

# INTERNAL AUDIT REPORT

## Property and Inventory Audits of Selected Locations 2015-2016

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**BROWARD COUNTY  
PUBLIC SCHOOLS**

*The Nation's Sixth Largest School District.*



**To be presented to the:  
Audit Committee  
on  
April 28, 2016**

**The School Board of Broward County, Florida  
on  
May 17, 2016**

**By**

**The Office of the Chief Auditor**



# *Broward County Public Schools*

## The School Board of Broward County, Florida

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ABBY M. FREEDMAN, Vice Chair

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# THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

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Office of the Chief Auditor  
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## SCHOOL BOARD

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*Superintendent of Schools*

April 22, 2016

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 691-73, 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.

This report contains seventeen (17) District locations' property and inventory audits. Our property and inventory audits indicated that seventeen (17) District locations in the report complied with prescribed policies and procedures.

This report also contains four (4) charter schools' bond technology equipment property and inventory audits. The four charter schools reside on the same campus. An audit of the charter schools was initiated after being notified that District equipment was being sold through Amazon.com. The equipment was originally purchased for a charter school with Bond Technology Funds and was delivered to the charter schools in October 2015. An investigation was conducted by the charter schools after being notified of the theft by the District. The investigation revealed that thirty-five (35) iPad Minis were stolen. The equipment of the four charter schools was comingled. Although the charter schools filed the police report, we observed poor procedures for monitoring the equipment. During the audit, it was apparent that more than half of the equipment purchased for the charter schools with Bond Technology Funds was stored in a storage room and not being utilized by staff and/or students. In several occasions, the equipment was not being safeguarded. The charter schools also lacked internal controls for tracking equipment assigned to staff and/or students. For a complete review of the charter schools' audits, please see pages 9-14 of the report.

We wish to express our appreciation to the administration and staff of the various schools and 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-73, 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 O-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 above. Noncompliance items are reported in **Section I, Section II, Section IV, and Section V** 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, Section II, Section IV, and Section V** 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 Department-Capital Assets (AFRD-CA), 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 reports 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. On April 23, 2015, the Office of the Chief Financial Officer released a revision to Business Practice Bulletin O-100 Procedure for Property & Inventory Control. The revision included tracking SMART (**S**afety, **M**usic, **A**rt, Athletics, **R**enovations and **T**echnology) tangible personal property regardless of cost (included but not limited to musical instruments, iPads, tablets, desktops, printers, and promethean boards). 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 determines 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-Capital Assets (AFRD-CA). If the item is not reactivated after two 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-CA 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-CA to add these property items to the Master File of Capital Assets database.

## **Summary of Property and Inventory Review for Fiscal Year 2015-16**

The following report discloses the audits for 16 schools and 1 department. These audits were finalized between March 3, 2016, and April 21, 2016. A summary of this report notes that:

- For the 17 locations, 14,068 items were listed in the property records at a historical cost of \$16,846,671.
- For the 17 locations included in this report, a total of 36 items could not be accounted for with a historical cost of \$56,748.

## **Summary of Charter Schools' Bond Technology Equipment Property and Inventory Review for Fiscal Year 2015-16**

The following report discloses the audits for 4 charter schools. These audits were finalized between March 3, 2016, and April 21, 2016. A summary of this report notes that:

- For the 4 charter schools, 825 bond technology equipment was listed in the property records at a historical cost of \$333,998.
- For the 4 charter schools included in this report, all bond technology equipment was accounted for.

**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 March 3, 2016, and April 21, 2016. 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.
Department	Early Learning/School Readiness	7	\$12,798	0	0	No Exception	
School	Oakland Park Elementary	472	\$644,282	0	0	No Exception	
School	Bennett Elementary	430	\$564,407	1	\$1,402	No Exception	
School	Dillard Elementary	390	\$490,795	0	0	No Exception	
School	Harbordale Elementary	704	\$901,270	1	\$1,331	No Exception	
School	Orange Brook Elementary	1,017	\$877,519	4	\$5,582	No Exception	
School	Apollo Middle	727	\$1,035,596	0	0	No Exception	
School	Oriole Elementary	924	\$805,342	3	\$3,460	No Exception	
School	Glades Middle	1,308	\$1,846,617	10	\$10,365	No Exception	
School	Tamarac Elementary	863	\$1,046,459	1	\$1,074	No Exception	
School	Pinewood Elementary	580	\$721,907	2	\$2,684	No Exception	
Sub Total		7,422	\$8,946,992	22	\$25,898		

