Frederick County Public Schools
Assets & Inventories, Accountability & Surplus Performance Audit

December 20, 2023

Report #23-03

Table of Contents

I. Executive Summary

SC&H Attest Services, P.C., a wholly owned affiliate of SC&H Group, Inc. (SC&H) was engaged by Frederick County Government (FCG, the County) Interagency Internal Audit Authority (IIAA) to conduct a performance audit (audit) of Frederick County Public Schools' (FCPS) review, accountability, and surplus of FCPS assets and general inventories. The audit was performed in two phases: a planning and risk assessment phase and a testing phase.

The management, recordation, and surplus of assets (capital and sensitive) and inventories are the responsibility of the Accounting, Financial Reporting, Food and Nutrition Services, Warehouse, Transportation and Technology Infrastructure Departments which are under FCPS's Divisions of Operations and Fiscal Services. Storage, maintenance, ownership, and all associated responsibilities are then passed through to the respective departments such as the Warehouse, Food & Nutrition Services, Transportation Services, and other local offices and schools.

The following provides a summary of the audit objectives, procedures, and results. Additional details surrounding the audit can be found in the report's body and appendices.

SC&H thanks the Division of Operations, specifically the Department of Technology Infrastructure, and Department of Transportation Services, and the Fiscal Services Division, specifically Financial Reporting, Accounting, Food & Nutrition Services and Warehouse and its personnel, whose assistance, and availability were vital during the audit process.

Audit Objectives

1. Assess whether capital, sensitive, and Department of Technology Infrastructure (DTI) assets are identified and recorded within the appropriate system of record.
2. Verify capital, sensitive, and DTI assets are assigned a means of identification and tracked.
3. Verify capital, sensitive, and DTI assets are periodically inventoried, reported, and updated completely, accurately, and timely.
4. Verify capital, sensitive, and DTI asset disposal and surplus procedures adhere to policies and procedures.
5. Assess how capital assets and inventories are physically safeguarded and secured.
6. Verify how general inventories are reviewed, reconciled, reported, and updated completely, accurately, and timely.
7. Verify inventory orders are reconciled, stocked, and recorded completely and accurately upon receipt.

Performance Audit Process

SC&H conducted the audit with the following two-phased approach.
1. Phase 1, Planning Survey and Risk Assessment: Understand processes, evaluate risks/controls, and develop audit program.
2. Phase 2, Testing: Conduct evaluation procedures to achieve internal audit objectives, conclude internal audit and report results.

Summary Results

FCPS performs multiple detailed processes to recognize, tag, record, stock, review, and dispose of both assets and inventories.

While all departments perform their duties competently, areas for improvement exist. Five reportable observations are included as a result of this audit.

The observations presented for FCPS's review are related to:
1. Assets and inventory records are not consistently accounted for completely, accurately, and timely.
2. Assets are not consistently tagged and maintained.
3. A formal process is not in place to evidence internal media drive sanitation procedures or destruction.
4. The DTI asset count process is limited and does not include all items.
5. The Transportation Department's asset and inventory count process is limited and does not include all items.

II. Performance Audit Summary

Background

SC&H Attest Services, P.C., a wholly owned affiliate of SC&H Group, Inc. (SC&H) was engaged by Frederick County Government (FCG, the County) Interagency Internal Audit Authority (IIAA) to conduct a performance audit (audit) of the management of Frederick County Public Schools (FCPS) in relation to the inventory, accountability, and surplus of FCPS assets and general inventories. The audit was performed in two phases: a planning and risk assessment phase and a testing phase. FCPS consists of 69 schools and three corporate offices (Central Office, Transportation Depot, and the Warehouse). The school system serves approximately 47,000 students with a combined workforce of over 7,000 full-time equivalent employees.

The audit evaluated the following asset types and inventories, which are then described in detail following.
1. Capital assets (or fixed assets)
2. Sensitive assets
3. DTI assets/ equipment
4. Inventories

Capital Assets
The FCPS Inventory of System Assets and Sensitive Items operating procedure document states FCPS capitalizes an asset that meets the following criteria:
1. An approximate cost of $5,000 or more.
2. An expected useful life of greater than one year.

Capital Asset Value Information
FCPS accounts for all capital asset categories in PeopleSoft, the FCPS enterprise resource planning (ERP) system. FCPS's fiscal year 2022 (July 1, 2021 – June 30, 2022) Annual Comprehensive Financial Report (ACFR) included an asset cost balance of $873 million. The following provides a breakdown by capital asset category.

Capital Asset Category	Approximate Cost Balance (Per FY22 ACFR)
Land	$53,200,000
Construction in Progress	12,700,000
Buildings and Improvements	760,600,000
Furniture and Equipment	25,200,000
Right-to-Use Buildings and Improvements	21,300,000
Total	**$873,000,000**

Valuation and Depreciation
FCPS' capital assets are recorded at historical cost. Donated capital assets, donated works of art, and similar items, and capital assets received in a service concession arrangement are reported at acquisition value on the date donated. Right-to-use assets are recorded at the net present value of the lease payments. The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

FCPS property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	7-40
Furniture and Equipment	4-15

Capital Asset Scope
The table above provides an overview of all capital asset categories classified by FCPS. However, for the purposes of this audit, the 'furniture and equipment' asset category, was in scope. Furniture and equipment capital assets include the following examples.
1. Non-technology capital assets.
2. IT capital assets (DTI assets).

Sensitive Asset Definition (Non-Capital Asset)
The FCPS Inventory of System Assets and Sensitive Items operating procedure document defines a sensitive asset as an item prone to theft, easily moveable, concealable, portable, desirable for personal use, or easily marketable, and meet the following criteria:
1. The approximate cost between $500 and $4,999.
2. A useful life greater than one year.
Sensitive assets meeting the criteria of a capital asset are capitalized as furniture and equipment.

DTI Asset Definition (Non-Capital Asset)
The FCPS Asset Inventory Procedures document defines all technology assets tracked by DTI that meet the following criteria:
1. A purchase price less than $5,000, but greater than $100.
2. A probable useful life of at least one year.
DTI assets meeting the criteria of a capital asset are capitalized as furniture and equipment.

FCPS DTI is assigned with the overall responsibility for tagging, safeguarding, inventorying, and disposing of assets purchased by either the department or other employees within FCPS. DTI became the responsible party for these assets after the Accounting and Financial Reporting Departments (Accounting and Financial Reporting, respectively) within the FCPS Division Fiscal Services (Fiscal Services) transferred ownership.

Inventory Definition and Value Information
Inventories are assets such as property and expendable supplies available for consumption or use. FCPS's FY22 ACFR states inventories are carried on the books at cost and had a book value of $1,582,624.

For the scope of this audit, the following departments were initially reviewed:
1. Warehouse: Warehouse inventory includes general merchandise to be ordered by and delivered to each school/location, such as Personal Protective Equipment (PPE), toiletries, office supplies, janitorial supplies, paper forms, etc.
2. Transportation: Transportation inventories include spare parts and fluids for maintenance and upkeep of vehicles.
3. Food & Nutrition Services (FNS): FNS inventory consists of frozen, dry, perishable, and non-perishable foods for meal preparation at each school.

