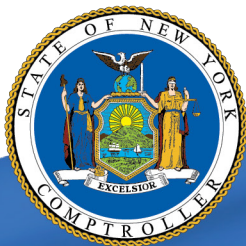


Gilbertsville-Mount Upton Central School District

Fixed Assets

DECEMBER 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Contents

- Report Highlights 1**

- Fixed Assets 2**
 - How Should School District Officials Monitor and Account for Fixed Assets? 2
 - Some Fixed Assets Were Not Properly Accounted For 3
 - Officials Did Not Perform Periodic Physical Inventories 4
 - What Do We Recommend? 5

- Appendix A – Response From District Officials 6**

- Appendix B – Audit Methodology and Standards 7**

- Appendix C – Resources and Services. 9**

Report Highlights

Gilbertsville-Mount Upton Central School District

Audit Objective

Determine whether Gilbertsville-Mount Upton Central School District (District) officials properly monitored and accounted for fixed assets.

Key Findings

District officials did not properly monitor and account for 70 percent of the 60 fixed assets we examined, including computers, musical instruments and science equipment.

- 34 assets with combined purchase prices of approximately \$46,400 did not have required asset tags and/or were not on the inventory list.
- Three assets with combined purchase prices of more than \$2,000 could not be located.
- Seven assets (which included two of the 34 assets) with combined purchase prices of almost \$14,400 did not have a location, or had an incorrect location indicated, on the inventory list.
- The Board did not approve the disposal of 28 of the 35 assets we examined. The disposal of District assets requires Board approval.
- Officials have not conducted a complete physical inventory in more than 10 years. As a result, the District has an increased risk that its assets could be lost, stolen or misused.

Key Recommendations

- Ensure the inventory list is accurate and up-to-date.
- Ensure that all assets on the inventory list are immediately and appropriately tagged.
- Ensure that periodic physical inventories are conducted at the frequency indicated in the District's fixed asset inventory policy.

District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The District is located in the Towns of Butternuts, Morris and Unadilla in Otsego County and the Towns of Guilford and Norwich in Chenango County. The District is governed by a Board of Education (Board), which includes seven elected members.

The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for the day-to-day management under the Board's direction.

The District Treasurer (Treasurer) is responsible for maintaining the District's register (inventory list).

Quick Facts

2019-20 Expenditures	\$10 million
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As of June 1, 2021

Number of Assets	618
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Value of Assets	\$29.4 million
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Assets Reviewed	60
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Value of Assets Reviewed	\$235,300
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Audit Period

July 1, 2019 – May 31, 2021. We extended our audit period through July 15, 2021 to observe District inventory items.

Fixed Assets

Fixed assets are those that have a useful life of more than one year. They can include everything from buildings and land, parking lots, machinery, vehicles and furniture to computer equipment and software. Consequently, they represent a significant investment of school district resources.

The District contracts with the Delaware-Chenango-Madison-Otsego Board of Cooperative Educational Services (DCMO BOCES) to provide computerized inventory tracking services.

How Should School District Officials Monitor and Account for Fixed Assets?

A school district board should adopt comprehensive written fixed asset and disposal policies to ensure school district officials properly account for and safeguard assets and properly dispose of obsolete or surplus assets in a safe manner. Officials are responsible for ensuring that assets are protected from loss, inventory records are current and that assets can be easily located and are properly disposed of.

Procedures should include establishing dollar value thresholds to identify assets that should be recorded and tagged with an asset identification tag or decal. Asset tags with unique numbers improve the ability to differentiate between assets, making them easier to track, and can provide a deterrent for improper use. Also, computers, servers, tablets and other electronic assets should be sanitized (wiped clean of any sensitive and confidential information) before they are disposed of or transferred to another user.

Furthermore, school district department managers should schedule and conduct periodic physical inventories to ensure that all assets listed as being under their control are still located within their department. As the employee designated by the Board to safeguard fixed assets, the Treasurer should conduct an unannounced physical inventory in at least one department per year, which helps ensure that all departments have a physical inventory within a three to four year period.¹

The Board adopted comprehensive written fixed asset policies, which include fixed asset inventory and disposal policies. The District's fixed asset inventory policy requires officials to record all fixed assets with a purchase price of \$1,000 or more, and all fixed assets with a purchase price of \$100 or more that could be susceptible to theft, in the inventory list and tag them.

