

Wheelerville Union Free School District

Unused IT Asset Inventory

MAY 2022



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

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Report Highlights

Wheelerville Union Free School District

Audit Objective

Determine whether Wheelerville Union Free School District (District) officials maintained complete and accurate inventory records to safeguard unused information technology (IT) assets.

Key Findings

District officials did not maintain complete and accurate inventory records to safeguard unused IT assets.

- Officials did not maintain IT asset inventory records and, as a result, were unable to conduct necessary physical inventories.
- Officials stored unused IT assets in an unsecured area and an unlocked cabinet in a classroom and did not track or monitor who accessed the equipment. We also observed obsolete unused IT equipment that had not been sanitized of data prior to storage.
- We were unable to identify 354 unused IT assets (91 percent) on inventory records. We identified 70 unused IT assets that were at high risk of potential theft and misuse of personal, private or sensitive information, or unauthorized access to the network.

Key Recommendations

- Ensure IT asset inventory records are complete.
- Physically safeguard unused IT assets and ensure that obsolete IT equipment is free from data prior to storage or authorized disposal.
- Conduct and compare periodic physical inventories to inventory records and investigate discrepancies.

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

Background

The District serves the Town of Caroga in Fulton County and operates one school for students from kindergarten through eighth grade.

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

The Board appointed two faculty members as technology integration specialists (specialists), responsible for issuing new IT assets and storing the new unused IT assets. The District also contracts with the Northeastern Regional Information Center (NERIC) for IT support, including weekly site visits to assist with technical issues not handled by the specialists.

Quick Facts

2021-22 General Fund Appropriations	\$4,691,512
IT Purchases During the Audit Period	\$13,731
2021-22 BOCES-NERIC Expenditures	\$87,418
Enrollment	115

Audit Period

July 1, 2020 – November 18, 2021

Unused IT Asset Inventory

Districts purchase or lease a wide variety of equipment, including highly visible and easily trackable IT items, such as whiteboards and desktop computers, as well as highly portable items, such as laptops, smartphones and tablets. IT assets can make up a significant portion of the asset inventory a district maintains, in both value and number.

How Should District Officials Safeguard Unused IT Assets?

Boards should adopt written inventory and disposal policies to ensure officials properly safeguard assets and dispose of obsolete or surplus assets safely. 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.

An inventory policy should set forth guidelines and procedures for establishing and maintaining controls over equipment, including IT assets. The policy should describe the types of inventory records that should be maintained and the persons or positions responsible for maintaining these records. It should also identify the persons or positions responsible for physically safeguarding the assets and require that periodic physical inventories be conducted to compare inventory records to actual assets.

Officials should establish an inventory system for IT assets to identify and track equipment through its life cycle, including acquisition, use and disposal. As part of this inventory system, officials must ensure that assets are physically secured and tracked by maintaining complete and accurate inventory records that are periodically reviewed and updated. Inventory records should include a description of each item including make, model and serial number; quantity; location; date of purchase and original cost.

Districts can also improve the level of control and safeguard IT assets by using decals or asset identification tags. Decals can be used on larger equipment to show the item belongs to the district. For more sensitive, highly portable IT assets, tags with individual asset numbers should be affixed to the equipment, improving the ability to differentiate between assets, making them easier to track and providing a deterrent for improper use.

Officials and employees responsible for physically safeguarding IT assets should ensure that assets, including highly portable equipment, are stored in secure areas with limited access when not in use. Because IT assets can provide access to a district's network and potentially personal, private and sensitive information, it is important to restrict access by securing areas with key or card locks and monitoring access. IT assets that are no longer in use or are awaiting repair should continue to be safeguarded. Obsolete equipment should be identified, authorized for disposal and disposed of safely. Officials should effectively sanitize or permanently erase data from unused IT assets.

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.

Officials Did Not Maintain IT Asset Inventory Records

The Board adopted an inventory policy that addresses the inventory of fixed assets and other equipment and property valued over \$1,000. The policy assigned the business office the responsibility to maintain the inventory and develop and maintain a system of internal controls for all fixed assets and other inventoried District property. However, the Treasurer told us she was not fully aware of the policy language, and the Superintendent believed NERIC was responsible for maintaining an inventory of IT assets. The District only maintains an inventory list for accounting and financial statement purposes for items over \$500.

Specifically, the District's certified public accountant (CPA) maintains this list despite the Board policy assigning the responsibility to maintain the inventory to the business office. The CPA list includes columns for asset type, useful life, description, manufacturer, model number, serial number, vendor, quantity, acquisition date, original cost and accumulated depreciation. However, not all columns were used regularly. While there was no comprehensive list that identified tag numbers or the location of assets, one of the specialists provided us with a list of 37 laptops with tag numbers and serial numbers that she maintained. However, the list lacked asset description, make, model, location, date of purchase and original cost. Further, there were no other inventory records for unused IT assets.

