



# Pasco County Schools

Kurt S. Browning, Superintendent of Schools

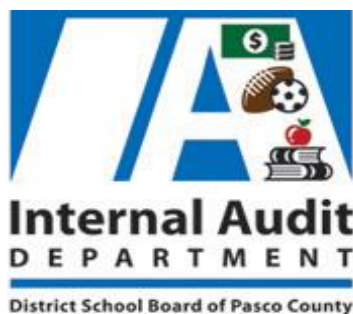
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## AUDIT OF TANGIBLE PERSONAL PROPERTY

*For Chasco Elementary as of August 1, 2016*

*Chapter 69I-73, Florida Administrative Code – Governmental units shall maintain adequate records of property in their custody. Each property item shall be permanently marked with the identification number assigned to that item to establish its identity and ownership by the governmental unit holding title to the item. Each governmental unit shall ensure a complete physical inventory of all property is taken annually.*



***Mary H. Tillman, CPA, CIA, ARM***

**Director of Internal Audit**

June 20, 2017

## AUDIT OF TANGIBLE PERSONAL PROPERTY

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*Chasco Elementary as of August 1, 2016*

### **Background**

The Superintendent is responsible for the supervision and control of District property per Section 274.03, Florida Statutes, which also allows delegation to a custodian the use and immediate control of the property.

Board Policy 7300-Property Custodianship names the school principal or cost center administrator of each facility as the property custodian. This custodian may delegate use and immediate control of the property to other employees, however, he may not delegate the ultimate responsibility for its control and use. Board equipment may be checked out to cost center employees, in accordance with District procedures, for use in their homes for purposes beneficial to the District, such as the completion of work assignments and the improvement of employees' computer-related skills.

Board Policy 7450 – Property Inventory requires that the Superintendent shall maintain an adequate record of its tangible personal property and software. A complete physical inventory of all property and software shall be taken annually. The inventory shall be compared with the property records and all discrepancies shall be traced and reconciled. The Superintendent shall conduct an annual physical inventory of property at each facility site. A report shall be made to the Board of the results of each inventory. Discrepancies shall be brought before the Board for disposition.

For purposes of this policy "tangible personal property" (TPP) shall mean any property item (item) of a non-consumable nature with a life expectancy of one (1) year or more.

Chapter 69I-73.002, Florida Administrative Code, sets the threshold for recording property items as those costing or having a value of \$1,000 or more. Although the District has since adopted \$1,000 as its capitalization threshold, for this audit period the capitalization threshold was still \$750.

Tangible personal property consists of furniture, computers, motor vehicles, and other items of a non-consumable, non-expendable nature that cost \$750 or more and have a normal life expectancy of one or more years. The District also accounts for small, attractive items that cost less than \$750, such as cameras, projectors, tablets, and iPads. Except for the tablets and iPads, these items are not tagged for inventory and are not recorded on the Munis system. Tablets and iPads are separately tagged and entered in the Munis system even though their cost is generally less than \$750.

As of June 30, 2016, the District's tangible personal property included over 83,000 items with an acquisition value of over \$173 million – see Appendix A. This category of assets does not include land, buildings, or improvements other than buildings. The majority of the District's tangible personal property items (62,738 items = 75% of item count) consisted of computers and computer support equipment. The acquisition value of these items totaled \$60,307,976.10, almost 35% of the District's total tangible personal property acquisition cost. The table included as Appendix A provides information regarding the District's property.

An annual inventory of District property items is required by Chapter 274, Florida Statutes. District procedures require the cost center administrators (School Principals or District Directors) to be responsible for the inventory of tangible personal property items at their own cost center. This practice, although deemed necessary because of financial constraints (available staff), is clearly not compliant with good business practices in that duties are not properly segregated. A better scenario would be for a person independent of the cost center to complete the inventory of that cost center. To mitigate this weakness in internal control, the District internal audit staff tests a sample of property items during annual internal accounts audits at the schools. Findings related to these property inventory tests are included in the individual school internal accounts audits. In addition, each year the internal audit staff conducts a complete property inventory audit for 2 elementary schools, 1 middle school, 1 high school and 1 district department. The findings from these complete inventory audits for fiscal year 2015-16 are included in the individual school and district department audit reports.