Officials are responsible for ensuring that assets are protected from loss. ...

¹ Refer to OSC's publication *Capital Assets* for further information. It can be accessed at www.osc.state.ny.us/files/local-government/publications/pdf/capital-assets.pdf

DCMO BOCES uses inventory management software to compile the District's inventory list using data supplied by the Treasurer. The Treasurer told us that the Deputy Treasurer is responsible for reviewing District purchase orders and notifying the Treasurer of assets or groups of assets whose cost exceed \$1,000. The Deputy Treasurer is then responsible for giving asset tags to the individual who receives the asset, who must affix the tags to the assets. However, officials did not develop any procedures to help staff determine whether an asset is susceptible to theft.

The Technology Director told us he is responsible for notifying the Treasurer when he purchases information technology (IT) assets and applying asset tags himself. The fixed asset inventory policy also requires officials to indicate in the inventory list when assets have been transferred from one location to another.

Some Fixed Assets Were Not Properly Accounted For

We reviewed 60 assets² with combined purchase prices of approximately \$235,300 to determine whether they were included in the District's inventory list, in the District's possession and properly tagged. We found that some of these fixed assets had not been properly accounted for, as follows:

- 34 assets with combined purchase prices of approximately \$46,400 did not have required asset tags and/or were not on the inventory list. These assets included uninterruptible power supplies, electrostatic sprayers, computer equipment, musical instruments and various other assets. Officials were unaware that these assets did not have asset tags and told us the tags likely had fallen off or had never been applied by the person who received the assets. In addition, officials told us that four assets were not added to the inventory list because the employees who received them forgot to notify the Treasurer to add the items to the inventory list. Officials also were unaware that three other assets had not been added to the inventory list.
- Seven assets (which included two of the 34 assets) with combined purchase prices of almost \$14,400 did not have a location, or had an incorrect location, indicated on the inventory list. However, we determined that all of them were located on District property. Employees told us they were unaware of the requirement to report the transfer of assets to new locations.
- Officials were unable to locate three assets on the inventory list that had combined purchase prices of more than \$2,000. These assets included a television (with a purchase price of \$1,002), flute (\$605) and spectrophotometer (\$428). Officials told us they believed District employees had disposed of these items several years ago without notifying the

² Refer to Appendix B for further information on our sample selection.

Treasurer to update the inventory list. However, officials were unable to provide supporting documentation to show that the assets had been approved for disposal.

Disposal Status – We also chose to review the status of 35 other assets to determine whether the Board approved of their disposal and whether they had been disposed of properly. Of the 35 assets, seven had been approved by the Board for disposal, and 29 were marked as disposed of on the inventory list (one asset was listed in both groups as it had been approved for disposal and marked as having been disposed of on the inventory list).

Of the seven assets³ that the Board approved for disposal, six were not marked as having been disposed of on the inventory list. The Treasurer told us that the six assets were not updated in the inventory list because of an oversight.

Of the 29 assets⁴ marked as disposed of on the inventory list, 28 did not have Board approval for disposal. The Technology Director told us he was unaware of the policy requiring Board approval before disposing of District assets.

Of the 29 assets, we also determined that 27 were disposed of and/or sanitized. The other two assets were scrapped in bulk and had not been specifically identified in destruction records. This was acceptable because these two items were low value and did not contain data.

Because officials did not ensure that staff complied with the District's fixed asset policies and maintained up-to-date inventory records, the District had an increased risk that its assets could be lost, stolen or misused. Also, because staff who managed assets were unaware of the District's fixed asset policies, officials cannot ensure that the District's assets are disposed of with Board approval.

Officials Did Not Perform Periodic Physical Inventories

The District's fixed asset inventory policy requires officials to conduct periodic physical inventories of the District's fixed assets. Land and buildings must be inventoried every five years; machinery, equipment, vehicles and furnishings every two years; and at least annually for all other fixed assets.

We found that some departments, including the IT and music departments, regularly performed certain aspects of physical inventories, such as tracking students who were using specific assets. However, officials could not provide us with any records indicating that all District departments had performed physical

³ This sample population included the one asset that had been approved for disposal and marked as having been disposed of.