Capital & Sensitive Asset Processes

Capital & Sensitive Asset Receiving and Tagging
Capital and sensitive assets are typically purchased by individual departments using an approved Purchase Order (PO). Once orders have been made, PeopleSoft generates an Asset Addition Worksheet (Worksheet) for any asset that meets the dollar threshold criteria previously described (a single unit cost greater than

$500 for sensitive, or greater than $5,000 for capital). The Worksheets are reviewed by Accounting. Accounting then provides the Worksheet to the receiving department, along with a standard asset tag, if the asset is required to be recorded as capital or sensitive.

Upon receipt of a Worksheet, the receiving department affixes an asset tag and fills out the Worksheet with asset details, such as location, tag number, serial number, etc. This form is then returned to Accounting for creation of the asset record in PeopleSoft once the associated invoice has been paid.

Annual Capital and Sensitive Asset Inventory Review

Accounting initiates an inventory count of all capital and sensitive assets by location (individual schools and corporate offices) annually. Accounting generates a list of assets by location, along with instructions on how to perform the review, and provides copies to each respective school/location's representative responsible for managing and tracking assets. Once received, each school/location designee reviews the list and physically locates the assets. Once located, the reviewer confirms or updates any relevant information recorded on the spreadsheet, such as location, tag number, etc. If any updates need to be made, such as a new location, new tag number, or if an asset has been disposed, those changes are communicated to Accounting by completing and attaching an Electronic Transfer Form (ETF) or Notice of Loss or Damage to Property (LR1) Form within PeopleSoft to update the asset record. Once the review has been completed and all supporting documentation has been collected/completed, each location submits, typically through inter-office mail, copies to Accounting. Once received, Accounting reviews, makes any necessary adjustments, and closes out the annual review.

Disposals and Transfers

If a department, school, or office wishes to either transfer a capital or sensitive asset to another location, or dispose of an asset, they are responsible for initiating and completing an ETF within PeopleSoft. This form is then automatically routed based on an existing workflow to their direct supervisor, Warehouse Manager and depending on unique asset categories (e.g., computers, copiers, and curriculum assets), a third party (e.g., Curriculum Approver, OMR Shop Leader, or Tech Support Supervisor), for authorization and approval.

Once approved, the Warehouse Department moves the asset to the new location as indicated on the ETF. If the asset is to be disposed, the Warehouse completes a secondary ETF to record the asset as disposed within PeopleSoft. After the asset is transferred or disposed, the action is recorded in PeopleSoft's BOE Asset Transfer Detail report run by Accounting. Once the report has been run, Accounting updates the asset record within PeopleSoft to reflect the new location, or to retire the asset, if disposed.

Approved methods of FCPS property disposal include:
1. Donation (requires a Notice of Donation to be prepared prior to leaving FCPS's possession)
2. Sale through website (GovDeals)
3. Waste

Vehicle Processes

Vehicle Receiving and Tagging

Once a vehicle has been ordered and prior to delivery, the Fleet Maintenance Manager goes to the vendor location and inspects the vehicle. If no issues arise, the vendor tags, titles, and numbers the vehicle before delivering to FCPS. Once received by FCPS, the vehicle is entered into FASTER, Transportation's asset management software. The Fleet Maintenance Manager then notifies the Transportation Administrator, who marks the vehicle as received on the PO in order to be paid, and Accounting, who records the vehicle within PeopleSoft.

Once paid, the vendor releases the tag, title, and registration to Accounting, who maintains the vehicle title in a locked and secured safe and provides Transportation with the tag and registration.

Vehicle Inventory Review
Transportation does not perform an annual inventory review of all vehicles, due to regular maintenance and operating schedules where each vehicle asset is checked in FASTER annually for maintenance.

Vehicle Disposals
FCPS and the Code of Maryland Regulations (COMAR) only allow buses to operate for a maximum of 15 years. If Transportation wishes to dispose of a vehicle, the Fleet Maintenance Manager is responsible for initiating and completing an ETF within PeopleSoft. This form is then automatically routed, based on an existing workflow, to the Transportation Director and Warehouse Manager for authorization and approval.

Once approved, the Warehouse and Transportation departments move the vehicle to a designated location to be disposed. The Warehouse then completes a secondary ETF to record the asset as disposed within PeopleSoft. After the asset is transferred or disposed of, the action is recorded in PeopleSoft's BOE Asset Transfer Detail report to be run by Accounting. Once the report has been run, Accounting updates the asset record within PeopleSoft to reflect the new location, or to retire the asset, if disposed.

Approved methods of FCPS vehicle disposals include:
1. Donation (requires a Notice of Donation to be prepared prior to leaving FCPS's possession)
2. Sale through website (GovDeals)
3. Destruction (typically for qualifying grants)

DTI Asset Processes

DTI Asset Receiving and Tagging
Technology assets purchased by DTI could be delivered either to the DTI office or to the future recipient's school/location. Upon receipt of a capital asset, DTI records the asset as received within PeopleSoft and creates an asset record within TipWeb-IT, DTI's asset management software. If the asset did not come pre-tagged by the vendor, DTI also tags the asset when creating the record. Accounting is responsible for recording and maintaining accurate purchasing information in PeopleSoft, which integrates with the TipWeb-IT system.

Once the asset has been tagged and recorded within TipWeb-IT, it becomes available to assign to a student or employee. If assigned, the asset record is updated with details on the recipient and delivered, either by DTI or the Warehouse, to their respective location. The recipient must sign upon receipt of the asset in order to complete the assignment.

If a technology asset was purchased by an employee, department, or school/location, they are required to notify their designated User Support Specialist (USS) and Accounting. Accounting ensures the asset and PO are properly recorded in both PeopleSoft and TipWeb-IT, while the USS coordinates pickup, imaging, asset record creation, tagging, and assignment with DTI.

DTI Annual Inventory Review
DTI performs an annual physical inventory count of FCPS's mobile devices (laptop computers, Chromebooks, tablets etc.). DTI makes an effort to inventory all assets at regular intervals, however, some product types have been excluded from annual inventory cycles due to the volume of assets.

On an annual basis, DTI notifies the local USS for each school/location of the requirements for their annual asset inventory review. DTI does not require a full inventory review to be performed. Instead, DTI establishes a scope of assets to be inventoried based on sensitivity and last scan date. Once received, the USS utilizes a barcode scanner to scan each asset. Once completed, the USS reports all results to DTI who either attempts to locate/resolve missing/lost assets, if applicable, or make any necessary adjustments within TipWeb-IT.

