

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

DATA SERVICE CENTER

COMPUTER EQUIPMENT

SPECIAL INVESTIGATION



FIELDWORK END DATE: APRIL 23, 2009

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State of Delaware
Office of Auditor of Accounts
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At a Glance

Working Hard to Protect YOUR Tax Dollars

Why We Did This Review

The Office of Auditor of Accounts (AOA) received the following hotline allegations regarding the Data Service Center (DSC):

1. New computers are purchased for select employees' home and personal use.
2. Older machines are given to select employees and retired employees for home and personal use versus being disposed of properly or maintained in inventory.
3. Most of the computers taken for home and personal use are 3-4 year old machines, which had been recently replaced by new machines.

Background

The Data Service Center (DSC) came into existence on July 1, 1981 when the New Castle County School District separated into the four school districts (Brandywine, Christina, Colonial, and Red Clay Consolidated) of northern New Castle County. As a non-profit state agency, the DSC is a service organization providing technological support for many aspects of school administration. By pooling resources, the member-districts save money by avoiding the duplication of staff, effort, and expense involved with common school district functions and services.

Today, both the Colonial and Red Clay Consolidated School Districts maintain operation and control of the Data Service Center.

For further information on this release, please contact:

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DATA SERVICE CENTER – COMPUTER EQUIPMENT

What We Found

The allegation regarding personal use is partially substantiated due to one employee's personal use of his take-home computer. The remaining allegations are unsubstantiated.

AOA noted the following weaknesses:

- DSC has two inventory listings which do not agree.
 - An MS Word inventory listing was last updated in 2006 and incorrectly identified the location of ten computers. This listing is not useful or accurate.
 - A software system named Track-It incorrectly identified the location of two computers.
- An employee of DSC indicated that his take-home computer was used at times for personal use. The employee is assigned a laptop as well as a desktop for home use.
- DSC does not have a written policy or procedure indicating acceptable and allowable computer use.
- AOA determined that a PC Loan Form was not completed for three take-home computers. In addition, for one take-home computer, the PC Loan Form was initially not provided to AOA. When AOA identified the take-home computer, DSC then provided the form to AOA. AOA cannot determine if this form was completed prior to the computer being assigned or after AOA commenced its investigation.

What We Recommend

DSC should:

- Update the computer inventory list as new inventory is received, assigned, reassigned, and disposed.
- Periodically complete a review of computer inventory for accuracy.
- Establish a written policy relating to recording, tracking, and monitoring computer equipment.
- Establish/adopt an acceptable use policy for computer equipment.
- Complete and maintain PC Loan Forms for all computer equipment assigned to employees for home use.
- Revise the PC Loan Form to indicate the return date of the equipment.

Please read the complete report for a full list of findings/recommendations and to review DSC's response to our findings.

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AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

ALLEGATION AND BACKGROUND

ALLEGATION

The Office of Auditor of Accounts (AOA) received the following hotline allegations regarding the Data Service Center (DSC):

1. New computers are purchased for select employees' home and personal use.
2. Older machines are given to select employees and retired employees for home and personal use versus being disposed of properly or maintained in inventory.
3. Most of the computers taken for home and personal use are 3-4 year old machines, which had been recently replaced by new machines.

BACKGROUND

DSC came into existence on July 1, 1981 when the New Castle County School District separated into the four school districts (Brandywine, Christina, Colonial, and Red Clay Consolidated) of northern New Castle County. As a non-profit state agency, the DSC is a service organization providing technological support for many aspects of school administration. By pooling resources, the member-districts save money by avoiding the duplication of staff, effort, and expense involved with common school district functions and services. Today, both the Colonial and Red Clay Consolidated School Districts maintain operation and control of the Data Service Center.

For 25 years, DSC has provided member-districts a wide range of comprehensive services along with quality training, help desk, support, and software development. DSC also provides contractual services to Appoquinimink, Caesar Rodney, Indian River, Lake Forest, Milford, New Castle County Vocational Technical, Seaford, and Smyrna School Districts, as well as the Charter School of Wilmington.

OBJECTIVES, SCOPE, & METHODOLOGY

OBJECTIVES

The objective of the investigation was to determine the propriety of the location of purchased computer equipment.

SCOPE

The scope of the investigation included a review of computer equipment purchased for the period of July 1, 2005 through February 28, 2009.

The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

METHODOLOGY

Investigative techniques included:

- Interviews and inquiry.
- Inspection and confirmation of documentation.