Area	Name	Total Items	Historical Cost	Items Not Accounted For (INAF)	Historical Cost (INAF)	No Exception/Exception	Page No.
School	Western High	2,350	\$3,011,248	7	\$12,673	No Exception	
School	Coral Park Elementary	807	\$1,008,682	1	\$2,421	No Exception	
School	Eagle Ridge Elementary	652	\$918,378	1	\$3,096	No Exception	
School	Falcon Cove Middle	1,007	\$926,627	1	\$1,339	No Exception	
School	Park Trails Elementary	575	\$794,690	1	\$5,522	No Exception	
School	Liberty Elementary	1,255	\$1,240,054	3	\$5,799	No Exception	
Sub Total		6,646	\$7,899,679	14	\$30,850		

<b>GRAND TOTAL (all pages)</b>	<b>14,068</b>	<b>\$16,846,671</b>	<b>36</b>	<b>\$56,748</b>	<b>17 No Exceptions</b>	
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**Audits Performed by:**

**Bryan Erhard  
Ivette Lima  
Bruce Norris  
Stephanie Ormsby  
Rhonda Schaefer**

**Audits Processed by:**

**Gail Mouzon-Williams**

**Audits Managed by:**

**Ali Arcese**

**SECTION II: Summary**  
**SMART 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 SMART (Safety, Music, Art, Athletics, Renovations and Technology) property and inventory audits that were finalized during the period March 3, 2016, through April 21, 2016. The SMART property and inventory equipment is included within Section I: Summary of Property and Inventory Audits Performed. Office of the Chief Auditor (OCA) verified that all SMART computer devices were accounted for during the physical inventory (see below). This chart provides a more detailed snapshot of SMART equipment either accounted for or unaccounted for during this audit period.

School/Site Name		SMART Computer Devices*		SMART Computer Devices Accounted For by OCA			SMART Computer Devices Unaccounted For by OCA		
		Ordered*	Received*	Teacher	Student	Other	Teacher	Student	Other
0201	Bennett Elementary	116	116	38	73	5	0	0	0
0491	Harbordale Elementary	182	182	34	143	5	0	0	0
0711	Orange Brook Elementary	421	0	7	406	8	0	0	0
1831	Oriole Elementary	328	328	39	285	4	0	0	0
2621	Tamarac Elementary	268	0	163	101	3	1	0	0
2831	Western High	893	0	63	826	3	0	1	0
3041	Coral Park Elementary	185	185	42	143	0	0	0	0
3821	Liberty Elementary	394	394	70	318	6	0	0	0

\*Source: Bond Oversight Committee SMART Technology Quarter Update as of 12/31/2015

**SECTION III:**  
**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**

**0271 Dillard Elementary**

**1791 Apollo Middle**

**0031 Oakland Park Elementary**

**9801 Early Learning/School Readiness**

**SECTION IV: Summary**  
**Charter Schools' Bond Technology Equipment**  
**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 charter schools' bond technology equipment property and inventory audits that were finalized during the period of March 3, 2016, and April 21, 2016. We have included an administration's response for the charter schools.

Area	Name	Total Items	Historical Cost	Items Not Accounted For (INAF)	Historical Cost (INAF)	Page No.
Charter School	Somerset Academy Charter High	197	\$82,332	0	0	9-14
Charter School	Somerset Academy Neighborhood	379	\$152,902	0	0	9-14
Charter School	Somerset Academy Hollywood Middle	8	\$3,013	0	0	9-14
Charter School	Somerset Preparatory Charter Middle	241	\$95,751	0	0	9-14
<b>GRAND TOTAL</b>		<b>825</b>	<b>\$333,998</b>	<b>0</b>	<b>0</b>	



**SECTION V: Office of the Chief Auditor's  
Recommendations and  
Administrative Responses**

**Charter School Name: Somerset Academy Charter High School 5007  
 Somerset Academy Neighborhood School 5021  
 Somerset Academy Hollywood Middle School 5419  
 Somerset Preparatory Charter Middle School 5441**

**Principal: Athena L. Guillen**

**Address: 9300 Pembroke Road  
 Miramar, FL 33025**

Location Number	5007	5021	5419	5441
Total Number of Items in Inventory:	197	379	8	241
Total Dollar Cost of Items in Inventory:	\$82,332	\$152,902	\$3,013	\$95,751
Total Number of Items Unaccounted for:	0	0	0	0
Total Dollar Cost of Items Unaccounted for:	\$0	\$0	\$0	\$0
Total Net Value of Items Unaccounted for:	\$0	\$0	\$0	\$0
Percentage of Dollar Cost of Items Unaccounted for:	0%	0%	0%	0%

On or about January 6, 2015, a gentleman contacted the District to inform us that an iPad Mini he purchased through Amazon.com was branded with “School Board of Broward County” and he was unable to use it. The email from the gentleman was forwarded from the Webmaster to the Information & Technology Department (IT). IT communicated with the gentleman and also alerted the Somerset Preparatory Charter Middle School (SPCMS) of the occurrence.

