Otsego Northern Catskills Board of Cooperative Educational Services

Fixed Assets

JULY 2021

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

Contents

Report Highlights

Audit Objective

Determine whether Otsego Northern Catskills Board of Cooperative Educational Services (ONC BOCES) officials properly monitored and accounted for fixed assets.

Key Findings

ONC BOCES officials did not properly monitor and account for 66 percent of the 76 fixed assets we examined, including security cameras, computers, tools and equipment. We found:

- 30 assets totaling more than $104,000 did not have required asset tags.

- Eight assets totaling more than $12,000 were not added to the inventory list.

- Three assets totaling more than $6,000 were not located.

- Seven assets totaling $18,600 were found at different locations than shown on the inventory list.

Key Recommendations

- Ensure that accurate and up-to-date inventory and IT inventory lists are maintained.

- Ensure that fixed assets valued at $1,000 or more and IT assets are appropriately tagged.

- Ensure that discrepancies and changes identified during physical inventories are reported and recorded.

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

Background

ONC BOCES provides educational services to 19 component districts at two facilities. ONC BOCES is governed by a nine-member Board of Education (Board) elected by the boards of the component districts.

The Board is responsible for the general management and control of financial and educational affairs. The District Superintendent is the chief executive officer responsible, along with other administrative staff, for the day-to-day management and regional planning and coordination.

The Board designated the Deputy Superintendent as the property control officer responsible for maintaining the fixed asset inventory. As of July 1, 2019, the Broome-Tioga BOCES (BT BOCES) is responsible for maintaining a list of all ONC BOCES' information technology (IT) assets.

Quick Facts	
2019-20 Expenditures	$37.1 million
As of June 30, 2020	
Number of Assets[a]	4,200
Value of Assets	$32.8 million
Assets Reviewed	76
Value of Assets Reviewed	$293,100

a) Includes ONC BOCES assets at component districts

Audit Period

July 1, 2019 – February 28, 2021

We expanded our audit period through April 27, 2021 to observe inventory at the ONC BOCES facilities.

Fixed Assets

How Should Officials Monitor and Account for Fixed Assets?

Fixed assets, such as machinery and equipment, represent a significant investment of resources. A board should adopt comprehensive fixed asset and disposal policies to ensure assets are properly accounted for and safeguarded and obsolete or surplus assets are properly and safely disposed of. Officials are responsible for ensuring that assets are protected from loss, inventory records are current, and assets can be easily located and properly disposed of.

Procedures should include setting dollar value thresholds for identifying and recording assets, tagging assets, performing periodic inventory checks, and sanitizing assets (such as computers) that may contain sensitive and confidential information before disposal or transfer of the assets. Additionally, all IT assets should be inventoried regardless of value.

A common method of identifying ownership of fixed assets includes affixing an asset identification tag or decal with a unique number to each asset. Asset tags improve the ability to differentiate between assets, making them easier to track, and can provide a deterrent for improper use.

Furthermore, departments should schedule and conduct periodic physical inventories to ensure that all assets listed as being under their control are still located within their department. The property control officer should also ensure an unannounced physical inventory is conducted in at least one department per year, ensuring that all departments are covered over three or four years (refer to our publication Capital Assets available at www.osc.state.ny.us/files/local-government/publications/pdf/capital-assets.pdf).

> Officials are responsible for ensuring that assets are protected from loss, inventory records are current, and assets can be easily located and properly disposed of.

Some Fixed Assets Were Not Properly Accounted For

ONC BOCES policy requires that all fixed assets with a purchase price of $1,000 or more be inventoried. ONC BOCES officials use inventory management software to compile a master inventory list to maintain inventory and track fixed assets. Assets exceeding the $1,000 threshold must be added to this list and affixed with a unique asset identification tag. The receiver of the asset is responsible for submitting a change form to the Deputy Superintendent's office to have the asset added to the inventory list.

The IT assets tracked by BT BOCES employees are all required to have IT asset tags regardless of their value. IT assets that exceed the $1,000 threshold should appear on both inventory lists and have both types of tags.

In total, we reviewed 76 assets valued at approximately $293,100 to determine whether these assets were included on ONC BOCES' inventory list and the IT inventory list (if required), in ONC BOCES' possession and properly tagged. The assets reviewed included 20 assets valued at more than $146,100 from

the inventory list, 22 new asset purchases totaling almost $42,500 and another 34 assets valued at more than $104,500 (27 of these 34 assets were IT assets totaling $67,800), which we identified during a walkthrough of ONC BOCES facilities. Although the Board adopted comprehensive fixed asset and disposal policies, some fixed assets were not properly accounted for.

