



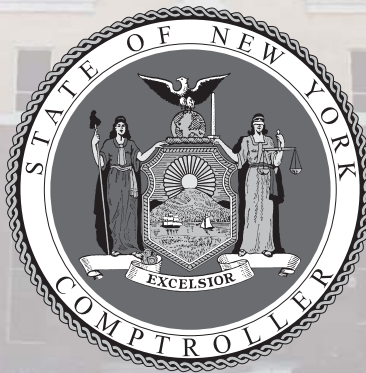
Yonkers City School District Fixed Assets

Report of Examination

Period Covered:

July 1, 2013 – April 14, 2015

2015M-229



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2015

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Yonkers City School District, entitled Fixed Assets. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Yonkers City School District (District), also known as Yonkers Public Schools, is the school district for the City of Yonkers (City). Founded in 1881, the District has 39 schools, with about 26,000 students. The District had \$526 million in expenditures in 2014.

As of July 1, 2014, the responsibility for the District's financial operations was transferred to the City. The City Commissioner of Finance is responsible for the oversight of the finance department. The District contracts with an outside vendor to maintain its fixed asset inventory. As of July 3, 2014, the District had \$1.03 billion in fixed assets, of which \$102.6 million were machinery and equipment. A part time account clerk identifies fixed asset purchases of \$5,000 or greater and sends the information to the outside vendor. Department heads approve asset disposals within their departments, with the exception of information technology (IT) assets which are approved by the Director of IT. An account clerk in the finance department maintains documentation for asset disposals.

Objective

The objective of our audit was to review controls over the District's fixed assets. Our audit addressed the following related question:

- Are fixed assets properly recorded and accounted for?

Scope and Methodology

We examined the District's fixed assets for the period July 1, 2013 through April 14, 2015.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a

(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Fixed Assets

Fixed assets such as machinery and equipment represent a significant investment of District resources. District officials are responsible for ensuring assets are protected from loss and records are current and accurate. Officials can fulfill this responsibility by adopting an asset policy that sets forth the duties, records and control procedures to safeguard such assets. District officials should establish dollar value thresholds for identifying and tracking fixed assets and ensure that fixed assets are located in the departments of record. No fixed asset should be disposed of without appropriate authorization.

According to the District's policy, the department receiving equipment must verify the shipment was correct, fill out the asset information form for each asset and affix a bar code tag to the asset. The District contracts with an asset management vendor that maintains two lists. One list is of assets valued at \$500 or greater for insurance purposes, and the second is for depreciation purposes and includes all inventory with a historical cost¹ of \$5,000 or greater.

We selected 30 assets totaling \$377,252.² We found that 10 assets valued at \$225,307 could not be located and 10 assets valued at \$91,704 were either not tagged or the asset tag information on the tag did not agree with the accounting records. Furthermore, nine assets valued at \$15,354³ could not be located on either asset list and 20 assets valued at \$21,135 recorded as disposed of did not have disposal request forms from the departments responsible for those assets. As a result, District officials and taxpayers have no assurance that all District property can be accounted for.

Asset Tracking

According to the District's policy, when equipment arrives at a school, the department receiving the equipment must verify the shipment is correct, fill out the asset information form for each asset, affix a bar code tag and send the asset form with a copy of the purchase order to the District office. The asset tags improve the ability of officials to differentiate between assets and provide a deterrent for improper use. The vendor creates for the District an asset list based on the \$500 threshold for property control and insurance purposes. Therefore, each asset that has a cost of \$500 or greater should have a unique number applied to it. However, only assets valued at \$5,000

¹ All assets referred to in this report are at historical cost.

² We selected 15 assets from the 2014-15 cash disbursement data (purchases with a value of \$500 or greater) and 15 assets from the District's asset list (items with a value of \$5,000 or greater).

³ Out of 20 assets valued at \$273,337 purchased during 2013-14

or greater are listed on the fixed asset list for depreciation purposes. When an asset is transferred from one department to another, the originating department is required to complete an asset information form notifying the District office of the transfer. District officials are responsible for ensuring fixed assets are located in the most recent department of record.