The Somerset Preparatory Charter School Principal (“Principal”), after being informed by the District that an iPad Mini belonging to SPCMS (Location # 5441) had been sold through Amazon.com, initiated an internal investigation. According to the Principal, she had reasonable suspicion that a device may be missing. A complete inventory was ordered by the Principal to be performed. It was not stipulated if the complete inventory included the four charter schools located on the same property or just SPCMS.

The Charter Schools’ Technology Officer reported to the Principal that thirty-five iPad Mini devices were unaccounted for and further investigation was required. On February 15, 2016, the Principal notified local law enforcement (School Resource Officer) that thirty-five iPad Mini devices were stolen. A City of Miramar police report (Case # 16-02-03309) was filed on February 17, 2016. The police report

**(Somerset Charters 5007, 5021, 5419, and 5441 continued)**

indicates the last known secured date of the equipment was October 31, 2015. According to the Principal, the internal and law enforcement investigations are presently open. Once all the information is collected and leads have been investigated, if no further information can be obtained and/or the devices have not been recovered, the Principal will submit a final report to the Office of the Chief Auditor in accordance with the Charter School Bond Technology Implementation Guide.

On April 6, 2016, the Office of the Chief Auditor was notified of the above incident and immediately took action. The Property and Inventory Audit Manager and an Inventory Audit Specialist arrived at the charter school on April 7, 2016, to conduct a property and inventory audit of SPCMS (Location # 5441). The Principal was not available; therefore, the Assistant Principal was asked to provide the location of all Bond Technology Equipment (BTE) and a list of equipment valued over \$1,000 that was purchased with public funds (i.e., FEFP, grant, and any other public-generated funds) and Charter School Planning funds (CSP). We began accounting for the equipment and quickly realized that the equipment for the four charter schools located at this address was comingled. The Charter Schools Technology Officer indicated that the equipment throughout all four schools was comingled due to student testing. At this point an audit of all four charter schools' equipment was required to account for all equipment seen. We accounted for 415 iPad Minis that were being stored in the Charter Schools Technology Officer's office. During the property and inventory audit, it was noted that a teacher allowed a student to remove technology equipment from the assigned room without documentation of which equipment was being removed. When the teacher was questioned, he simply stated that the student would be in his next class and would return the equipment.

More than half of the BTE purchased for the four charter schools located at this address was currently not being utilized. As stated previously, the 415 iPad Minis were in the original Apple boxes in the Charter Schools Technology Officer's office. Four iPad Airs, forty-five iPad Mini Powersync trays and five ActiveExpression devices were also in their original shipping boxes. Ten Lenovo carts with 305 laptops were being used throughout the charter schools.

A list of equipment purchased with CSP funds was provided by the charter school Principal on April 13, 2016. The list was incomplete as most of the equipment did not meet the Florida Administrative Rule 69I-73. A request for copies of invoices that contained equipment valued over \$1,000 was submitted to the Charter Schools Management/Support Department; however, a response was not received. An audit of this equipment

**(Somerset Charters 5007, 5021, 5419, and 5441 continued)**

was not able to be conducted. The IT Manager of Academica, the charter schools' management company, explained that a new property and inventory system was purchased to meet this standard in the future.

**Recommendations**

The Office of the Chief Auditor suggests a reconciliation of all fixed assets be completed as often as needed to ensure an accurate physical accounting of site designated fixed assets by the staff.

The Office of the Chief Auditor recommends the Principal review Florida Statutes (Ch. 274), Florida Administrative Rule, and Charter School Bond Technology Implementation Guide with the designated property team member(s) to ensure compliance with all policies and procedures. The following internal control areas require improvement.

- At a minimum, semi-annual inventories should be conducted 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 charter school should take appropriate action to strengthen internal controls to ensure the safekeeping of all assets and prompt reporting.
- The charter school should submit with the monthly financial reports a listing of all property valued over \$1,000 that was purchased with public funds (i.e., FEFP, grant, and any other public-generated funds). Section 69I-72, F.A.C., requires the custodian of public funds to ensure a complete physical inventory of property. The charter school should submit a subsidiary ledger of property purchased with public funds as required by section 69I-72.003, F.A.C.
- To the extent possible, tangible personal property should be designated to individual staff that is requested to oversee the equipment and report any loss of 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 the property as needed to provide the most effective means of securing assets.

**(Somerset Charters 5007, 5021, 5419, and 5441 continued)**

- In the event of a theft and/or vandalism, the charter school should report the loss to the local authorities at the time of the incident. As a component of the police report, the charter school must provide all applicable property and serial numbers of stolen tangible personal property along with a narrative of the event. This information should be sent to the Office of the Chief Auditor once the police report is obtained.
- It is recognized that tangible personal property will be assigned to staff and/or students for temporary removal of the property from the primary operations site location. In such instances, it is recommended that property passes are executed to document the assignment and removal of assets from the location.