- 27 assets totaling almost $99,900 did not have the required asset tag and three IT assets totaling almost $5,000 did not have the required IT asset tag. Officials believed that tags were either not applied, had fallen off or were otherwise removed by students.

- Seven assets totaling over $18,600 were not located where shown on the inventory list, but we were able to locate all of them. Officials told us that employees did not submit the proper change form to update the inventory list.

- Eight assets (four security cameras and four computers) totaling more than $12,000 were not on the inventory list. The security cameras were purchased in July 2019 but were not added until April 12, 2021 when we informed officials of this oversight during our audit. The four security cameras and two computers were not added because the proper change form was not submitted, and the other two computers were not added even though the proper change forms were submitted, due to an oversight. While the computers were not included on the inventory list, all four were on the IT inventory list.

- Three assets on the inventory list totaling over $6,000 were not located, including a power over ethernet switch ($2,560), a yard-waste collection system for a tractor ($1,950) and a computer ($1,526). While officials believe that these items were disposed of without updating the inventory list, officials were unable to provide documentation to support they were approved for disposal. As a result, these items could be lost or may have been stolen.

- Two computers totaling over $3,500 were on the inventory list but not the IT inventory list. The BT BOCES Network Specialist said these assets were probably overlooked when the responsibility for tracking IT assets was transferred to BT BOCES in July 2019.

In addition, we reviewed the status of 21 assets either approved by the Board for disposal or marked as disposed of on the inventory list (11 approved for disposal by the Board and 10 marked as disposed of). We found that two of them were still listed as active on the inventory list almost five months after the Board approved of their disposal. Officials told us that the new employee was still learning the system and the assets were not removed by mistake. We also verified that the eight IT assets that required sanitization before disposal were properly sanitized.

27 assets totaling almost $99,900 did not have the required asset tag...

Periodic Physical Inventories Could Be Improved

The Board's policy requires conducting an annual physical inventory of fixed assets. These inventories were carried out by departmental employees. The Deputy Superintendent's office annually sent out a fixed asset list for each department and relied on departmental employees to conduct the inventory and submit any changes on a change form.

Although the annual inventories were conducted at the department level, the errors we found during our testing, as previously discussed, suggest that these inventories were not effective at identifying and correcting errors on the inventory list. For example, we found assets not located where indicated on the inventory list, not on the inventory list, or disposed of and still on the inventory list.

Additionally, the Deputy Superintendent did not conduct periodic unannounced physical inventories of each department. While it is beneficial for departments to conduct annual inventories of assets assigned to them, the value of unannounced inventories conducted by non-department staff would provide a higher level of assurance all departmental assets are located, properly tagged and accounted for.

Without accurate and up-to-date fixed asset records, and periodic inventories performed by non-department personnel, ONC BOCES officials cannot ensure that assets are protected against loss or unauthorized use.

What Do We Recommend?

ONC BOCES officials should:

1. Ensure accurate and up-to-date inventory and IT inventory lists are maintained.

2. Ensure that all fixed assets valued at more than $1,000 and all IT assets are immediately tagged identifying them as ONC BOCES property.

3. Ensure that disposed assets are properly removed from the inventory list.

4. Ensure discrepancies and changes identified during physical inventories are reported and recorded.

The Deputy Superintendent should:

5. Periodically conduct unannounced physical inventories of each department.

Catherine Huber, Ed.D.

District Superintendent
607-286-7715, Ext. 2224
Email: cmhuber@oncboces.org

Ann C. Singer
Chief Examiner
Division of Local Government and School Accountability Regional Office
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

The ONC BOCES leadership team understands the purpose of an OSC audit is to identify opportunities for improvements to operations and set best practices. This OSC Audit was focused on monitoring and accounting for our fixed assets. We agree with the key recommendations.

The audit identified a few suggestions for increased controls of the BOCES' assets. Although the management of assets can always be improved, ONC BOCES strives to safeguard all assets. This commitment to asset management is evident based on the audit findings. The audit only identified three assets with a total value of approximately $6,000 that were disposed of without approval. The three identified assets equate to less than .02% of our overall total asset value.