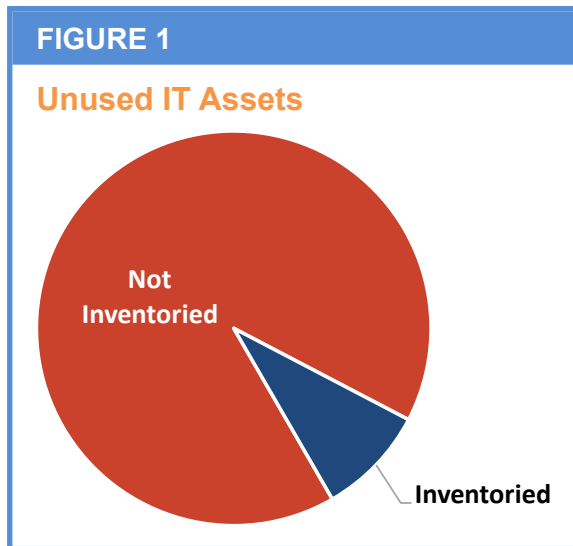
The District's lack of adequate inventory records occurred because officials and specialists incorrectly believed the NERIC IT support staff was responsible for unused IT asset inventory records. However, District officials did not assign this responsibility to NERIC, and the District's policy places the inventory responsibility with the business office. When complete and accurate inventory records are not maintained, there is an increased risk of theft or misuse, and necessary physical inventories cannot be conducted.

Officials Did Not Monitor or Adequately Safeguard Unused IT Assets

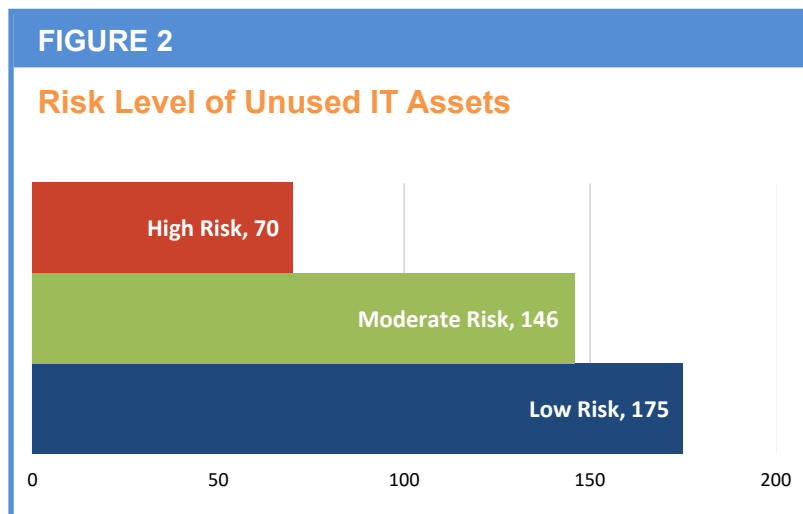
District officials stored unused IT assets in an unsecured area without clearly assigning responsibility for physically safeguarding the assets. Specifically, officials stored a significant amount of unused IT assets in a room that was used by faculty and staff throughout the school day and was not secured. The door was left open throughout the day, and access was not tracked or monitored. Additionally, one of the specialists maintained new unused IT assets in an unlocked cabinet in her classroom. After we discussed controls over these assets with officials, they moved some assets to a locked closet with limited access. Because of the lack of controls, we conducted a physical inventory of the unused IT assets in these areas and compared it to the inventory records maintained by the CPA and specialist. We identified 391 unused IT assets including, among

District officials stored unused IT assets in an unsecured area... and an unlocked cabinet in a classroom.

other equipment, desktop computers, hard drives, keyboards, laptops, monitors, routers, smartphones, tablets and various cables. We determined 354 (91 percent) of the unused IT assets were not on the inventory records (Figure 1), and we also found that 307 unused IT assets (79 percent) were not tagged. Of the remaining 84 unused IT assets, 61 were tagged as District property and 23 were tagged as Board of Cooperative Educational Services (BOCES) property, because the District leases some of its IT equipment from BOCES.



We assigned a risk level to each of the items based on the purpose and value of the asset (Figure 2). Specifically, we identified 175 unused IT assets as low risk because of the potential for a loss of monetary value due to theft.



Such items included keyboards and monitors. We identified 146 unused IT assets as moderate risk because of the potential for a loss of monetary value due to theft and misuse of stored low risk information. These items included student laptops and tablets. Lastly, we identified 70 unused IT assets as high risk because of the potential for a loss of monetary value due to theft and misuse of personal, private or sensitive information, or risk of students, employees or hackers gaining unauthorized access to the network. Such items included employee laptops and hard drives.