DTI Asset Disposals
Once DTI determines that an asset is beyond its useful life, or of no further use to FCPS, they may decide to dispose of the asset. DTI begins by having the local USS mark the asset for disposal and initiating a transfer. The transfer and disposals are routed to the Technology Support Specialist (TS2) and the Technology Supervisor to be approved. Once approved, DTI notifies the Warehouse that the asset to be disposed needs to be moved. If the asset includes storage media, the drive is removed and sanitized (for resale) or recorded on an internal tracking spreadsheet (for recycling). Once the asset has been moved to the Warehouse, the Warehouse coordinates with buyers or third-party vendors to have the assets picked up. DTI disposes of assets by one of the following methods:
1. Sale
2. Trade-in to vendor
3. Disposal as scrap by means of recycling or data destruction devices

Any certificates of destruction are delivered to and maintained by the Warehouse.

Warehouse Inventory Processes

Warehouse Inventory Receiving and Transfers
Warehouse inventory purchases are delivered to the Warehouse and received by the Warehouse Asset Specialist. Upon receipt of an inventory order, the Warehouse Asset Specialist inspects the order for accuracy and damages, reconciles the delivery to the invoice and purchase order, signs for delivery, stocks the items, and updates PeopleSoft records.

Once stocked, FCPS schools/locations can request inventory items through the use of the electronic Materials Stock Request (MSR) form within PeopleSoft. Once submitted, the automated workflow sends the request to the Warehouse who runs a report of all pending requests. The report is sent to operations for the approval to release the orders to be filled. Once released, a Pick Ticket is generated and used by a Warehouse staff member who pulls the items from the Warehouse stock, has them verified by a second Warehouse staff member, and creates a Ship Ticket for orders to be shipped to the location requested. Once delivered, the recipient signs for delivery, which is stored and maintained by the Warehouse.

If an inventory item needs to be returned by the recipient, they will submit an electronic Return Material Application (RMA) form within PeopleSoft. Once submitted, the recipient will attach the RMA to the inventory and set it aside for the Warehouse Asset Specialist to pick up once they are notified via the PeopleSoft automated Workflow. Once the inventory has been collected and restocked at the Warehouse, the Warehouse Asset Specialist provides the Warehouse Secretary with the attached RMA to properly process and update within PeopleSoft.

Annual Warehouse Inventory Review
On an annual basis, the Assistant Financial Reporting Manager initiates the annual count of warehouse inventories by generating a Count Sheet for all current stocked warehouse inventory items. The Count Sheet, absent of system counts, is provided to warehouse staff to perform a physical count of each item, record the results, and return to the Assistant Financial Reporting Manager. The Assistant Financial

Reporting Manager (or a Financial Reporting Team Member) attends the physical count at the warehouse and extends an invitation to external auditors should they want to participate in the physical inventory observation process.

Upon completion of the inventory count, the count sheets are returned to the Assistant Financial Reporting Manager who reviews the results and reconciles each item to the PeopleSoft records. If a discrepancy is identified, the Assistant Financial Reporting Manager may request a recount by the Warehouse. If there was no discrepancy or if the discrepancy persists, the Assistant Financial Manager updates PeopleSoft records.

Warehouse Inventory Cycle Counts
At any time, the Assistant Financial Reporting Manager may initiate a random cycle count of warehouse inventories, with samples and scope chosen by the Assistant Financial Reporting Manager. Once the samples have been selected, a Cycle Count Sheet absent of system counts is prepared and sent to warehouse staff to perform a physical count of each item, record the results, and return to the Assistant Financial Reporting Manager.

Upon receipt, the Assistant Financial Reporting Manager will review the results and reconcile each item to the PeopleSoft records. If a discrepancy is identified, the Assistant Financial Reporting Manager may request a recount by the Warehouse. If there was no discrepancy or if the discrepancy persists, the Assistant Financial Manager will update PeopleSoft records.

Transportation Inventory Processes

Transportation Inventory Receiving and Stocking
Transportation receives two main categories of inventory: parts and fluids. When parts are received, the Fleet Maintenance Manager inspects and reconciles the inventory before signing the invoice. Once received, Transportation stocks the parts and updates inventory count within FASTER. Once stocked, the Fleet Maintenance Manager emails the signed invoice to Accounting for payment.

For fluid deliveries, such as oils, fuels, and lubricants, Transportation reviews the tank monitoring system before and after the vendor fills them to get an accurate delivery level. Once received, the Fleet Maintenance Manager obtains the daily fuel cost report from the Oil Price Information Service (OPIS), before performing their own calculation of delivery costs. The Fleet Maintenance Manager then signs the report/calculation and sends the documentation to Accounting to process the invoice and pay the vendor.

Annual Parts Inventory
On an annual basis, the Assistant Financial Reporting Manager generates Count Sheets for the Transportation inventory counts. During this time, Transportation freezes all activities to obtain an accurate count.

Once the Count Sheets, absent of system counts are received, the Fleet Maintenance Team, comprised of about three teams of two, or six total counters, counts and records results for each inventory item listed before returning to the Financial Reporting Team. The Assistant Financial Reporting Manager and Financial Reporting Manager attend the physical count at the bus garage (external auditors are made aware of the physical inventory should they wish to be on-site to observe). Counts are entered into FASTER by the Assistant Financial Reporting Manager and the Financial Reporting Manager. The Assistant Financial Reporting Manager reconciles the results to FASTER. If there are any discrepancies, the Assistant Financial Reporting Manager requests a recount. The recount is done by a counter independent of the first count. If a

discrepancy remains after the recount, the Assistant Financial Reporting Manager discusses with the Fleet Maintenance Manager to determine whether a third count is necessary or adjusts accordingly within the system.

FNS Inventory Processes

FNS Inventory Receiving and Stocking
When FNS inventory purchases are received, an FNS Specialist inspects, reconciles, and records the delivered inventory. Once received, the FNS Specialist then stocks the inventory and updates counts within the iSmart One system, the FNS inventory management system.

Monthly FNS Inventory
On a monthly basis, the FNS Site Manager generates inventory worksheets for the current inventory counts within their respective location(s). Once generated, the Site Manager performs a physical count of each item, records the results, and updates iSmart One before notifying the FNS Specialist of completion.

The FNS Specialist then reviews the report(s) before closing out the monthly inventory. If any discrepancies are identified, the FNS Specialist may choose to research further or perform a recount.

FNS Inventory Cycle Counts
At any time, the FNS Specialist may initiate a random cycle count of FNS inventory at any school/location, with samples and scope chosen by the FNS Specialist. Once the samples have been selected, the FNS Specialist performs a physical count of each item, records the results, and compares them to iSmart One.

If a discrepancy is identified, the FNS Specialist may choose to research further. If the discrepancy cannot be resolved, the FNS Specialist sends the results to the FNS Accountant to update iSmart One. The FNS Specialist then schedules a secondary count for the same location and increases the rate at which monthly inventory counts are performed over the next two months. If discrepancies continue to arise during the secondary count, the FNS Specialist will schedule a follow-up visit within five business days and further increases monthly inventory counts over the next two months.