Following recommendations from the Finance and Internal Audit departments, the District created two Property Control Assistant positions in fiscal year 2016-2017 to conduct the annual inventories at all cost centers and to be involved in the physical tagging of qualifying property. However, this audit was performed under the prior conditions where the school staff performed the inventory for the school.

### **Audit Objectives and Scope**

This audit focused on evaluating whether the cost centers properly account for and safeguard tangible personal property. Specific objectives were to determine whether:

1. Cost center tangible personal property is controlled and accounted for as required by statute, rule and Board Policy
2. Tangible personal property items are properly tagged and marked; and
3. Proper procedures are followed for tangible personal property items that are transferred, lost or stolen, in use by appropriate staff or retired.

The scope of the audit included a review of all property items on the selected cost center's inventory for the 2015-2016 fiscal year. This review included internal control procedures including: tagging, secondary marking, transferring, disposing as well as locating the tangible personal property items.

### **Methodology**

To achieve the objectives, the audit team researched and reviewed applicable statutes, rules, and procedures, interviewed appropriate cost center staff and Property Control staff, examined actual property items, and reviewed selected inventory listings and related documents.

### **Standards**

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.

### **Audit Findings**

Our audit steps revealed that:

- Tangible personal property records were not complete.

- The serial numbers of some of the equipment were not entered on the property records in Munis. Control over property is compromised when the property records are incomplete. Serial numbers are used in the identification, tracking, and matching of property just like the tag number is. Serial numbers are part of the official property records. If an asset is not tagged and the serial number is missing from the property records, ownership of the asset is difficult to prove and the asset becomes susceptible to theft. The serial numbers of the following equipment were missing: two (2) of the eight (8) Bretford charging carts, one (1) ice machine, three (3) of the five (5) warming/holding cabinets, a mobile art cutting center, a popcorn machine, two (2) of the four (4) outside sheds, a xylophone, one (1) 3D digitizer scanner, and one (1) 3D printer.
- Proper tagging procedures were not followed for tangible personal property.
  - Some of the assets found were not tagged. Among them were thirteen (13) iPads, two (2) Mac Books, two (2) rolling cabinets, a milk cooler, a xylophone, and two (2) of the four (4) LG 65" TV displays. Many iPads had protective cases that were hard to take off, in which case, the serial number was entered in the scanner to identify the equipment without opening the protective case or verifying that a tag was affixed. Therefore, it is possible that additional iPads were missing tags. Property tags should be obtained for all qualifying property to comply with District policy.
  - Some tangible personal property had the old BPI tags attached rather than the Pasco County School property tags. All active qualifying property meeting capitalization thresholds should be tagged with Pasco County School District tags so that the items can be easily identified and matched to the property records. Some of the items with old BPI tags were a video mixer, a piano, a conference table, two (2) projectors, a printer, a desk, and a rolling cabinet. Two (2) other items with old BPI tags found at the school, cleaning equipment and sound equipment, were classified as "retired" in Munis.
  - Equipment was not tagged in a timely manner even when it met the \$750 capitalization threshold. A series of property tags was found at the school which were never affixed to the property assigned the tag numbers.
  - Printers and overhead projectors were not consistently treated. Some of these items had tags with eight-digit barcodes, some had five-digit barcodes, some had BPI barcodes, and others were not tagged at all. It is not clear why some of the tagged items were included in the property database and others were not.
- Equipment checkout procedures were not followed for tangible personal property.
  - Tangible personal property was assigned to cost center staff without completion of the MIS Form #192, "Equipment Checkout Guidelines for Employees", as required by District Equipment Checkout Procedures.
- Asset transfer procedures were not followed for tangible personal property.
 

