

**Columbus City Schools  
Office of Internal Audit**



**COLUMBUS  
CITY SCHOOLS**

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**Fixed and Controllable Asset Accountability  
Audit Report**

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**Report Date: January 25, 2018**

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**Executive Summary**

The Columbus City Schools (District) Office of Internal Audit (OIA) has recently completed a general audit of the District’s Fixed and Controllable Asset Accountability Processes. Our audit focused on evaluating predetermined objectives selected by OIA. This general audit consisted of the review and testing of objectives relevant to the Fixed and Controllable Asset Accountability Processes. These processes involved the Treasurer’s Office staff (responsible for maintaining the District’s fixed and controllable asset database and routine monitoring), various Department administrators (responsible for accounting for and safeguarding District assets), Hudson Distribution Center Warehouse Services Supervisor (responsible for any sales of District disposals).

Based on the results of our work during this audit, we found areas where improvements could be made to strengthen the internal control environment and enhancements could be made to current processes to increase the efficiency of the District’s fixed or controllable asset accountability.

During the course of our review, we made District staff and management involved with asset accountability aware of our issues, comments and recommendations for improvement. Good discussion took place regarding the recommendations. Personnel have already begun to make strides towards improvement. OIA appreciates the cooperation extended to us and the assistance of all staff we came into contact with as we performed our audit.

The following are OIA issues noted during the review:

**Risk Ratings, defined:**

**1 – High/unacceptable risk requiring immediate corrective action;**

**2 – Moderate/undesirable risk requiring future corrective action;**

**3 – Low/minor risk that management should assess for potential corrective action.**

Issues	Risk Rating		
	1	2	3
<b>Objective 1: Appropriate governance exists:</b>			
<b>Issue No. 1</b> – The Treasurer’s Office does not have written business objectives to guide the fixed and controllable asset function and enhance its efficiency and effectiveness.		X	

Issues	Risk Rating		
	1	2	3
<b>Issue No. 2</b> – Procedures relating to the MUNIS Fixed Assets module have not been included in guidance available to District employees.	X		
<b>Objective 2: Sufficient internal controls are in place and operating as management intends:</b>			
<b>Issue No. 3</b> – Responsibility for fixed and controllable assets is assigned to building administrators without any guidance for personnel in buildings with multiple departments.		X	
<b>Issue No. 4</b> – There is no time frame for which fixed or controllable assets have to be tagged, when the submission of Fixed Asset Inventory Control form has to occur, “not located” items have to be resolved.			X
<b>Issue No. 5</b> – Proper segregation of duties are not in place when disposed equipment is sold.			X
<b>Objective 3: Appropriate monitoring function is in place to enhance accountability and identify problem areas in a timely manner:</b>			
<b>Issue No. 6</b> – Excessive amounts of controllable assets were not located during physical inventories over the last four fiscal years.	X		

**Audit Objectives**

The objectives of the audit were to determine:

- Appropriate governance exists;
- Sufficient internal controls are in place and operating as management intends;
- Appropriate monitoring function is in place to enhance accountability and identify problem areas in a timely manner.

**Audit Scope**

OIA established the scope of the audit to include a review of basic operational aspects of the processes, verification of any compliance requirements, and evaluation of internal control environments as they relate to the stated objectives. The period of time for the audit included all fixed and controllable assets purchased or disposed of in FY16 and FY17. Additionally, information obtained during FY17 OIA school audits regarding fixed and controllable assets will be included as part of this audit.

### **Methodologies**

To accomplish our stated objectives, OIA performed the following tasks as they related to those objectives:

- Review of various authoritative literature governing work reviewed (i.e. Relevant Ohio Revised Code & Ohio Administrative Code sections, various federal grant guidance, etc...);
- Obtain and review relevant Columbus City Schools' (CCS) Board of Education policies;
- Obtain and review relevant District procedures;
- Interview the Treasurer's Office Financial Analyst, District's Hudson Distribution Center Warehouse Services Supervisor, and various District personnel regarding the District fixed and controllable asset processes;
- Observation and documentation of key processes;
- Review of management reports, support documentation, and other relevant information;
- Obtain access to and utilize Bar Scan software;
- Review of best practices used by other entities performing similar functions.

### **Background**

The Treasurer's Office began using the fixed asset module in MUNIS to account for District assets in March 2017. The Treasurer's Office has completed a Fixed Asset Guide for Building Administrators to provide guidance to District employees responsible for fixed or controllable assets. This document is periodically updated to provide guidance to District employees relating to fixed assets.