For each recommendation included in the audit report, the following are our proposed corrective actions.

Audit Recommendation:

Ensure that accurate and up-to-date inventory and Instructional Technology (IT) inventory lists are maintained.

Implementation Plan of Action:

Continue to update our inventory lists according to our current practice with more oversight.

- Staff will be trained on how to monitor inventory and conduct an annual verification of such inventory. Roles and responsibilities will be defined.
- A new form will be created for additions to the inventory. The Inventory Change Form will only be used for changes to inventory. A surplus form to remove items from inventory is also in use.
- Reconciliation of the Fixed Asset listing will be completed mid-year and then again at year end.
- Staff will be asked to verify inventory on an annual basis, but to also note any items which are no longer used or needed.
- The Deputy Superintendent's office will ensure periodic unannounced physical inventories are conducted in each department.
- Instructional Technology staff will reconcile the technology inventory against technology purchase orders to ensure all equipment has been captured on their list. The staff will also record any changes or surpluses to technology equipment on their inventory.

Implementation Date:

November 1, 2021

Persons Responsible for Implementation:

Deputy Superintendent
Director of Management Services
Network Administrator

Audit Recommendation:

Ensure that fixed assets valued at $1,000 or more and Instructional Technology (IT) assets are appropriately tagged.

Implementation Plan of Action:

- Tagging of inventory will be included in the staff training on inventory.
- Asset tagging will be assigned to one person in each program. A picture of each new tagged asset will be sent to the Deputy Superintendent's office for verification.
- Technology inventory will continue to be received and tagged by Instructional Technology staff.

Implementation Date:

November 1, 2021

Persons Responsible for Implementation:

Deputy Superintendent
Director of Management Services
Network Administrator or MITS

Audit Recommendation:

Ensure that discrepancies and changes identified during physical inventories are reported and recorded.

Implementation Plan of Action:

- Annual verification of inventory will include staff signing off on what is reported. These inventory listings and changes will be forwarded to the Deputy Superintendent's office.
- Updates from inventory reports received from any outside vendors performing physical inventories will be processed by the Deputy Superintendent's office and then verified during the Fixed Asset Listing Reconciliation.
- BOCES technology is imaged for every employee. IT staff will also report movement of technology when they make changes. When completed, the technology inventory will be updated accordingly.

Implementation Date:

November 1, 2021

Persons Responsible for Implementation:
Deputy Superintendent
Director of Management Services
Network Administrator or MITS

Please feel free to contact us with any questions or concerns about our proposed corrective action plans.

Sincerely,

Dr. Catherine Huber, Ed.D.
District Superintendent

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 ONC BOCES officials and reviewed the Board minutes, resolutions and policies to gain an understanding of and evaluate the adequacy of fixed asset policies and procedures.

- We evaluated the structure of ONC BOCES inventory lists and IT asset lists to determine whether they contained enough detail to properly account for assets.

- Of the 126 purchase orders containing 195 assets purchased from July 1, 2019 through January 31, 2021, we selected a random sample of 12 purchase orders containing 22 assets. We reviewed these 22 assets to determine whether recently purchased assets were added to the inventory list, in ONC BOCES' possession and properly tagged.

- We selected a random sample of 20 assets from the 877 assets categorized as movable on the inventory list. We reviewed these 20 assets to determine whether they were in ONC BOCES' possession and properly tagged.

- We performed a walkthrough of ONC BOCES' facilities and judgmentally selected 34 assets that appeared to have values over the $1,000 threshold, and determined whether these assets were on the inventory list, the IT asset list or both, as required, and properly tagged.

- We examined inventory records to determine whether physical inventories were conducted, how often and by whom.

- We judgmentally selected 11 assets from the Board minutes that were approved for disposal from July 1, 2019 through January 31, 2021. We reviewed our sample to determine whether they were marked as disposed of on the inventory list. Also, we reviewed third party vendor records to determine whether electronic devices were properly sanitized before disposal.

- We selected a random sample of 10 assets listed as disposed of on the inventory list for the period July 1, 2019 through January 31, 2021. We reviewed our sample to determine whether the Board approved of their disposal beforehand and electronic devices had been properly sanitized before disposal.

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 to ONC BOCES' website for public review.

Appendix C: Resources and Services

Regional Office Directory
https://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas
https://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
https://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
https://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
https://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
www.osc.state.ny.us/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov

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