Objectives

The following objectives for the testing phase were developed based upon the understanding gained during the planning phase and approved by the IIAA.
   A. Assess whether capital, sensitive, and DTI assets are identified and recorded within the appropriate system of record.
   B. Verify capital, sensitive, and DTI assets are assigned a means of identification and tracked.
   C. Verify capital, sensitive, and DTI assets are periodically inventoried, reported, and updated completely, accurately, and timely.
   D. Verify capital, sensitive, and DTI asset disposal and surplus processes adhere to the policies and procedures.
   E. Assess how capital assets and inventories are physically safeguarded and secured.
   F. Verify how general inventories are reviewed, reconciled, reported, and updated completely, accurately, and timely.
   G. Verify inventory orders are reconciled, stocked, and recorded completely and accurately upon receipt.

Scope

The audit was initiated in January 2023 and focused on the inventory, accountability, and surplus procedures for FCPS owned:
1. Capital Assets
2. Sensitive Assets
3. DTI assets/equipment
4. Inventories managed by Food & Nutrition Services (FNS), Transportation, and the Warehouse

The scope did not include land, buildings, easements, improvements, or infrastructure assets. The period in scope included the current inventory procedures from July 1, 2020 through May 1, 2023.

Methodology and Approach

SC&H conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

In order to obtain the necessary documentation to appropriately perform and conclude upon the objectives of this audit, SC&H conducted the following procedures.

Creation of Audit Program
Based on the understanding of the processes, risks, and related controls, as well as data analytics performed during the planning and risk assessment phase, SC&H developed an audit program to achieve the objectives. This program included detailed steps to address each objective with the goal of verifying the existence of internal controls and identifying opportunities for improvement.

Execution of Audit Program
SC&H executed the audit plan by completing the following tasks.

Objective A
Assess whether capital, sensitive, and DTI assets are identified and recorded within the appropriate system of record.

Summary Procedures
A.1: Performed data analytics on purchases over $5,000 and assessed:
1. Whether the purchase met the criteria for capitalization and determine the appropriate handling of the transaction.
2. The timeliness of asset record creation based on the in-service date and capital asset record creation date.
3. Whether the capital asset record was created in PeopleSoft completely and accurately for purchases that met the capital asset criteria.
A.2: Selected a sample of 15 purchases that met the sensitive asset dollar threshold from a subset of 14 applicable expense G/L reports and assessed:
1. Whether the purchase met the criteria for capitalization and determine the appropriate handling of the transaction.
2. The timeliness of asset record creation based on the in-service date and asset record creation date.
3. Whether the asset record was created in PeopleSoft completely and accurately for purchases that met the sensitive asset criteria.
A.3: Selected a sample of 15 active capital assets and verified:
1. Fiscal Services initiated an Asset Addition Worksheet to the receiving department timely.
2. The Asset Addition Worksheet was completed and returned to Fiscal Services.
3. Fiscal Services created a capital asset record within PeopleSoft completely, accurately, and timely.

Summary Procedures
A.4: Selected a sample of 15 active sensitive assets and verified:
1. Fiscal Services initiated an Asset Addition Worksheet to the receiving department timely.
2. The Asset Addition Worksheet was completed and returned to Fiscal Services.
3. Fiscal Services created a sensitive asset record within PeopleSoft completely, accurately, and timely.

Objective B
Verify capital, sensitive, and DTI assets are assigned a means of identification and tracked.

Summary Procedures
B.1: Selected a sample of 80 capital assets to physically observe the asset to verify:
1. The existence of the asset.
2. Whether the correct capital asset tag is affixed to the asset.
B.2: Selected a sample of 40 sensitive assets to physically observe the asset to verify:
1. The existence of the asset.
2. Whether the correct sensiti**v**e asset tag is affixed to the asset.
B.3: Selected a sample of 60 DTI assets to physically observe the asset to verify:
1. The existence of the asset.
2. Whether the correct DTI asset tag is affixed to the asset.

Objective C
Verify capital, sensitive, and DTI assets are periodically inventoried, reported, and updated completely, accurately, and timely.

Summary Procedures
C.1: Reviewed documentation supporting the annual capital asset inventory efforts for 15 locations for fiscal years 2021-2023 to verify:
1. All capital assets were inspected and verified during each of the last two fiscal years.
C.2: Reviewed documentation supporting the annual capital asset inventory efforts for 15 locations for fiscal years 2021-2023 to verify:
1. Any updates to an asset inventory record were identified and communicated to Fiscal Services timely.
2. Fiscal Services applied capital asset updates within the asset record within PeopleSoft.
C.3: Reviewed documentation supporting the annual sensitive **asset inventory efforts for 15 locations for fiscal years 2021-2023 to verify:**
1. All sensitive assets were inspected and verified during each of the last two fiscal years.
C.4: Reviewed documentation supporting the annual sensitive asset inventory efforts for 15 locations for fiscal years 2021-2023 to verify:
1. Any updates to an asset inventory record were identified and communicated to Fiscal Services timely.
2. Fiscal Services applied sensitive asset updates within the asset record within PeopleSoft.
C.5: Reviewed documentation supporting the annual DTI asset inventory efforts for 15 locations for fiscal years 2021-2023 to verify:
1. DTI assets were inspected and verified during each of the last two fiscal years.
2. Any updates to an asset inventory record were identified and communicated to DTI timely.
3. DTI applied capital asset updates within the asset record within TipWeb-IT.

Objective D
Verify capital, sensitive, and DTI asset disposal and surplus procedures adhere to the policies and procedures.

Summary Procedures
D.1: Selected a sample of 15 capital assets disposed from FY21 through FY22 to verify:
1. An ETF was completed by the initial department to transfer the asset to the Warehouse and again by the Warehouse to record the asset as disposed.
2. The method of disposal was documented on the ETF and aligns with the actual method of disposal.

Summary Procedures
3. The disposal was communicated to Fiscal Services and the asset record within PeopleSoft was updated timely.
4. The disposal method was consistent with grant requirements, if applicable.
D.2: Selected a sample of 15 sensitive assets disposed from FY21 through FY22 to verify:
1. An ETF was completed by the initial department to transfer the asset to the Warehouse and again by the Warehouse to record the asset as disposed.
2. The method of disposal was documented on the ETF and aligns with the actual method of disposal.
3. The disposal was communicated to Fiscal Services and the asset record within PeopleSoft was updated timely.
4. The disposal method was consistent with grant requirements, if applicable.
D.3: Selected a sample of 40 DTI assets disposed from FY21 through FY22 to verify:
1. Storage media was properly wiped/sanitized prior to disposal.
2. The disposal was properly approved by DTI.
3. Certificates of destruction were collected and maintained, if applicable.
4. The disposal method was consistent with grant requirements, if applicable.

Objective E

Assess how capital assets and inventories are physically safeguarded and secured.

Summary Procedures
E.1: While performing the *B.1: Capital Asset Existence* testing, performed a walkthrough of the areas in which the assets were located to identify:
1. Instances where assets may not appear to be adequately safeguarded.
E.2: While performing the *B.2: Sensitive Asset Existence* testing, performed a walkthrough of the areas in which the assets were located to identify:
1. Instances where assets may not appear to be adequately safeguarded.
E.3: While performing the *B.3: DTI Asset Existence* testing, performed a walkthrough of the areas in which the assets were located to identify:
1. Instances where assets may not appear to be adequately safeguarded.
E.4: Performed walkthroughs of locations/departments interviewed during planning to identify:
1. Instances where assets and/or inventories may not appear to be adequately safeguarded.