The Treasurer's Office completes a physical inventory of each District location once every two years. The physical inventory procedure is for a fixed asset clerk to use a hand held scanner to scan the bar code of those items that meet the definition of a fixed

or controllable asset within the location. This information is uploaded into Bar Scan and Bar Scan will produce a list of those items that were not scanned as part of the physical inventory. These items are designated as “not located”. The “not located” list is then forwarded to the building or department administrator who will search their location and see if they can find the items on the list. The results of their search will be documented on the list and submitted to the Financial Analyst in the Treasurer’s Office. If the “not located” items were not found during the search and the list was signed by the building administrator, the “not located” items are removed from the District database at that time. If the “not located” list is not returned, those items are removed from the District database at the end of the fiscal year.

Disposed of equipment is picked up by Delivery Services for transport to the Hudson Distribution Center warehouse. If the item is large, metal and inoperable, the delivery services driver can transport the item directly to the scrap metal yard. A check is cut and given to the Warehouse Services Supervisor. Once items reach the Hudson Distribution Center warehouse, the Warehouse Services Supervisor can determine how they are ultimately disposed (sale, scrap or trash). There is no one else involved in this process.

**Results of the Financial and Compliance Audit of the Fixed and Controllable Asset Accountability – Issues, Recommendations, and Management’s Responses:**

**Issue No. 1 – The Treasurer’s Office does not have written business objectives to guide the fixed and controllable asset function and enhance its efficiency and effectiveness.**

The District’s fixed and controllable asset function does not have any business objectives guiding the accountability process, metrics to identify successes and things to work on, or risk analysis to identify areas where problems could occur.

**Recommendations**

1. Written business objectives should be established for the District’s fixed and controllable asset function that corresponds to the District’s goals<sup>1</sup>. These objectives should address: accuracy, completeness, consistency, cost-effectiveness, compliance and timeliness.

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<sup>1</sup> Columbus City Schools 2015-2016 Goals:

**Goal 1:** Each student reaches the student’s full potential; to continue education, serve in the military, go to college, start a business, and enter the workforce as a life-long learner.

**Goal 2:** The District creates safe, student-centered, innovative learning environments and recruits, develops, and retains world-class talent.

**Goal 3:** The District is accountable to our communities and customers; confidence in the District is maintained through strategic, responsible and transparent leadership.

2. Metrics (i.e. timeliness of form submission, completeness of information on Fixed Asset Inventory Control form, number of “not located” items per location, etc...) should be established to measure the work performed that relates to each business objective. These metrics should be compared to defined benchmarks on a periodic basis (i.e. monthly, quarterly, etc...). This comparison will enable Management to identify those business objectives that are meeting the benchmarks and those that need additional work.
3. Risk analysis should be performed for the fixed and controllable asset function to identify areas where problems could occur. Once the risks are identified, steps should be taken to minimize the likelihood that this risk will become problematic.

These procedures will help to ensure Management is aware of the successes of the District’s fixed and controllable asset function, as well as those areas where successes have yet to be achieved.

**Management Response:** Management Response: The Treasurer’s Office is currently undergoing an “Opportunity Study” with the firm of Rea & associates. The firm will define specific objectives for each function within the Treasurer’s Office. These objectives will include defined roles and responsibilities. They will create procedures manuals for each function within the Treasurer’s Office. These procedures will provide details for each defined responsibility. They will also make recommendations to ensure existing policies address ambiguities regarding financial operations. Determine and establish metrics to measure the work performed that relates to each business objective. Additionally, identify benchmarks so that metrics can be periodically compared to measure success.

**Process Owner:** Stanley J. Bahorek

**Implementation Date:** December 31, 2018

**Issue No. 2 – Procedures relating to the MUNIS Fixed Assets module have not been included in guidance available to District employees.**

In March 2017, the District began utilizing a MUNIS Fixed Assets module to account for fixed and controllable assets. A couple of procedures were updated regarding disposals and additions using the new Fixed Assets module. These procedures have not been incorporated into the *Fixed Assets Guide for Building Administrators* as of October 27, 2017. There was also no evidence provided that these updates had been communicated to employees involved in the fixed asset process.

**Recommendation**

4. Treasurer Office staff responsible for the asset accountability and monitoring processes should include updated MUNIS procedures relating to the Fixed Asset module in all guidance documents and relevant website locations. This will help to ensure all staff are aware of the new MUNIS procedures and enable them to implement the procedures into their individual processes.

**Management Response:** As part of our “Opportunity Study” we will look to update our procedure manuals that we make available to our staff in the buildings. We will use the fixed asset manual for Jefferson Local Schools in Kentucky, who is also a MUNIS user, as the basis for our update.

**Process Owner:** Stanley J. Bahorek

**Implementation Date:** July 1, 2018 (Fixed Assets)

**Issue No. 3 – Responsibility for fixed and controllable assets is assigned to building administrators without any guidance for personnel in buildings with multiple departments.**

The *Fixed Assets Guide for Building Administrators* document references building administrators. Additionally, Department Directors who reside in a multi-Department building do not have access to their assigned asset inventory. We have multiple buildings that house various departments. Procedures are not clear for department staff regarding their responsibilities and access to the inventory system.