Proper records were not maintained of items that were transferred into or out of the cost center. A "Report of Acquisition, Transfer, or Disposition of Property" (MIS Form # 212) was not completed and signed for all transfers. This form is used by Property Control to update the property records. Two (2) Dell OptiPlex desktops were picked-up by Food and Nutrition Services (FNS) during the summer of 2016 without completion of the MIS Form # 212 when a

computer upgrade was implemented. As a result, these desktops had an active status in Munis at the time the inventory took place and would have been incorrectly counted as missing had this information not become available. FNS is working with Property Control to formally request the transfer and disposition of these desktops in the proper manner.

- Proper records were not maintained of items that were sent out for repair.
  - There were several instances where iPads were sent out for repair and the malfunctioning iPad was replaced with a new iPad. This situation is known as a “vendor exchange”. The tag number from the malfunctioning device was transferred to the new device, but the original serial number was not updated in Munis. This was the case for work orders prior to July 2014. During the inventory process, the serial number rather than the tag number was entered on the scanner when an iPad’s protective case was hard to take off. In those cases, the system did not return a match. The large number of missing iPads alerted the Learning Coach to open the protective cases on all the missing iPads to verify the tag numbers. There were eight (8) iPads on the Missing Items List that were determined to have been replaced. The auditor confirmed the replacement of four (4) of the eight (8) iPads by examining copies of the work orders from the Office of Technology and Information Services (OTIS) which described the work performed and specified both the original and the new serial numbers for each of the devices.
- Disposal procedures were not initiated on a timely basis.
  - Impaired, obsolete, and/or old assets were kept in storage at the school instead of initiating disposal procedures including the preparation of a “Report of Acquisition, Transfer, or Disposition of Property” (MIS Form # 212) to request approval for the disposal of items no longer in use. Thirty to forty (30-40) old Apple Mac Books were found in a storage room without the required MIS Form # 212. Not only could these assets create a potential hazard, but also the property records are inaccurate when showing these Mac Books as active assets.
- Many tangible personal property items did not have the required secondary marking.
- None of the cafeteria tables at the school were included on this cost center’s property list. None of the forty (40) serial numbers on the cafeteria tables returned a match. The acquisition cost of cafeteria tables ranges from \$958.99 to \$976.22.
- A total of twenty (20) items were not located during this inventory process. The summary and detailed schedules of the missing items are on Appendices B and C.
- A significant number of items included on the school’s inventory report were not located.

## **Recommendations**

- Items that are routinely taken home by students or staff must be properly checked out in compliance with Equipment Checkout procedures.
- Items that are transferred to another cost center or picked up by another department for disposal or repair must be documented on a fully completed and signed MIS #212 – “Report of Acquisition, Transfer or Disposition of Property” and forwarded to Property Control for processing. They need to use PRISM now.
- New items must be tagged as soon as possible. If property tags are not received from Property Control in a timely manner, the items should be marked or engraved with *Pasco District Schools* and the serial number. The description and location of the items should be recorded so that this information is available when the property tags are received.
- All property items should have a secondary marking, except leased items. Items kept outside must have the tag number and secondary marking engraved on the item should the tag wear off or otherwise become separated from the item.
- Property Control must be notified of all vendor exchanges to ensure that property records are updated on a timely basis with accurate information.
- In the case of obsolete items, school staff should take the proper steps to remove these items from their inventory listing by filling out the proper paperwork.
- Every effort should be made to locate missing items. If it is determined that an item has been stolen, appropriate law enforcement should be notified and a copy of the police report should be sent to Property Control for processing.
- Any items observed at the cost center with a value of \$750 or more without a tag should be researched on the database and Property Control notified to determine if item should be added to the inventory list and tagged.
- The Resource Management Assistant (RMA) should consistently monitor the inventory at the school to ensure that assets are properly tagged, have the required secondary marking, are safeguarded, are properly maintained, and that the asset record is complete and accurate at all times. The location of property items, including the building and room number, should be updated as necessary to keep the information in the database current and accurate.
- School Administration should review the new Property Control Procedures effective July 1, 2016.