We judgmentally selected 15 assets valued at \$105,668 from the 2014-15 cash disbursement data but could not locate two assets; a rotary mower, valued at \$76,731 and a notebook charging cart valued at \$1,560. District officials presented a rotary mower with a serial number different than the one selected and told us that it was the mower in our sample.

We also judgmentally selected 15 assets valued at \$271,584 from the asset list for depreciation, which contained 1,269 assets with a historical cost of \$371.2 million. District officials could not locate eight assets valued at \$147,016. These assets consisted of computer related equipment, such as a server and security cameras, a musical instrument and science equipment. Subsequent to field work, District officials told us that they located three assets. However, the three assets, a tuba, a racing kit and biochemistry equipment with a combined value of \$24,033, either did not have tags or did not have tag numbers that matched the asset list (and are included in the Asset Tagging section).

Asset Tagging — Of the 30 assets we reviewed, 10 assets valued at \$91,704 were either not tagged or the asset tag information on the tags did not agree with the accounting records. The six assets that were not tagged were valued at \$27,387. These consisted of a tabletop laser engraver, a racing kit and a video camera, with a combined value of \$23,283, a scorer's table valued at \$2,495, a sofa valued at \$909 and a 3D printer valued at \$700.

The four assets that were not tagged properly because the asset numbers on the asset list did not match the numbers on the asset tags were valued at \$64,317. These consisted of a mobile news camera valued at \$35,000, biochemistry equipment valued at \$11,825, a smart table valued at \$10,382 and a tuba valued at \$7,110. The tag on the smart table appeared to be new, so it is possible that the original tag may have fallen off and a new one was placed on the asset. However, District officials could not explain why the asset numbers on the list did not match the tag numbers for the mobile news camera, biochemistry equipment or the tuba.

In total, District officials were unable to locate 10 assets valued at \$225,307,⁴ and 10 assets valued at \$91,704 were not tagged or were not tagged properly.

Figure 1: Assets not Located / Tagged		
	Number	Value
Assets Selected	30	\$377,252
Assets not Located	10	\$225,307
Percentage not Located	33%	60%
Assets not Tagged	6	\$27,387
Asset Tags did not Match Records	4	\$64,317
Total Assets not Tagged or did not Match Records	10	\$91,704
Percentage Not Tagged or did not Match Records	33%	24%

District officials told us that the asset lists they provided were as of June 30, 2014. Therefore, they believe that the assets we selected may have been moved (transferred) during the 2014-15 school year, and the tags may have fallen off when the assets were transferred. However, District officials cannot verify that the missing assets were moved because the spreadsheet provided that identified assets transferred was not complete. As a result, District officials have no assurance that all District property can be accounted for.

Asset Records

Capital asset protection begins with quality record keeping. Detailed property records help establish accountability and allow for the development of additional controls and safeguards. The District has two asset lists, one for property control and insurance purposes for items valued at \$500 or greater and another for inventory and depreciation purposes of items valued at \$5,000 or greater. When an asset is purchased, it should be added to one or both of the lists, as appropriate.

We judgmentally selected 20 assets purchased during 2013-14 valued at \$273,337 to determine if they were recorded on an asset list. District officials could not find nine assets valued at \$15,354 on either asset list. These assets consisted of computers and other electronics, sports equipment, a push blower and a 30 yard roll off container. District officials could not explain why the assets were not included on an asset list. When District officials cannot demonstrate that assets are accounted for properly, they have no assurance that District property is properly controlled.

Disposal of Assets

Based on the District's policies and procedures, each department head is responsible for notifying the District office of an asset retirement. Notification should include an asset disposal request form indicating

⁴ Computer related equipment, a musical instrument and science equipment (\$147,016), a rotary mower (\$76,731) and a notebook charging cart (\$1,560)

the department/location, all approval signatures, the asset tag number, reason for disposal and date of retirement.

We randomly selected a sample of 20 assets valued at \$21,135 listed as disposed of in 2013-14. However, District officials could not determine if the assets were disposed of because they did not have asset disposal request forms. We reviewed the full asset list to determine if these assets could have been assets where the tags fell off and were replaced and therefore were recorded as both disposed of and new. We found four assets valued at \$4,612 that potentially could be the same assets as the ones included in our sample. However, we were unable to verify the potential status of the remaining 16 assets valued at \$16,523.