**Recommendation**

5. Administrative sites which house multiple departments should have responsibility for fixed and controllable assets assigned by department rather than building. Access to the asset inventory should be assigned to the department Director. The department management can further assign responsibility to staff that make sense to them. This will help to identify clear lines of responsibility and subsequent accountability for District assets.

**Management Response:** We will publish instructional material that will show management how to use a MUNIS tool called Fixed Asset Central where they can search for assets by department and other criteria.

**Process Owner:** Stanley J. Bahorek

**Implementation Date:** July 1, 2018

**Issue No. 4 – There is no time frame for which fixed or controllable assets have to be tagged, when the submission of Fixed Asset Inventory Control form has to occur, “not located” items have to be resolved.**

There is not a set time frame when a newly purchased fixed asset has to be tagged or when the Fixed Asset Inventory Control Form has to be submitted to Treasurer’s Office Financial Analyst. We selected six purchases made by various schools and performed a test to determine the amount of time it took to submit the Fixed Asset Inventory Control Forms to Treasurer’s Office Financial Analyst. We found it took an average of 7.8 months to get these forms to Treasurer’s Office Financial Analyst.



There is a set time frame established in e-mails sent to the Building Administrators to return the “not located” verification to Treasurer’s Office Financial Analyst. We selected five schools and performed a test to see how long it took for them to return the “not located” verification list. We found it took an average of 2.5 months to get these forms to Treasurer’s Office Financial Analyst.

**Recommendation**

6. Treasurer Office staff should establish time frames within which: the newly acquired fixed or controllable asset is tagged, the Fixed Asset Inventory Control form is completed and submitted to the Treasurer’s Office Financial Analyst, and the “not located” items listing is researched and returned to the Treasurer’s Office Financial Analyst. These time frames should be added to guidance documents. Follow-up should take place with those employees who have not completed the tasks within the set time frame. This will help to increase the likelihood that the necessary assets get added to the MUNIS system in a timely manner and help to identify items that could not be located and enable the Treasurer’s Office to take next steps in a timely manner.

**Management Response:** The Treasurer’s Office is currently undergoing an “Opportunity Study” with the firm of Rea & associates. Other objectives include, identify and examine dependent processes and information transfers between the District’s business areas, specifically the Treasurer’s Office, Human Resources, Budget/Grants Office, Purchasing Department, and Information Technology department. Each dependency, the timing and expectations for information transfers will be defined and published, and all processes and procedures will be reviewed to ensure there is no overlap or gap in duties. Define dependent processes for each business area. Define shared data used between departments and determine the owner of the data, and how data should be made available to other departments. Document cross-department policies and procedures to clearly show each department’s responsibilities, and acknowledgement of the dependencies for the overall process. Develop analytics for the information share and document any delays or break-downs. This would include the processing of fixed asset inventory control forms and disposal forms.

**Process Owner:** Stanley J. Bahorek

**Implementation Date:** December 31, 2018

**Issue No. 5 – Proper segregation of duties are not in place when disposed equipment is sold.**

There is insufficient segregation of duties regarding the sale of unneeded fixed or controllable assets. The HDC Warehouse Services Supervisor can sell these items, at his discretion, via gov deals if the anticipated value is \$100 or more, or to others if the value is below the \$100. No one else is involved in this process until the depositing of the funds. The HDC Warehouse Services Supervisor determines if the items will be

sold, the method by which it will be sold, collects the money for the sale, and prepares the pay-in for the depositing of the funds.

**Recommendation**

7. The Hudson Distribution Center's Warehouse Services Supervisor should obtain approval from his supervisor anytime District equipment is sold. This approval document should also list the method of sale (gov deals, walk-up, etc...) and an estimate of the proceeds anticipated. Additionally, paperwork should be submitted to his supervisor after the sale has been completed to substantiate the amount of the sale and confirm that the corresponding revenue was deposited into the District's financial institution. Treasurer's Office staff should perform a reconciliation by obtaining documentation from gov deals on an annual basis and agreeing it to the amount deposited during the year. This will help to ensure one employee does not have control of the entire sale of disposal equipment process.

**Management Response:** The Treasurer's office will work with warehouse staff to establish sound accounting practices. Warehouse has contacted GovDeals about them being the collection point for auctioned items. GovDeals would make weekly payments to the District and submit detailed financial reporting.

**Process Owner:** Don Jackson, HDC Warehouse Services Supervisor

**Implementation Date:** February 01, 2018 – GovDeals                      June 30, 2018

**Issue No. 6 – Excessive amounts of controllable assets were not located during physical inventories over the last four fiscal years.**

There are excessive amounts of controllable items that have not been found during the physical inventories taken each of the last four fiscal years. We determined an average of computer and audio-visual equipment items that were not located during the last four fiscal year physical inventories completed by Treasurer staff. This resulted in an average of 611 items not located in the following categories: laptops, computers, printers, LCD projectors, servers, smartboards, and Ipads. These items have an annual replacement cost of \$499,867 (see Table 1).