CONCLUSIONS

AOA reviewed supporting documentation and the location of computer equipment purchased during the period of July 1, 2005 through February 28, 2009. AOA was able to determine the location of the purchased computer equipment. In addition, AOA determined the following:

- Certain employees are assigned take-home computers. The employees use the equipment when it is necessary to perform remote work or work outside of normal business hours. However, one employee of DSC did indicate that his take-home computer was used at times for personal use. This employee is assigned a laptop as well as a desktop for home use.
- DSC tracks its computer inventory using Track-It software. Take-home computers were traced to the inventory listing.
- DSC requires the completion of a PC Loan Form prior to the assignment of a take-home computer. AOA determined that this form was not completed for three take-home computers. In addition, for one take-home computer, the PC Loan Form was initially not provided to AOA. When AOA identified the take-home computer, DSC then provided the form to AOA. AOA cannot determine if this form was completed prior to the computer being assigned or after AOA commenced its investigation.
- DSC does not have a written policy or procedure indicating acceptable and allowable computer use.
- AOA determined that sufficient information was available for disposed equipment.
- DSC has two inventory listings 1) a word document listing that identifies the location of computer equipment and 2) Track-It, a computer software program that tracks the location of computer equipment as inputted in the system; however, these two listings do not match.
 - The word document was last updated in 2006 and incorrectly identified the location of ten computers. This listing is not useful or accurate.
 - The Track-It software incorrectly identified the location of two computers.

The allegation regarding personal use is partially substantiated due to one employee's personal use of his take-home computer. The remaining allegations are unsubstantiated.

FINDINGS AND RECOMMENDATIONS

Finding #1 – Computer Inventory

Criteria

Proper internal controls require that assets should be properly recorded, periodically substantiated and evaluated, and afforded adequate physical security. The United States General Accounting Office, Executive Guide, Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property states, ". . . Physical controls and accountability reduce the risk of (1) undetected theft and loss, . . ."

Condition

DSC has two inventory listings 1) a word document listing that identifies the location of computer equipment and 2) Track-It, a computer software program that tracks the location of computer equipment as inputted in the system. These two listings do not agree. The word document was last updated in 2006 and incorrectly identified the location of ten computers. The Track-It software incorrectly identified the location of two computers.

Cause

Staff reductions as well as undocumented processes resulted in the discrepancies.

Effect

Inaccurate and incomplete inventory listings could result in the potential loss, misplacement, or improper use of computer equipment.

Recommendation

DSC should:

- Update the inventory list as new inventory is received, assigned, reassigned, and disposed.
- Periodically complete a review of computer inventory for accuracy.

Auditee Response

The Data Service Center staff will update the inventory list as new inventory is received, assigned, reassigned, and disposed. A review of computer inventory will be completed at least annually.

FINDINGS AND RECOMMENDATIONS

Finding #2 – Policies and Procedures- Acceptable Use Policy

Criteria

The State of Delaware *Budget and Accounting Manual* Chapter II states, ". . . A well designed system of controls must include written policies and procedures to ensure that each control objective is met. . . ."

Managers are responsible for establishing and maintaining internal controls through written procedures. Written procedures are beneficial for the training of current and new employees and are a valuable resource in the event an employee leaves an organization. The procedures should include sufficient information to permit an individual who is unfamiliar with the operations to perform the necessary activities.

Documentation is an important aspect of control and communication. It generally provides (1) an understanding of an entity's objectives, (2) a basis for training new personnel, (3) a means of communicating common information, (4) a source of information about accounting controls, and (5) a source of information that will aid in providing continuity in the event experienced personnel leave.

Condition

DSC does not have any written policies and procedures related to (a) acceptable use of employee take home computers or (b) periodic physical inventory of assets.

Cause

Management was unaware of the need for written policies and procedures.

Effect

The lack of written procedures increases the risk of improper use and theft of computer equipment.

Recommendation

DSC should establish a written policy relating to recording, tracking, and monitoring computer equipment. DSC should establish/adopt an acceptable use policy for computer equipment.

Auditee Response

A written policy will be developed related to recording, tracking, and monitoring computer equipment. An acceptable use policy will also be adopted.

FINDINGS AND RECOMMENDATIONS

Finding #3 – PC Loan Form

Criteria

DSC Staff Access to Computing Resources Policy states, "The Manager of District Technology Services shall be responsible for maintaining records of all computer resources with staff and location assignments."

Condition

Three computers assigned for take-home use were not supported with a PC Loan Form. In addition, the standard PC Loan Form does not indicate when or if the equipment is ever returned.

Cause

DSC did not comply with its established policy.

Effect

Lack of a PC Loan Form as well as undocumented return dates could result in improper computer use and misappropriation of assets.

Recommendation

DSC should:

- Complete and maintain PC Loan Forms for all computer equipment assigned to employees for home use.
- Revise the PC Loan Form to indicate the return date of the equipment.

Auditee Response

PC Loan forms will be completed and maintained for all computer equipment assigned to employees for home use. The form will include the return date of the equipment.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

The Honorable Jack A. Markell, Governor, State of Delaware
The Honorable Russell T. Larson, Controller General, Office of the Controller General
The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General

Officials of Audited Entities

The Honorable Lillian M. Lowery, Secretary, Department of Education
Dr. Robert J. Andrzejewski, Chairperson, Data Service Center
Dr. George H. Meney, Board Member, Data Service Center