Objective F

Verify general inventories are reviewed, reconciled, reported, and updated completely, accurately, and timely.

Summary Procedures
F.1: Reviewed documentation associated with annual counts performed for warehouse inventory for the last two fiscal years and performed the following:
1. Quantified the percentage of items that resulted in a discrepancy during the initial count and required a recount.
2. Quantified the percentage of items that remained discrepant after the recount.
3. For a sub-sample of 15 items, verified the counts were accurately adjusted in PeopleSoft.
4. Quantified the dollar value of inventory that required adjustments.
F.2: Reviewed documentation associated with cycle counts performed for warehouse inventory for the last two fiscal years and performed the following:
1. Quantified the percentage of items that resulted in a discrepancy during the initial count and required a recount.
2. Quantified the percentage of items that remained discrepant after the re-count.
3. For a sub-sample of 15 items, verified the counts were accurately adjusted in PeopleSoft.
4. Quantified the dollar value of inventory that required adjustments.
F.3: Reviewed documentation associated with the annual transportation inventory for the last two fiscal years and performed the following:

Summary Procedures
1. Quantified the percentage of items that resulted in a discrepancy during the initial count and required a recount.
2. Quantified the percentage of items that remained discrepant after the recount.
3. For a sub-sample of 15 items, verified the counts were accurately adjusted in FASTER.
4. Quantified the dollar value of inventory that required adjustments.
F.4: Selected a sample of 5 items and requested a random cycle count of 5 items from the Assistant Financial Reporting Manager and performed the following:
1. Physically counted the in-stock quantity for each item.
2. Obtained evidence from FASTER to show the quantity of each item in stock per the inventory records.
3. Investigated discrepancies to determine the root cause of the variance.
F.5: Reviewed documentation associated with the monthly FNS inventory for 10 schools/locations over the last two fiscal years and performed the following:
1. Quantified the number and dollar amount of inventory adjustments required for each month.
2. Verified an explanation for each discrepancy was documented and appears reasonable.
3. Verified inventory records were accurately adjusted.
F.6: Reviewed documentation associated with FNS inventory cycle counts for 10 schools/locations over the last two fiscal years and performed the following:
1. Quantified the number and dollar amount of inventory adjustments required for each count.
2. Identified instances where unresolved discrepancies occurred, resulting in additional sampling. Verified an explanation of the discrepancy was documented.
3. Verified follow-up site visits were performed with appropriate sampling, if applicable.
4. Verified secondary site visits were performed with appropriate sampling, if applicable.

Objective G

Verify inventory orders are reconciled, stocked, and recorded completely and accurately upon receipt.

Summary Procedures
G.1: Selected a sample of 10 MSR forms submitted in in FY21 and FY22 and verified:
1. The request was properly processed within PeopleSoft.
2. The recipient signed the form upon delivery.
G.2: Selected a sample of 11 RMA forms submitted in in FY21 and FY22 and verified:
1. The request was properly processed within PeopleSoft.
2. The recipient signed the form upon pick-up.
G.3: Selected a sample of 15 transportation inventory orders and verified:
1. A reconciliation of purchase order, invoice, and delivery was performed, and formally documented, for any discrepancies noted, verified they were resolved with the vendor.
2. The invoice was signed upon receipt of delivery.
3. FASTER inventory records were updated completely, accurately, and timely.
G.4: Selected a sample of 15 warehouse inventory orders and verified:
1. A reconciliation of purchase order, invoice, and delivery was performed, and formally documented, for any discrepancies noted, verified they were resolved with the vendor.
2. The invoice was signed upon receipt of delivery.
3. PeopleSoft inventory records were updated completely, accurately, and timely.
G.5: Selected a sample of 1 general inventory item delivered to the warehouse and performed the following:
1. A reconciliation of purchase order, invoice, and packing list was performed, and formally documented, for any discrepancies noted, verified they were resolved with the vendor.
2. The invoice/purchase was properly approved.
3. PeopleSoft inventory records were updated completely, accurately, and timely.

Summary of Work

Based on the audit procedure performed, opportunities exist to mitigate risks within the capital asset, sensitive asset, DTI/technology assets, & inventory management functions. These opportunities are represented by five observations, which are outlined below.

Observations

1. Asset and inventory records are not consistently accounted for completely, accurately, and timely.
2. Assets are not consistently tagged and maintained.
3. A formal process is not in place to evidence internal media drive sanitation procedures or destruction.
4. The DTI asset/equipment count process is limited and does not include all items.
5. The Transportation asset and inventory count process is limited and does not include all items.

The following section provides detailed observations and recommendations to help mitigate associated risks.

We appreciate the assistance and cooperation of the management and staff of the Financial Reporting, Accounting, Warehouse, Transportation, FNS, & DTI departments who assisted in the performance of this audit. Please contact us if you have any questions or comments regarding any of the information contained in the performance audit report.

SC&H attest Services, P.C.
_____
SC&H Attest Services, P.C.
Sparks, Maryland
December 20, 2023

III. Detailed Observations and Recommendations

Observation 1

Assets and inventory records are not consistently accounted for completely, accurately, and timely.

Detail

The current asset recognition, tagging, and disposal processes are detailed within the following background section of this report:

1. Capital & Sensitive Asset Receiving and Tagging
2. Capital & Sensitive Disposals and Transfers
3. DTI Asset Receiving and Tagging
4. DTI Asset Disposals

Alternatively, inventories are held and maintained by the FNS, Transportation, and Warehouse departments. Inventories across these departments are reviewed, at minimum, on an annual basis. Additionally, the Warehouse utilizes the PeopleSoft MSR and RMA forms to process requests and returns of inventories by schools. These processes are detailed within the following background section of this report:

1. Warehouse Inventory Receiving and Transfers
2. Annual Warehouse Inventory Review
3. Warehouse Inventory Cycle Counts
4. Transportation Inventory Receiving and Stocking
5. Annual Parts Inventory
6. FNS Inventory Receiving and Stocking
7. FNS Monthly Inventory Counts
8. FNS Inventory Cycle Counts

Findings

Findings listed below were identified as a result of reviews of the following:

- 15 capital asset purchases
- 110 active capital assets
- 15 active sensitive assets
- 120 DTI assets
- 40 DTI asset disposals
- 15 capital asset disposals
- 15 sensitive asset disposals
- 10 inventory items
- 240 monthly inventory FNS counts
- 10 MSRs
- 10 RMAs
- 15 Warehouse inventory purchases
- A data analysis/reconciliation of capital, sensitive, and DTI asset information recorded in PeopleSoft and TipWeb-IT and recorded on various reports provided by Fiscal Services and DTI.

Timeliness Findings

1. One capital asset: The Asset Addition Worksheet was not completed and returned to Accounting timely, or within the same fiscal year.
2. One sensitive asset: The Asset Addition Worksheet was not initiated by Fiscal Services timely, or within the same fiscal year.
3. Nine RMAs: Order status remains "Open" or "Pending" and has not been cancelled or closed timely.