⁴ Ibid.

inventories within the last 10 years at required intervals. This occurred because officials did not comply with the District's fixed asset inventory policy, and the Board did not enforce it.

Without accurate and up-to-date fixed asset records and periodic inventories – including unannounced inventories conducted by nondepartment personnel – District officials cannot ensure that assets are protected against loss or unauthorized use.

What Do We Recommend?

District officials should:

1. Ensure the inventory list is accurate and up-to-date.
2. Ensure that all fixed assets on the inventory list are immediately and appropriately tagged to identify them as District property.
3. Ensure that all staff who manage the District's inventory are aware of their responsibilities related to the District's fixed asset inventory and fixed asset disposal policies.
4. Ensure that the Treasurer removes all assets from the inventory list that have been disposed of.
5. Ensure that surplus assets are approved by the Board before disposal and retain documentation indicating that the assets were approved for disposal.
6. Conduct a complete physical inventory and ensure that periodic physical inventories are conducted at the frequency set in Board policy.

The Treasurer should:

7. Remove all assets from the inventory list that have been properly disposed of.
8. Periodically conduct unannounced physical inventories of each department.

...District officials cannot ensure that assets are protected against loss or unauthorized use.

Appendix A: Response From District Officials



"It's the *journey* of Journey that counts"

Gilbertsville-Mount Upton Central School District

Office of the Superintendent

December 6, 2021

Annette D. Hammond
Superintendent

Jarrin Hayen
District Clerk/
Administrative Assistant
to the Superintendent

Heather Wilcox
Principal/
CSE Chairperson

Kevin Walsh
Assistant Principal

Dorothy Iannello
District Treasurer

Harold Ives
Transportation Supervisor

Alan Digsby
Buildings and Grounds
Supervisor

Susan Sebeck
Food Service Manager

Eric Voorhees
Technology Director/
CIO

Ann C. Singer
State Office Building
Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear NYS Comptroller,

We are in receipt of the draft Audit for the Gilbertsville – Mount Upton CSD and fully understand the findings contained within the report. At this time we are developing a Corrective Action Plan to address the suggested areas of concern.

Sincerely,

Annette D. Hammond

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed District policies and the Board's minutes and resolutions to gain an understanding of and evaluate the adequacy of fixed asset policies and procedures.
- We evaluated the structure of the District's fixed asset inventory list and IT asset list to determine whether they contained enough detail to properly account for assets.
- We examined purchase orders for assets purchased from July 1, 2019 through March 31, 2021 and identified 10 assets that had a purchase price of \$1,000 or more. We chose the cutoff date of March 31, 2021 to allow sufficient time for the newly purchased assets to be recorded in the inventory list. We also identified 17 assets that had a purchase price of more than \$100 that could be susceptible to theft, according to our professional opinion. We reviewed these assets to determine whether they were added to the inventory list, in the District's possession and properly tagged.
- From the 476 assets on the fixed asset inventory list that were moveable (not permanent structures like land or buildings), we selected a random sample of 25 and reviewed them to determine whether they were in the District's possession and properly tagged. We used computer software to select the random sample.
- While performing a walkthrough of District facilities, we judgmentally selected eight assets that we estimated were valued at \$100 or more and susceptible to theft. We determined whether the assets were on the inventory list and properly tagged.
- We examined inventory records to determine whether physical inventories were conducted, how often and by whom.
- We examined all seven assets listed in the Board minutes as being approved for disposal from July 1, 2019 through March 31, 2021. We chose the cutoff date of March 31, 2021 to allow sufficient time for the disposals to occur and be recorded. We determined whether the seven assets were marked as disposed on the inventory list. We also examined the category or type of the seven assets to determine whether any were electronic devices that should have been sanitized before disposal.
- We examined all 29 assets on the inventory list that were indicated as having been disposed of between July 1, 2019 and March 31, 2021 to determine whether the Board approved of their disposal before they were disposed of. We also determined whether any were electronic devices and, if so, whether

those assets had been properly sanitized before disposal. We chose the cutoff date of March 31, 2021 to allow sufficient time for the sanitization and disposal to occur and be recorded.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

The Board has the responsibility to initiate corrective action. 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, 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. 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 CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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