Assets could be recorded as both disposed of and new because of the District's inventory procedures. Annually, the District's fixed asset inventory vendor goes through the District office and schools with a bar code reader and verifies the current location of assets. If an item is not tagged that would meet the criteria (\$500 or greater), the vendor tags it as a new asset and writes up the information, although the item is not necessarily a newly purchased item. After the first walk through, the vendor creates a list of any assets previously recorded that were not found and does a second walk through to try to locate the items. Any item that was not found is listed as a disposal, even though no disposal form was processed for the item. Therefore, if the asset tag fell off an item, it would be listed as both disposed of and new. For additions, the vendor also checks the serial number to see if it matches an asset listed as a retirement. If there is a match, the asset is reinstated and comes off the addition and retirement lists.

The clerk responsible for maintaining the disposal records stated that the departments do not always send the required disposal forms when disposing of assets. Because assets can be put on a disposal list by the vendor if the assets are not located, District officials and taxpayers have no assurance that District property is being properly accounted for.

Recommendations

District officials should:

1. Ensure that all fixed assets valued at \$500 or greater for insurance purposes and \$5,000 or greater for inventory and depreciation purposes have tags affixed to them and are included on the appropriate asset list(s).
2. Maintain accurate, up-to-date records of asset transfers.
3. Review the inventory list each year to ensure the tag numbers on the lists match the tag numbers on the assets.

4. Locate the missing inventory items identified in this report.
5. Ensure all disposal requests forms are submitted to the District office as required.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.



December 3, 2015

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Dr. Edwin M. Quezada
Interim Superintendent of Schools

Tenneh Blamah, Chief Examiner
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Re: Letter Responding to Preliminary Draft Findings – Yonkers School District – Fixed Assets – Period Covered: July 1, 2013 – April 14, 2015, Report Number 2015M-229

Dear Ms. Blamah:

The Yonkers City School District would first like to express our appreciation for the professional and courteous manner in which your staff conducted its audit responsibilities. Representatives from the Office of the State Comptroller were professional, thorough and courteous during the course of the audit. We also extend our thanks to them for their advice and assistance in support of District efforts to ensure that our business operations reflect best practices, demonstrate accountability and exhibit transparency. The District is always appreciative of opportunities for improving operations.

We have reviewed the report and concur with its findings. The District is currently in the process of preparing its Corrective Action Plan to fully address all recommendations, and that Plan will be filed within the timeline specified by law.

Sincerely,

Edwin M. Quezada, Ed.D.
Interim Superintendent of Schools
YONKERS SCHOOL DISTRICT

CC: Dr. Nader J. Sayegh, President, Board of Education
John Liszewski, Commissioner of Finance
Maria Tavares, Director of Accounting
Desmond Barnett, Chief Accountant

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed District policies, procedures and records pertaining to fixed assets.
- We interviewed District personnel to obtain an understanding of fixed asset processes and procedures.
- We judgmentally selected 15 fixed assets valued at \$105,668 from the 2014-15 cash disbursement data to determine if they had identification tags and were in the District's possession by tracing each asset to the location indicated on the invoice. We selected our sample to include various types of assets, such as electronics, sports equipment and science classroom equipment.
- We judgmentally selected 15 fixed assets valued at \$271,584 from the District's list of assets valued at \$5,000 or greater to determine if they were in the District's possession by tracing each asset's recorded identification tag number, as listed on the asset list, to the identification tag affixed to the asset. We selected our sample to include various types of assets, such as electronics, musical instruments and science classroom equipment.
- We judgmentally selected 20 assets valued at \$273,337 from the 2013-14 cash disbursement data to determine if the assets were included in an asset list. We selected our sample to include various types of assets, such as electronics, sports equipment and vehicles.
- We randomly selected 20 fixed assets valued at \$21,135 on the asset disposal list to determine if they were actually disposed of and if there was documentation for disposal. We compared our sample to the full asset list to determine if missing assets could have been assets where the tags fell off and were replaced and therefore were recorded as both disposed of and new.

We conducted this performance audit in accordance with GAGAS. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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