## **Closing Comments**

We wish to thank the staff of the Property Control (Finance Services) department and Chasco Elementary for their cooperation and assistance during the course of this audit.

## APPENDIX A

SUBCLASS DESCRIPTION	Sum of ACQ COST	Item Count	Subtotal of Acq Cost	Subtotal of Count	% of Acq Cost	% of Count
Agricultural Equipment	\$113,041.23	53				
Appliances	\$5,018,078.88	1,139				
Art Equipment	\$235,090.19	170				
Boats & Canoes	\$184,495.05	50				
Building Maintenance Equipment	\$1,564,968.60	442				
Cafeteria Equipment	\$4,973,608.10	1,461				
Vending Machines	\$937,182.59	265				
Case, Cabinet, Cart, Rack	\$3,636,523.61	2,655				
Child Care Equipment	\$104,468.98	47				
Computer-Desktop	\$12,695,670.36	10,907				
Computer-File Server	\$1,540,473.56	289				
Computer-Mainframe	\$458,986.39	14				
Computer-Portable	\$33,139,032.46	28,775				
Computer-Support Equipment	\$2,551,817.92	713				
iPADs and Tablets	\$780,444.00	1,956	\$51,166,424.69	42,634	29.50%	51.30%
Construction Equipment	\$516,437.14	44				
Custodial Equipment	\$2,155,092.13	663				
ESE Equipment	\$415,023.30	246				
ESE Audiology Equipment	\$336,331.38	258				
Furniture	\$3,392,614.98	2,639				
Grounds Equipment	\$1,825,553.01	214				
Health Equipment	\$652,915.18	297				
Instructional Equipment	\$406,922.95	60				
Library Equipment	\$212,144.26	30				
Mailroom Equipment	\$2,195.00	2				
Media Production Equipment	\$760,026.29	455				
Musical Instruments	\$4,643,333.16	2,169				
Office Machines	\$544,961.76	283				
Pallet Trucks & Hydraulic Lift	\$92,207.12	37				
Portable Buildings	\$273,857.15	120				
Portable Signs	\$78,177.25	15				
Power Supply-Generator-Battery	\$64,480.17	26				
Printer	\$1,842,091.50	1,288				
Printing & Bookbinding Machine	\$40,981.50	7				
Public Address Systems	\$98,402.04	49				
Science Equipment	\$94,268.54	61				
Sports Equipment	\$1,338,142.15	625				
Stationary Grinders & Lathes	\$13,932.50	3				
Stationary Saws & Drills	\$18,333.04	13				
Technology Equipment	\$801,190.59	598				
Testing Equipment	\$189,133.86	57				
Trailers-Unlicensed	\$16,382.00	9				
TV, VCR, DVD, Camcorder	\$467,977.59	304				
Vehicle Maintenance Equipment	\$274,114.78	85				
Vocational Equipment	\$4,183,968.78	1,040				
Warehouse Equipment	\$249,858.10	19				
Buses	\$36,744,346.27	538				
Truck-Light	\$4,040,261.33	203				
Truck-Medium	\$768,967.71	18				
Truck-Heavy	\$2,274,218.92	31				
Passenger Car	\$384,557.65	24				
Trailers-Licensed	\$354,777.78	54	\$44,567,129.66	860	25.70%	0.06%
Audio Visual Materials	\$159,952.44	86				
Computer Software	\$25,574,399.30	1,360				
i Pads	\$8,986,002.78	19,850				
Laptops	\$103,952.75	158				
Desktops	\$51,595.88	76				
Facility Cntl Asset WD	\$0.00	92				
	\$173,417,963.93	83,139				

## APPENDIX B

Chasco Elementary-Summary of Missing TPP Items by Cost and Count					
Total TPP Items	Total TPP Acquisition Cost	Total Missing TPP Items	Total Acquisition Cost of Missing TPP Items	% of Missing TPP Items	% of Acquisition Cost of Missing TPP Items
750	\$847,256	20	\$21,693	3%	3%

