438	\$648,030	3	\$4,248	No Exception	
School	1641 Fairway Elementary	599	\$859,155	0	0	No Exception	
School	1661 Hollywood Hills High	1,495	\$2,067,048	14	\$19,830	No Exception	
School	1701 Lauderdale Lakes Middle	854	\$1,153,502	5	\$5,875	No Exception	
School	1761 Hollywood Park Elementary	464	\$621,971	1	\$3,751	No Exception	
School	1931 Cooper City High	1,499	\$2,483,804	1	\$1,441	No Exception	
School	1971 James S. Hunt Elementary	389	\$541,433	0	0	No Exception	
School	2041 Beachside Montessori Village	502	\$732,312	0	0	No Exception	
School	2511 Atlantic West Elementary	527	\$755,625	0	0	No Exception	
School	2531 Horizon Elementary	565	\$818,868	3	\$5,361	No Exception	
School	2561 Coral Springs Middle	1,379	\$1,863,447	2	\$2,770	No Exception	
Sub Total This Page		10,339	\$15,044,060	33	\$49,444	13 No Exception	

Area	Name	Total Items	Historical Cost	Items Not Accounted For (INAF)	Historical Cost (INAF)	No Exception/ Exception	Page No.
School	2631 Forest Hills Elementary	436	\$639,308	1	\$2,136	No Exception	
School	2641 Central Park Elementary	690	\$986,674	0	0	No Exception	
School	2661 Pembroke Lakes Elementary	477	\$675,165	0	0	No Exception	
School	2721 Ramblewood Elementary	608	\$770,568	2	\$3,995	No Exception	
School	3101 Lyons Creek Middle	1,713	\$2,597,719	1	\$2,770	No Exception	
School	3371 Silver Lakes Elementary	493	\$763,020	6	\$10,236	Exception	8-13
School	3431 Sawgrass Springs Middle	844	\$1,215,314	2	\$2,541	No Exception	
School	3623 Cypress Bay High	3,452	\$5,087,461	13	\$28,904	No Exception	
School	3731 Everglades High	2,986	\$4,822,582	22	\$32,605	No Exception	
Dept	9781/9784 9785/9789 CTACE	87	\$185,212	0	0	No Exception	
Sub Total This Page		11,786	\$17,743,023	47	\$83,187	1 Exception 9 No Exception	
Sub Total Page 4		11,170	\$17,093,841	36	\$72,717	11 No Exception	
Sub Total Page 5		10,339	\$15,044,060	33	\$49,444	13 No Exception	
TOTAL		33,295	\$49,880,924	116	\$205,348	33 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.

LOCATION NAME

Deerfield Beach Elementary 0011

Mary M. Bethune Elementary 0341

Bayview Elementary 0641

Margate Elementary 1161

Fairway Elementary 1641

James S. Hunt Elementary 1971

Beachside Montessori Village 2041

Atlantic West Elementary 2511

Central Park Elementary 2641

Pembroke Lakes Elementary 2661

Career, Technical, Adult & Community Education (CTACE) 9781-9784-9785-9789

SECTION III:
Locations with Exceptions

School Name: Silver Lakes Elementary 3371

Principal's Name: Ms. Tammy Gilbert

**Address: 2300 Southwest 173rd Avenue
Miramar, Florida 33029**

Total Number of Items in Inventory:	493
Total Dollar Cost of Items in Inventory:	\$763,020
Total Number of Items Unaccounted for:	6
Total Dollar Cost of Items Unaccounted for:	\$10,236
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 and systemic efficiency.

Procedures relating to the recording and execution of the removal of unusable obsolete equipment should be strengthened. The Property Custodian must certify the accuracy of documentation prior to the request for removal by the approved District agency (B-stock Central Warehouse). The Office of the Chief Auditor advises site administrators to avoid creating surplus "piles" whenever possible to prevent unmonitored removal or unrecorded addition of property to the designated pick up area.

Some items were represented on documentation as retired, but were found at the location during this physical inventory. Items that are documented for removal from the Master File of Assets (PROP) are extremely vulnerable to theft and misuse. Ms. Gilbert has certified that those items will be requested for removal by the appropriate department as a resubmission following the conclusion of this audit.

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

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

(Silver Lakes Elementary continued)

the applicable location. A work order document will be provided to the property custodian at each location to certify removal activity.

After confirming the pick-up of the property items, the Manager, Material Logistics will forward the 3290a Surplus/Transfer Declaration Form along with the B-stock pick-up acknowledgment form to Accounting & Financial Reporting Department - Capital Assets for processing.

Accounting & Financial Reporting Department - Capital Assets will send an email confirmation to the property custodian upon receipt of the form and documentation. Accounting & Financial Reporting Department - Capital Assets will process the 3290a Surplus/Transfer Declaration Form and remove the property records from the location's property inventory.

Within five business days of receiving notification, the 3290a Surplus/Transfer Declaration Form will be processed by Accounting & Financial Reporting Department (AFRD) - Capital Assets and locations will be contacted for any additional information. The property custodian should verify that the property records have been removed from the property inventory by requesting a PNI 811 from ETS Production or by monitoring the Optispool 954 Reports.