16

Accuracy Findings
1. One capital asset disposal: The disposal method recorded within PeopleSoft was not consistent with the method recorded on the secondary ETF prepared by the Warehouse.
2. Six DTI assets: The assets listed on the active asset listing was previously transferred or disposed, however, the TipWeb-IT record was not updated.
3. One DTI asset: The inventory status field within TipWeb-IT is recorded as "Auctioned," however, the asset was flagged as "Missing" and "Lost" in the audit state and action taken fields, respectively.
4. Two transportation inventory items: Physical inspections resulted in different counts than what was reflected within FASTER at the time of review.

Completeness Findings
1. Six DTI assets: No supporting documentation, such as the Lost Asset Statement, was provided to evidence proper review or record of the asset as "Lost."
2. One sensitive asset disposal: No initial ETF to transfer the asset to the Warehouse for disposal was provided.
3. Three capital assets and two sensitive asset disposals: No secondary ETF evidencing the asset as "Disposed" by the Warehouse, was provided.
4. One capital asset disposal: Documentation provided did not evidence proper transfer to the Warehouse for disposal.
5. Four capital assets and two sensitive asset disposals: No evidence of proper proceeds recorded to the asset record within PeopleSoft.
6. All monthly FNS inventory counts: Documentation does not include data/information for physical count results, discrepancies, or adjustments made during the inventory counts. The reports are auto generated at 11:50pm on the last day of the month and include all adjustments entered due to possible discrepancies. All documentation related to recounts, discrepancies, and follow-up visits are not formally maintained or provided to the FNS accountant to ensure accuracy with system updates.
7. One MSR: No ship ticket provided with applicable signatures.
8. Seven RMAs: No signoffs identified by a recipient upon return.

Data Analysis Findings
1. 1,007 DTI assets: Based on data analysis, asset status remains "Available" or "In Use" for assets listed solely within the disposed/archived population provided by DTI (approximately 2% of the total DTI disposed asset population).
2. 16,392 DTI assets: Based on data analysis, asset 'cost' was recorded as $0 within TipWeb-IT and not at their original cost or fair market value (approximately 15% of the total DTI active asset population).
3. One DTI asset: Based on data analysis, the asset 'cost' recorded within TipWeb-IT was greater than $5,000, but the asset was not recorded within PeopleSoft as capital assets (less than 1% of the total DTI active asset population; 30% of active DTI assets greater than $5,000).

Risks
Assets and inventory items are not completely or accurately identified, tagged, valued, or maintained, resulting in inaccurate records and financial reporting, or misappropriation.

Recommendation 1.1
Fiscal Services and DTI Management should consider providing system-wide re-education to departments and school leadership to reinforce the importance of (a) notifying departments timely when making purchases that may meet the criteria to become a capital, sensitive, or DTI asset, (b) returning Asset

Addition Worksheets to Fiscal Services timely once they have been received, and (c) initiating an ETF timely when assets are transferred to another department/location or are to be disposed.

Management Action Plan
DTI is continually working to expand educational resources for department and school leaders. Additionally, DTI is currently working with the Purchasing Department to restructure the purchasing process for technology equipment. The objective of this process is to ensure proper onboarding of DTI tracked inventory before such assets are deployed to the requesting school or department.

Fiscal services recognize the importance of training. To improve upon the system wide education, fiscal services will add additional content to the annual summer training program as well as increase training for new secretaries.

Implementation Date
DTI will complete the creation of additional educational resources and reach a determination on the feasibility of the restructured purchasing process by July 1, 2024.

Fiscal Services will enhance training efforts during the summer in-services beginning in 2024 and will provide training to new secretaries as transition occurs. Additionally, as the annual physical inventory of capital and sensitive assets for FY24 is scheduled to be distributed in December, communication will be disseminated in a December 2023 System Accountability & School Administration (SASA) weekly wrap to Administrators.

Recommendation 1.2
DTI Management should consider enhancing current or adopting existing electronic forms, such as the Asset Addition Worksheet and/or ETF utilized by Fiscal Services, to formally document both actions and approvals associated with asset tagging, transfers, and disposal efforts. A process for the use of this form and the appropriate approval paths should be formally documented within a policy.

Further, DTI should conduct a periodic review to ensure all of its assets are completely and accurately valued and recorded (e.g., donated assets, assets meeting capitalization thresholds, etc.). Following the review, DTI should report any adjustments to Accounting for system updates. Following, Accounting should record the assets completely and accurately.

Management Action Plan

The forms utilized by Fiscal Services are unique to inventory maintained in PeopleSoft. It is not possible for DTI to adopt those forms at this time. DTI migrated its inventory management system to a new platform in August 2023. This process required the creation of new electronic forms for asset creation, asset transfer, and asset assignment.

Following the recent launch of a new inventory management system, DTI is currently in the process of reviewing all assets for completeness and accuracy.

Implementation Date
DTI will complete the initial review of all asset records by January 1, 2025. The target date of January 2025 will enable DTI to make use of our annual physical inventory as part of this process.

Recommendation 1.3
Fiscal Services and DTI Management should consider implementing additional or enhanced levels of review or reconciliation of asset updates/changes to records within either PeopleSoft or TipWeb-IT, such as those

initiated by an ETF. This process will reduce the risk of inaccurate system records and should be formally documented and performed on an annual basis at a minimum.

Management Action Plan
Fiscal Services will review current processes and team up with Business Services Technology (BST) to determine if reports are available or can be created to run a change report for a monthly audit sampling.

DTI will investigate a means by which we can perform a review of asset updates and changes for accuracy as part of the annual inventory process.

Implementation Date
Fiscal Services will begin conversations with the BST team in the March 2024 timeframe. Depending on the ERP set up and customization that may be needed, implementation *may* begin July 1, 2024 for FY25.

DTI will implement any changes to the annual inventory process intended to review asset updates and changes July 1, 2024.

Recommendation 1.4
Fiscal Services and DTI Management should consider enhancing, developing, or re-educating stakeholders on a system-wide standard operating procedure for the proper retention and maintenance of documentation related to assets and inventories. This procedure should include requirements to utilize and maintain electronic copies of documentation related to the purchase, tagging, inventory reviews, transfers, disposals, etc. for assets and purchase, stocking, inventory reviews, use, and disposal/spoilage for inventories. Records should also be stored in a manner where both DTI and Fiscal Services have access to all files. This policy should not conflict with other established record retention policies or requirements established by either FCPS, Frederick County Government, the State of Maryland, or the Department of Education. This policy should be reviewed on a regular basis to ensure it remains consistent with either changing/updated processes or requirements.

Management Action Plan

DTI is actively developing education resources for stakeholders as part of the new inventory management system implemented in August 2023. Processes and procedures are being documented in our knowledge base for the appropriate stakeholders to access.

Fiscal Services will enhance training efforts during the summer in-services to include a more in-depth review of standard operating procedures currently in place and will provide training to new secretaries as transition occurs.