Chasco Elementary-Summary of Missing TPP Items by Year of Acquisition	
Year of Acquisition	Total Missing TPP Items
2014	4
2010	4
2008	1
2005	1
2003	2
2002	1
2000	7
Total	20

Chasco Elementary - Summary of Missing TPP Items by Category			
Category of Asset	Total # of Items	# of Items Found	# of Items Missing
A.V. Material - Globe skills	1	0	1
Apple Imac	57	57	0
Apple iPads	208	204	4
Apple Mac Books & PowerMac	315	311	4
Art equipment	7	7	0
Cabinets & Display cases	24	24	0
Cafeteria equipment *	20	20	0
Camcorders, Cameras, Mixer	6	3	3
Charging carts	8	8	0
Custodial equipment	7	7	0
Dell desktops	7	7	0
Furniture **	25	22	3
Golf cart	1	1	0
Health/ESE equipment	8	8	0
Interactive smartboards 77"	1	1	0
Musical instruments	5	5	0
Office machines	6	5	1
Outside equipment & sheds	6	6	0
Printers & Projectors	28	24	4
Serving counters & Station	6	6	0
TV Displays 65"	4	4	0
Totals	750	730	20



## APPENDIX C

Chasco Elementary - Missing Items					
Count	Asset Tag	Description	Acquisition Cost	Date Acquired	Marked Found on the March 2015 Inventory
1	12255	SONY CAMCORDER TR520	\$839.64	10/31/2000	Yes
2	12269	CAMERA-SONY MAVICA DIGITAL	\$886.95	6/11/2002	Yes
3	21520	APPLE IPAD	\$479.00	6/25/2014	No
4	28802	APPLE IPAD 2 WI-FI 16GB BLACK	\$379.00	6/25/2014	No
5	28806	APPLE IPAD 2 WI-FI 16GB BLACK	\$379.00	6/25/2014	No
6	35496	APPLE IPAD WI-FI 32GB GRAY	\$599.00	6/25/2014	Yes
7	8558833	A.V. MATERIAL	\$4,870.70	7/25/2000	Yes
8	90016588	HP LJ 4250N PRINTER	\$1,124.87	5/27/2008	Yes
9	90022971	SECRETARY DESK-LEFT RETURN	\$912.09	8/8/2000	Yes
10	90022974	SECRETARY DESK-LEFT RETURN	\$912.09	8/8/2000	Yes
11	90025921	USI LAMINATOR 25 W/FOOTAGE	\$1,095.00	8/29/2000	Yes
12	90028380	APPLE MAC BOOK 13.3/2.26/1GB	\$1,014.62	5/25/2010	Yes
13	90033737	PROJ-VIEWSONIC PJ500 LCD	\$1,251.32	5/13/2003	Yes
14	90033771	APPLE MAC BOOK 13.3/2.26/1GB	\$1,014.62	5/25/2010	Yes
15	90033775	APPLE MAC BOOK 13.3/2.26/1GB	\$1,014.62	5/25/2010	Yes
16	90033782	APPLE MAC BOOK 13.3/2.26/1GB	\$1,014.62	5/25/2010	Yes
17	90068634	SONY CAMCORDER TR520	\$839.64	10/31/2000	Yes
18	90068636	PROJ-VIEWSONIC PJ500 LCD	\$1,251.32	5/13/2003	Yes
19	90068755	CABINET-TALL STORAGE FLEETWOOD	\$812.04	8/29/2000	Yes
20	90068763	PROJECTOR INFOCUS X2SVGA	\$1,002.98	5/31/2005	Yes

\$21,693.12

*Principal's Response:*

Hello Mrs. Tillman,

I have reviewed the recommendations and audit findings and will follow these closely with our new RMA as we enter the 2017-2018 school year. I have a planned meeting to share these with our plant manager, RMA, and our LDC to ensure we have a cross check, monitoring system in place.

Thank you,

Michele Boylan

*Michele Boylan*  

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*Principal*  
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