District staff cannot be sure what was stored on the computers, laptops, and servers that were not able to be located during physical inventories. This could subject the information to misuse if the above mentioned items were able to be accessed.

**Recommendation**

8. The Treasurer's Office should develop procedures to enhance asset accountability at District locations. These procedures should involve both preventative controls (proper recording and secure access) and detective controls (reconciliations and physical inventories). Additionally, procedures should be developed for additional physical inventories taken by School and Department staff in the fiscal years when the Treasurer's Office staff does not perform a physical inventory. Staff should

certify to the Treasurer Office staff that this inventory took place and all fixed and controllable assets were located or sufficient paperwork is on file documenting asset disposal or transfer. This will help to increase the likelihood that all items are accounted for properly and will provide a mechanism to identify missing assets in a timelier manner, so steps can be taken to locate these items.

9. The District should develop a process that will enhance personal accountability for items that contain memory. These items should be assigned to individuals as put into service and periodically verified during physical inventories occurring at specific locations. The employee should be informed that they are responsible for this item until it is removed from service. Employees should insist on obtaining proper paperwork regarding that item. Especially in the following instances: if the item is transferred to another employee, taken out of service and salvaged, if they receive another item to replace that original item. Follow-up with the individual employee should be made if the piece of equipment cannot be located during a physical inventory. During exit interviews as employees leave the District, a sign-out should be obtained verifying all equipment in the employee's possession was collected prior to releasing the employee's last paycheck. These items should be assigned to proper individual going forward and updated in the inventory database. These procedures will help to ensure personal accountability and enhance the inventory tracking process.

**Management Response:** Management Response: The Treasurer's Office is currently undergoing an "Opportunity Study" with the firm of Rea & associates. The firm will define specific objectives for each function within the Treasurer's Office. These objectives will include defined roles and responsibilities. They will create procedures manuals for each function within the Treasurer's Office. These procedures will provide details for each defined responsibility. They will also make recommendations to ensure existing policies address ambiguities regarding financial operations. Determine and establish metrics to measure the work performed that relates to each business objective. Additionally, identify benchmarks so that metrics can be periodically compared to measure success.

**Process Owner:** Stanley J. Bahorek, Michele VanDyke

**Implementation Date:** December 31, 2018

Table 1 – Replacement cost for items not located during annual physical inventories

Item Description	Average	Average	Items not located					Average lost per year	Average annual cost to replace lost items
	cost of lost items	replacement cost	FY14	FY15	FY16	FY17	Total		
Laptops	\$ 1,301.00	\$ 836.82	242	195	216	151	804	201	\$ 168,200.82
Computers	\$ 1,031.00	\$ 510.04	217	120	98	93	528	132	\$ 67,325.28
Printers	\$ 1,419.00	\$ 1,380.00	96	81	98	59	334	84	\$ 115,920.00
LCD Projectors	\$ 1,096.00	\$ 791.00	170	98	145	102	515	129	\$ 102,039.00
Servers	\$ 1,352.00	\$ 659.00	13	9	19	2	43	11	\$ 7,249.00
Smartboards	\$ 1,222.00	\$ 1,271.00	20	15	31	29	95	24	\$ 29,022.50
Ipads	\$ 683.00	\$ 337.00	5	9	48	58	120	30	\$ 10,110.00
Other			131	87	139	100	457	114	
<b>TOTALS</b>			<b>894</b>	<b>614</b>	<b>798</b>	<b>589</b>	<b>2895</b>		<b>\$ 499,866.60</b>
<b>purchased w/i last 5 years</b>			80	80	80	75	<b>315</b>		
			8.95%	13.03%	10.03%	12.73%	<b>10.88%</b>		
			\$76,372.21	\$63,550.14	\$82,660.37	\$54,517.15			\$ 277,099.87
<b>no purchasing information in system</b>			360	220	290	170	<b>1040</b>		
			40.27%	35.83%	36.34%	28.86%	<b>35.92%</b>		
<b>Average cost of lost items</b> = determined by summing known totals of FY17 items not located and dividing by the number not located with costs identified									
<b>Average replacement cost</b> = took the three most recent purchase orders for printers, LCD projectors and smartboards and took the average. For laptops, computers, and Ipads we used an average of FY18 first half purchases. Server average replacement cost was determined by website price.									
<b>Average annual cost to replace lost items</b> = average lost per year X lower of average cost of lost items or average replacement cost									
Source: Treasurer's Office records, MUNIS records & OIA analysis									