We also observed obsolete unused IT equipment that still contained data. By combining these risks with our discussions with District officials, we determined it was unlikely that any of the 70 high risk unused IT assets were adequately sanitized prior to storage. Additionally, there were no records to identify the assets as obsolete or needing repair.

As a result of the lack of controls and officials not clearly defining the responsibility for physically safeguarding unused IT assets, there is an increased risk that unused IT assets could be stolen or inadvertently misused or accessed by unauthorized individuals. Officials recognized the need for stronger controls over IT assets and, in the summer of 2021, established a new process to begin tagging assets and researching web applications for maintaining inventory records.

What Do We Recommend?

District officials should:

1. Update the policy to set forth clear guidelines and procedures for establishing and maintaining controls over unused IT assets, including communicating the persons or positions responsible.
2. Ensure that IT asset inventory records are complete with description, make, model, serial number, quantity, location, date of purchase and original cost.
3. Ensure decals or asset identification tags are affixed to equipment and documented on inventory records.
4. Ensure that periodic physical inventories are conducted and compared to inventory records and investigate any discrepancies.
5. Ensure that unused IT assets are physically safeguarded by storing in secure areas with limited access.
6. Ensure that obsolete IT equipment is identified as such and free from data prior to storage or authorized disposal.

Appendix A: Response From District Officials

Wheelerville Union Free School
2417 State Highway 10
Caroga Lake, NY 12032
518-835-2171

April 11, 2022

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

Unit name: Wheelerville Union Free School
Audit Report Title: Unused IT Asset Inventory
Audit Report Number: 2022M-2

To Whom It May Concern,

The following letter responds to the risk assessment and a subsequent Unused IT Asset Inventory audit conducted in 2021.

The Wheelerville Union Free School district agrees that the risk assessment was performed from August through November 2021, relating to our financial operations, policies, and procedures. The risk assessment conclusion produced an audit of the Unused IT Asset Inventory. This consisted of an audit of our IT assets that were not properly recorded, secured, and inventoried. The District agrees with the audit findings and has implemented a corrective action plan to address the recommendations. The District appreciates bringing this matter to our attention to ensure that we can efficiently monitor our IT assets with proper procedures now and in the future.

Regards,

Nicole Dettenrieder
Superintendent of Schools

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Corrective Action Plan

The district has implemented the following corrective action plan for the recommendations pursuant to the Unused IT Asset Inventory Audit:

1. Update the policy to set forth clear guidelines and procedures for establishing and maintaining controls over unused IT assets, including communicating the persons or positions responsible.

District Action: The District is in the process of updating all policies and will revise the policy to reflect procedures and guidelines for maintaining controls over unused IT assets. The district has identified the persons responsible for this duty and will name such persons in the policy; such as technology specialists employed by the district and an outside consultant hired by NERIC. The policy will be finalized in the summer of 2022.

2. Ensure that IT asset inventory records are complete with description, make, model, serial number, quantity, location, date of purchase, warranty expiration, and original cost.

District Action: The District has created an inventory dashboard to record all IT assets that include description, make, model, serial number, quantity, location, date of purchase, warranty expiration, and original cost. A complete inventory of all IT assets will be finalized during the summer of 2022.

3. Ensure decals or asset identification tags are affixed to equipment and documented on inventory records.

District Action: The District has purchased identification tags to affix to all equipment. Recent purchases have been tagged and recorded. All other IT assets will be tagged during the summer of 2022.

4. Ensure that periodic physical inventories are conducted and compared to inventory records and investigate any discrepancies.

District Action: The District will conduct two physical inventories, one during summer recess and the other occurring between December-February. The technology specialists will conduct these bi-annual reviews.

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5. Ensure that unused IT assets are physically safeguarded by storing in secure areas with limited access.

District Action: The District has moved all unused IT assets to a locked closet with limited access. Inventory will occur twice a year to review assets.

6. Ensure that obsolete IT equipment is identified as such and free from data prior to storage or authorized disposal.

District Action: The District is in process of identifying obsolete IT equipment and named a person responsible, the outside consultant hired by NERIC, to ensure all data is erased prior to storage or disposal. A complete list will be provided during the summer of 2022, and the technology specialists will conduct a yearly review of unused inventories. All obsolete equipment is stored in a locked closet with limited access.

Superintendent of Schools

Board of Education, President

Signature

4/11/22
Date

Signature

4/11/22
Date

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, employees and NERIC IT support staff and reviewed policies to gain an understanding of controls over unused IT assets.
- We conducted a physical inventory of unused IT assets, documented whether asset tags were affixed and assigned a risk level to each item based on asset type, purpose and value.
- We compared our physical inventory to the District's records to determine whether complete and accurate inventory records were maintained.
- We observed NERIC IT support staff navigate through two pieces of IT equipment to determine whether the unused IT assets were free from data.

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

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

Contact

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

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