**Charter School Name: Somerset Academy Charter High School 5007  
 Somerset Academy Neighborhood 5021  
 Somerset Academy Hollywood Middle School 5419  
 Somerset Preparatory Charter Middle School 5441**

**Principal: Athena L. Guillen**

**Address: 9300 Pembroke  
 Road Miramar, FL  
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Location Number	5007	5021	5419	5441
Total Number of Items in Inventory:	197	379	8	241
Total Dollar Cost of Items in Inventory:	\$82,332	\$152,902	\$3,013	\$95,751
Total Number of Items Unaccounted for:	0	0	0	0
Total Dollar Cost of Items Unaccounted for:	\$0	\$0	\$0	\$0
Total Net Value of Items Unaccounted for:	\$0	\$0	\$0	\$0
Percentage of Dollar Cost of Items Unaccounted for:	0%	0%	0%	0%

School Response April 20, 2016

Thank you again for meeting with us this yesterday morning to review the Broward County Audit results for the bond technology conducted at my schools. At this time, you should have received the signed Property Audits-30 Day Memo and comments to page 2 of the School Check list under the Reporting Theft or Vandalism section. I would like to include the following subsequent comments below as a response to the audit narrative.

Following our meeting I had an opportunity to carefully review the documents included in your email and discovered a few discrepancies within the audit narrative document. Please note that the thirty-five missing iPads were discovered by the school, not by the Charter Schools Technology Office. To clarify, my IT technician received a phone call on February 12<sup>th</sup> from the Broward County Schools Technology Office stating that they had received an email on January 6<sup>th</sup> from an outside entity located in London stating that they purchased an iPad mini from Amazon. My IT technician immediately notified me of this call and of the potential theft, at which time I ordered my IT technician to conduct a complete inventory of all bond technology assets. As a result of the inventory conducted between, February 12-16, it was discovered that not one but thirty-five iPads were missing from the schools bond technology inventory and law enforcement was immediately notified on Tuesday, February 16<sup>th</sup>. A police report and an investigated commenced. One additional iPad was stolen at a separate time. Once notified of the theft, law enforcement was immediately notified and a police report and investigation followed.

We were scheduled to conduct our semi-annual inventory for all four school locations during the last week of April. Because the Bond Technology Items were received in

separate shipments, between late October through early November, we had chosen to conduct our semi-annual audit in late April. Due to the Broward County Audit, our semi-annual audit was conducted during the auditors visit.

The recommendations contained in the audit narrative state “the charter school should submit with the monthly financial reports a listing of all property valued over \$1,000 that was purchased with public funds.” As required by Section 69I-72, F.A.C., our schools submit the annual property inventory to the District during the schools annual monitoring visit conducted by the Charter Schools Management and Support Department through the e-Monitoring platform (currently being changed to Charter.Tools). Monthly and quarterly financials are submitted timely, as required. Audited financials are submitted annually by September 30th. In the audit narrative you recommend the submission of a property inventory along with the schools monthly financials. Pursuant to our charter contract and state statute, we are not required to submit monthly property inventory along with the school’s monthly financials. In order to alleviate confusion I am requesting that we receive clarification this part of the recommendation.

I have also reviewed the Charter Schools Bond Technology Guide page 19, as it relates to theft, and all steps were completed under Section E: number 1, which states: “In case of theft, the loss should be reported to the attending local police agency to document the event. A copy of the police report should be maintained at the school site.” The recommendation contained in the audit narrative on the last page states that “in the event of a theft and/or vandalism the charter school should report the loss to the local authorities at the time of the incident. As a component of the police report, the charter school must provide all applicable property and serial numbers of stolen tangible personal property along with a narrative of the event. This information should be sent to the Office of the Chief Auditor once the police report is obtained.” The top paragraph of page 2 of the audit narrative states that all information will be sent to the Office of the Chief Auditor in accordance with the Charter School Bond Technology Implementation Guide. This information is conflictive with and is not in alignment with the instructions given for schools to follow in the Charter School Bond Technology Guide.

In addition, a reference was made to the CSP Grants was noted in the narrative. However, the CSP Grants were not a part of this audit. Only bond technology items were audited at this time. At the time of the CSP Grants completion, the State completed a physical audit of the purchased items.

I appreciate the time you have taken to complete the school’s audit and the time you have taken to review the audit with me. Your constructive recommendations and feedback will assist me to implement stronger internal controls for my schools. Thank you for your guidance and assistance with this process.