Food & Nutrition Services implemented a new inventory software program in August 2023. This software keeps track electronically of all purchases through vendors, transfers from the warehouse and between schools, inventory usage, and monthly physical counts and variances.

Implementation Date
DTI will complete the initial documentation of education resources in our knowledge base by July 1, 2024.

Fiscal Services will enhance training efforts during the summer in-services beginning in 2024.

Observation 2

Assets are not consistently tagged and maintained.

Detail

When an FCPS department or employee purchases an asset, the procedures for tagging the asset differ depending on whether the asset is capital, sensitive, or DTI asset. These processes are detailed within the Background section of this report. Specifically, the following sub-sections:
1. Capital & Sensitive Asset Receiving and Tagging
2. DTI Asset Receiving and Tagging

Findings

A review of 80 capital assets, 40 sensitive assets, and 60 DTI assets identified the following:
1. Two capital assets: The asset tags affixed was not consistent with PeopleSoft records. SC&H was able to verify the asset based on the serial number.
2. Six capital assets: The assets were located at a different location than what was recorded within PeopleSoft.
3. Five capital, six sensitive, and four DTI assets: No asset tags were affixed. SC&H was able to verify the asset based on the serial number.
4. Four capital, nine sensitive, and nine DTI assets: The assets could not be located or observed.

Risks

Assets and inventory items are not completely or accurately identified, tagged, or maintained, resulting in inaccurate records and financial reporting, or misappropriation.

Recommendation 2.1

See Recommendations 1.1, 1.2, 1.3, 1.4, & 4.1

Management Action Plan

DTI is investigating a centralized purchasing process for technology assets that would ensure all DTI assets are delivered to the main DTI office upon purchase. This process would give DTI the opportunity to ensure that the appropriate asset tag is affixed to each asset prior to issuance to the requesting school or department.

We are working to expand training and awareness related to inventory in an ongoing effort to maintain and improve the accuracy of our inventory data.

Fiscal Services will expand the education of proper asset identification during the summer in service. Additional comments are being added to the asset addition worksheet regarding affixing tags in a visible location and requesting the return of asset sheets timely.

Implementation Date

DTI will complete the creation of additional educational resources and reach a determination on the feasibility of the restructured purchasing process by July 1, 2024.

Fiscal services will emphasize the proper tagging of assets during summer in-services, beginning in 2024. Changes to the asset addition worksheets will be complete by January of 2024.

Observation 3

A formal process is not in place to evidence internal media drive sanitation procedures or destruction.

Detail

When DTI determines that a DTI asset has no further benefit to FCPS, it is deemed as surplus and is disposed by one of the following methods:
1. Sale
2. Trade-in to vendor
3. Disposal as scrap by means of recycling or data destruction devices

Prior to the disposal of any DTI asset with storage media, DTI sanitizes any internal media drive(s) the device may contain to ensure that any sensitive or personal data is not misappropriated.

Findings

A review of 40 assets labeled as disposed within DTI provided reports identified the following:
1. FCPS conducts procedures to sanitize internal storage media drives from applicable devices prior to disposal or reuse. However, a formal process is not in place to record, track, and verify those efforts occurred completely and accurately. As a result, evidence of hard drive sanitization could not be provided for any of the 40 sampled assets.
2. The Warehouse collects and maintains certificates of destruction by third-party vendors. However, a formal process is not in place for DTI to collect or review the certificates, such as reconcile the serial numbers of all devices that were delivered to the serial number of all devices that are reported on the provided certificate of destruction.

Risks

1. Retired assets are not properly disposed or evaluated, resulting in lost recovery value or misappropriation.
2. Computers and IT related equipment are not wiped clean prior to disposal or transfer, resulting in potential sensitive or personal related Information that could lead to a breach of security or employee/FCPS privacy.

Recommendation 3.1

DTI Management should consider implementing a method for tracking and documenting the process of internally sanitizing storage media specific to each device. The process should involve two independent levels of verification and should be formally documented within a policy/procedure document.

DTI may consider completing a certificate of media disposition for each piece of media that has been sanitized and verified. Verifying the selected information sanitization and disposal process is an essential step in maintaining confidentiality. A certification of media disposition may be a piece of paper, or an electronic record of the action taken. The following categories may be included within the certificate of media disposition:
- Manufacturer
- Model
- Serial Number
- Property Number (if applicable)
- Media Type
- Media Source
- Pre-Sanitization Confidentiality Categorization
- Sanitization Description (i.e., Clear, Purge, Destroy)
- Method Used (i.e., degauss, overwrite, block erase, crypto erase, etc.)

- Tool Used (including version)
- Verification Method (i.e., full, quick sampling, etc.)
- For Both Sanitization and Verification:
  - Name of Person
  - Position/Title of Person
  - Date
  - Location
  - Phone or Other Contact Information
  - Signature

DTI may also consider consulting with Frederick County Government's Interagency Information Technologies (IIT) Division and determine if the Division can provide additional guidance based on its sanitation procedures.

Management Action Plan
DTI follows procedures to ensure all storage media of end-of-life assets are sanitized or destroyed. DTI has identified a potential process to document destruction methods within the new inventory management system. DTI will continue to investigate this solution and, if feasible, integrate the process into existing standard operating procedures.

Implementation Date
July 2024

Recommendation 3.2
DTI Management should consider implementing a process for tracking the serial number of all equipment/storage devices to a third-party for destruction and reconciling the serial numbers to the certificate of destruction received from the vendor. This reconciliation should be formally documented, and the overall procedure should be formally documented within a standard operating procedure.

DTI may also consider consulting with Frederick County Government's Interagency Information Technologies (IIT) Division and determine if the Division can provide additional guidance based on its disposal procedures.

Management Action Plan

A process is in place to ensure that all storage media is sanitized or destroyed. DTI will investigate a process to reconcile asset records to the certificate of destruction collected from 3rd party vendors. Written policies and procedures will be revised to formally document any updated processes.

Implementation Date
July 2024

Recommendation 3.3
See Recommendation 1.4

Management Action Plan
Processes and procedures are being documented in our knowledge base for the appropriate stakeholders to access.

Implementation Date
The first phase of documentation began in August 2023 and is expected to be completed in July 2024.

Observation 4

The DTI asset count process is limited and does not include all items.

Detail
The current asset review processes differ depending on whether the asset is a capital, sensitive, or DTI asset. These processes are detailed within the Background section of this report. Specifically, the following sub-sections:
1. Annual Capital & Sensitive Asset Review
2. DTI Annual Asset Review

Findings
DTI performs a physical inventory count of FCPS's mobile devices (laptop computers, Chromebooks, tablets etc.) on an annual basis. However, DTI does not conduct an inventory count of its other DTI assets to confirm possession and accurate record keeping unless they are sampled during the annual count.