The location should maintain copies of all pertinent documentation for their files to facilitate any necessary reconciliation during subsequent property and inventory audits.

The Office of the Chief Auditor researched several items that were inaccurately recorded on the prescribed Surplus Declaration Forms as provided to the Inventory Audit Specialist. As a result, three additional items were removed from the final list of unaccounted for items provided in this report when records were adequately supported using cross referenced archive records from the Accounting & Financial Reporting Department.

MONITORING PROPERTY RECORDS

A preliminary asset record review identified that some informational discrepancies had not been 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.

SECONDARY DATABASE

A school database for tracking high risk items with a value less than \$1000 is not currently used. Business Practice Bulletin O-100 establishes the procedures for schools to track all high risk equipment.

Although tangible personal property purchases with a unit value 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 ELT administrator.

(Silver Lakes Elementary continued)

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.

ASSIGNMENT OF TANGIBLE PERSONAL PROPERTY TO STAFF

The process allocating equipment to staff should be strengthened to ensure proper recording and reconciliation of laptop computers. Some property passes were updated as a result of this property audit.

It is recognized that tangible personal property will be assigned to staff for temporary removal of the property from the primary operational site location. In such instances, a Property Pass must be executed to document the assignment and removal of capital equipment from the location.

A unique Property Pass must be completed for each piece of tangible personal property removed from the location.

Property Passes must be updated annually or as needed to ensure the physical accounting and proper return of the District's capital equipment.

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

Items not accounted for:

Silver Lakes Elementary 3371

BPI NUMBER	ITEM DESCRIPTION	HISTORICAL COST
1 08LA03428	Apple MacBook 2.4 GHz; 2 GB RAM	\$ 2,769.81
2 08LA03396	Apple MacBook 2.4 GHz; 2 GB RAM	\$ 2,769.81
3 05LA23614	Apple-Refresh Laptop	\$ 1,395.62
4 05-35680	APPLE, DESKTOP, EMAC G4 W/17"FLAT CRT/CD	\$ 1,100.30
5 04-18494	APPLE,DESKTOP, EMAC G4 W/17"FLAT CRT/CD	\$ 1,100.30
6 04-03220	APPLE,DESKTOP, EMAC G4	\$ 1,100.30

Total Historical Cost of Property unaccounted for as of December 17, 2013	\$ 10,236.14
[1]Total Accumulated Depreciation as of December 17, 2013	\$ 10,236.14
Net Value of Property considered to be unaccounted for as of December 17, 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

Date January 15, 2014

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

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

SUBJECT: **AUDIT REPORT ON PROPERTY INVENTORY
 RESPONSE – SILVER LAKES ELEMENTARY SCHOOL**

The Office of School Performance and Accountability has reviewed the property and inventory audit findings for Silver Lakes Elementary School. These audit findings have been discussed with the Principal, Tammy Gilbert, and she 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 should future audit exceptions occur.

If additional information is needed, please let me know.

DKB/IC:bc

cc: Irene Cejka, Director, Office of School Performance and Accountability
 Tammy Gilbert, Principal, Silver Lakes Elementary School



THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

Silver Lakes Elementary
Mrs. Tammy Gilbert, Principal
Mrs. Alicia Aguilar, Assistant Principal
2300 S.W. 173rd Avenue
Miramar, Florida 33029
Telephone – 754-323-7400
Facsimile – 754-323-7440
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Superintendent of Schools

January 9, 2013

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

FROM: Tammy Gilbert, Principal 
Silver Lakes Elementary School

SUBJECT: Audit Response, Property and Inventory
Fiscal Year 2013-2014

The following corrective actions will be implemented as a result of the Property and Inventory Audit Report Dated January 6, 2014.

SURPLUS OF TANGIBLE PERSONAL PROPERTY Corrective Action:

**To ensure accuracy of information entered on the 3290a Surplus/Transfer Declaration Form, both the technology specialist and an additional staff member will verify serial numbers/BPI numbers prior to B-Stock Pickup.

**Equipment requested for B-Stock Pickup will be stored in one designated room to ensure all items are removed when pick up service arrives.

**The on-site technology specialist will do a physical inventory check quarterly with assistance from the Property and Inventory Team.

MONITORING PROPERTY RECORDS Corrective Action:

**The on-site technology specialist will do a physical inventory check quarterly with assistance from the Property and Inventory Team.

**The on site technology specialist will reconcile the PNI 811 and school database quarterly.

SECONDARY DATABASE Corrective Action:

****The on-site technology specialist will utilize a filemaker pro school-based database to track all items under \$1000.

PROPERTY TEAM Corrective Action:

**The school-based property database will be hosted on the Silver Lakes Elementary server providing access to the principal and assistant principal.

ASSIGNMENT OF TANGIBLE PERSONAL PROPERTY TO STAFF Corrective Action:

**Serial numbers will be recorded on property passes by the on site technology specialist or an administrator. Teachers will not be permitted to record serial numbers on forms.