Further, test procedures identified the following (refer to observation #1 for details):
1. 1,007 DTI assets: Based on data analysis, asset status remains "Available" or "In Use" for assets listed solely within the disposed/archived population provided by DTI (approximately 2% of the total DTI disposed asset population).
2. 16,392 DTI assets: Based on data analysis, asset 'cost' was recorded as $0 within TipWeb-IT and not at their original cost or fair market value (approximately 15% of the total DTI active asset population).
3. One DTI asset: Based on data analysis, the asset 'cost' recorded within TipWeb-IT was greater than $5,000, but the asset was not recorded within PeopleSoft as capital assets (less than 1% of the total DTI active asset population; 30% of active DTI assets greater than $5,000).

Risks
Assets and inventory items are not completely or accurately identified, tagged, or maintained, resulting in inaccurate records and financial reporting, or misappropriation.

Recommendation 4.1
DTI Management should consider enhancing processes for annual inventories of DTI assets to include all DTI assets. This review should be used to identify assets that are missing an asset tag, have missing information in TipWeb-IT records (e.g., serial number, location, etc.), missing assets, or assets that have been previously disposed. Findings should be formally documented and maintained, so the department can ensure financial records in TipWeb-IT and PeopleSoft are completely and accurately recorded.

Management Action Plan
DTI transitioned to a new inventory management system in August 2023. As part of this process, we are actively working on a review of all asset records.

Implementation Date
DTI will complete the initial review of all asset records by January 1, 2025. The target date of January 2025 will enable DTI to make use of our annual physical inventory as part of this process.

Recommendation 4.2
DTI Management should consider reviewing the active asset listing on an annual basis to ensure all asset records are accurate, up to date, and include all applicable information (e.g., tag number, serial number, location, item cost, purchase date, in-service date, etc.).

Management Action Plan
DTI is investigating a control process to limit the creation of incomplete records. We are also investigating a means by which we can perform a review of all active asset records as part of our annual inventory.

Implementation Date
July 2024

Recommendation 4.3
See Recommendations 1.4 & 3.2

Management Action Plan
Processes and procedures are being documented in our knowledge base for the appropriate stakeholders to access.

Implementation Date
The first phase of documentation began in August 2023 and is expected to be completed in July 2024.

Observation 5

The Transportation department's asset and inventory count process is limited and does not include all items.

Detail

The current asset review processes differ depending on whether the asset is a capital, sensitive, or DTI asset. Transportation-owned vehicles (i.e., buses) fall under the capital asset category but do not follow the same review requirements as other capital assets. These processes are detailed within the Background section of this report. Specifically, the following sub-sections:

1. Annual Capital & Sensitive Asset Review
2. DTI Annual Asset Review

Alternatively, inventories are held and maintained by Transportation and inventories are reviewed, at minimum, on an annual basis. Transportation processes are detailed within the Background section of this report. Specifically, the following sub-sections:

1. Transportation Inventory Receiving and Stocking
2. Annual Parts Inventory

Findings

Transportation possesses and manages capital assets, sensitive assets, and inventories. The department conducts an annual physical parts and fluid inventory count to confirm possession and accurate record keeping, however, the department does not conduct an annual or periodic capital asset (e.g., buses) count to confirm possession and accurate record keeping. The Transportation Department informally accounts for the inventory during annual maintenance procedures.

Further, test procedures identified 2 out of 10 sampled inventory items were not accounted for accurately within the FASTER system at the time of SC&H's on-site count (refer to observation #1 for details).

Risks

Assets and inventory items are not completely or accurately identified, tagged, or maintained, resulting in inaccurate records and financial reporting, or misappropriation.

Recommendation 5.1

Fiscal Services and Transportation Management should consider implementing formal processes for periodic inventories of all Transportation assets (e.g., an annual review of all vehicle assets, a monthly/quarterly review of a subset of assets, etc.). This review should be used to identify assets that have missing information in PeopleSoft or FASTER records (e.g., serial number, location, etc.), missing assets, or assets that have been previously disposed. Findings should be formally documented and maintained, so that both Transportation and Fiscal Services can ensure financial records in PeopleSoft and FASTER are completely and accurately recorded.

Annual maintenance procedures can be enhanced to incorporate a component of inventory reviews by including a formal verification of vehicles that have been physically observed. In doing so, Transportation must ensure they track which vehicles have and have not been verified within one year.

Management Action Plan

Fiscal Services, specifically the Construction/Capital Asset Accountant, currently reconciles the FASTER vehicle asset listing to the PeopleSoft Finance ERP vehicle asset listing to ensure systems match annually. Additionally, within this process, the accountant traces every vehicle on the asset listing to the title, maintained in fiscal services, securely locked and stored in the combination safe.

The Transportation Department will ensure that PeopleSoft Finance and FASTER is updated and maintained to reflect accurate data for every vehicle owned by FCPS. The Transportation Department is held to rigorous regulations and requirements under COMAR and the Maryland Vehicle Administration for the bus fleet. FASTER currently tracks all vehicle repairs (buses and non-bus/white fleet). School buses are currently physically inspected 5-6 times per fiscal year. For non-school bus vehicles, management plans to perform a physical white fleet count by reaching out to directors of departments in which vehicles are assigned; requesting the directors to physically inspect the vehicle asset and ensure the data recorded in PeopleSoft Finance and FASTER are accurate, including the address and location of where the vehicle is located. Verification of the assets and any revised data would be reported back to the Fleet Maintenance Manager.

Implementation Date
Starting in FY25 (summer of 2024) Transportation will implement a formal process of requesting physical inspections of the non-bus/white fleet from departments that have vehicles assigned to them.

Recommendation 5.2
Fiscal Services and Transportation Management should consider implementing processes for periodic inventories of Transportation parts and liquid inventories, more frequently than annually (e.g., a random sample review of inventories, a monthly/quarterly review of a subset of inventories, etc.). This review should be used to identify items that have missing or discrepant information in PeopleSoft or FASTER records (e.g., part number, unit price, quantity, location, etc.). Findings should be formally documented and maintained, so that both Transportation and Fiscal Services can ensure financial records in PeopleSoft and FASTER are completely and accurately recorded.

Management Action Plan
Management began implementation of cycle counts for bus garage parts inventories in October 2023. Fiscal Services prepared a new internal operating procedure (FR_IOP_Cycle Counts_Bus Garage Parts) that outlines the shared process between the Transportation Parts Department and Financial Reporting for conducting cycle counts. The cycle counts are to be conducted at minimum once a month. Adjustments for cycle count variances will be processed by Financial Reporting and cycle count results will be provided from Financial Reporting to the Transportation Fleet Manager and Parts Lead.

Implementation Date
Started October 23, 2023 with bi-monthly cycle counts beginning November 15, 2023. A new Fiscal Services' internal operating procedure (FR_IOP_Cycle Counts_Bus Garage Parts) was prepared on November 15, 2023 and later shared with the Transportation management team.

Recommendation 5.3
See Recommendation 1.4

Management Action Plan
The Department of Transportation will review current operating procedures to determine if the creation of or revision of documents are needed. The operating procedures are stored and accessible by the transportation team. Shared communication will occur with the transportation shop if new operating procedures are created or if revisions are made to existing procedures. The FCPS transportation shop will continue to follow FCPS processes that are in place.

Implementation Date
July 1, 2024