



Cattaraugus-Allegany- Erie-Wyoming Board of Cooperative Educational Services

Capital Assets

2023M-126 | December 2023

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Report Highlights

Cattaraugus-Allegany-Erie-Wyoming Board of Cooperative Educational Services

Audit Objective

Determine whether Cattaraugus-Allegany-Erie-Wyoming Board of Cooperative Educational Services (BOCES) officials maintained complete and accurate capital asset records.

Key Findings

BOCES' capital asset records were incomplete and inaccurate. The BOCES' purchasing agent was unfamiliar with the requirements of, and did not comply with, BOCES' capital asset policies (asset policies). As a result, the required annual inventories were not conducted, and we were unable to locate approximately \$31,000 in capital assets, which included tablets, audio equipment, tools, data storage devices and a gaming console.

In addition, we reviewed capital asset records for 150 assets with a historical recorded cost (also referred to as a purchase price) totaling approximately \$149,000 and identified one or more pieces of required information was incorrect or missing from BOCES' capital asset records. Examples of the discrepancies included:

- 130 capital assets totaling approximately \$133,000 did not have their current value, salvage value or replacement cost recorded.
- 76 capital assets totaling approximately \$88,000 did not identify the employee to whom the assets were issued.
- Eight capital assets totaling approximately \$24,000 did not have a recorded serial or identification number.

Key Recommendations

- Maintain capital asset records that comply with BOCES' asset policies.
- Conduct an annual physical inventory of capital assets.

BOCES officials agreed with our findings and indicated they would initiate corrective action.

Background

BOCES provides educational and support services to 22 component school districts (school districts) in Cattaraugus, Allegany, Erie and Wyoming counties.

BOCES is governed by a nine-member Board of Education (Board). Board members are elected by the boards of the the school districts. The Board is responsible for managing and overseeing the BOCES' financial and educational affairs.

The District Superintendent is the BOCES' chief executive officer and is responsible, along with other administrative staff, for the BOCES' day-to-day management.

The purchasing agent, under the direction of the Executive Director of Finance (Director), is responsible for maintaining an accurate perpetual inventory record of BOCES' capital assets, including adding new acquisitions, recording disposals and performing an annual physical inventory of capital assets.

Quick Facts

Population of Recorded Capital Assets	13,300
Historical Cost of Recorded Capital Assets	\$21.3 million
Capital Assets Reviewed	
Number Reviewed	150
Historical Cost	\$149,000

Audit Period

July 1, 2021 – July 7, 2023

Capital Assets

Capital assets have a useful life of more than one year, represent a significant investment of resources and can be subject to loss, misuse and/or obsolescence. They can include everything from furniture, computer software and equipment, vehicles and machinery to buildings and land.¹

What Are Complete and Accurate Capital Asset Records?

Complete and accurate capital asset records precisely record the specifics of capital assets purchased or received and their location and condition.

The BOCES' asset policies require BOCES officials to establish a perpetual inventory system² that includes:

- A description of each asset,
- A description of the asset's current condition,
- A BOCES-assigned identification tag number or serial number,
- The location of the asset,
- The asset's assigned use, and
- The individual assigned custody of the asset.

The inventory system also must have purchase information for each capital asset, including the purchase date and amount paid or current value, which includes the salvage value or replacement cost, as necessary. In addition, the policies require that officials conduct an annual physical inventory to confirm the existence and condition of each capital asset.

Capital Asset Records Were Incomplete and Inaccurate

BOCES officials did not maintain the BOCES' capital asset records according to its asset policies. We reviewed 150 capital assets³ with a recorded historical cost of approximately \$149,000 and determined that the assets' records, specifically within the capital asset ledger, were incomplete and inaccurate. The capital asset ledger had one or more pieces of required information that was incorrect or missing for all 150 capital assets that we reviewed. Our review identified the following:

- 130 capital assets totaling approximately \$133,000 did not have their current value, salvage value or replacement cost.

1 For further information, refer to OSC's *Local Government Management Guide: Capital Assets* (<https://www.osc.state.ny.us/files/local-government/publications/pdf/capital-assets.pdf>).

2 Perpetual inventory records are detailed records that are continually updated as assets are purchased or disposed of.

3 Refer to Appendix B for more information on our sample selection.

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- 101 capital assets totaling approximately \$102,000 did not have their current condition or estimated useful life.
 - 76 capital assets totaling approximately \$88,000 did not have the employee to whom the capital assets were issued. This included 32 capital assets totaling approximately \$46,000 that also did not have a current assigned location.
 - 62 capital assets totaling approximately \$77,000 did not have a correct location.
 - 45 capital assets totaling approximately \$57,000 did not have capital asset labels or serial numbers that agreed with the information in the ledger.
 - Eight capital assets totaling approximately \$24,000 did not have a serial or BOCES-assigned identification number.
 - Four capital assets totaling approximately \$22,000 did not have their acquisition/purchase date or description.
 - Two capital assets totaling approximately \$600 were listed on both the capital asset ledger and the disposed capital asset list.

The purchasing agent told us that she was unfamiliar with the specific requirements of BOCES' asset policies, only updated the capital asset ledger which was in place when she was hired⁴ and did not conduct an annual physical inventory of capital assets. She also said that the last one was conducted in 2007.

The purchasing agent said she did not have enough time to conduct a physical inventory of capital assets because of her other purchasing duties and that she did not read BOCES' asset policies in their entirety until we began asking questions in connection with our audit. As a result, the capital asset ledger was incomplete and inaccurate. During our audit, BOCES hired an inventory control clerk to assist the purchasing agent with the capital asset records.

We attempted to physically confirm the existence and condition of the capital assets that we reviewed. However, at the time of our review, neither we nor BOCES and school district officials could physically locate 36 capital assets totaling approximately \$31,000. This included tablets, audio equipment, tools, data storage devices and a gaming console.

Because officials did not comply with BOCES' asset policies, maintain up-to-date inventory records or perform physical inventories, officials did not identify or correct the discrepancies that we identified and were unaware of all the assets that could not be located.

Because officials did not comply with BOCES' asset policies, ... officials did not identify or correct the discrepancies that we identified. ...

⁴ The purchasing agent was hired in October 2018.

What Do We Recommend?

The Board, District Superintendent and Director should:

1. Ensure that staff comply with the BOCES' asset policies by properly monitoring and controlling capital assets.
2. Ensure that staff perform an annual physical inventory of capital assets and investigate any capital assets that cannot be located, including the ones identified during our review.

The purchasing agent should:

3. Comply with the BOCES' asset policies and maintain capital asset records that include all required information.
4. Conduct an annual physical inventory of capital assets and update capital asset records as needed.

Appendix A: Response From BOCES Officials



Scott E. Payne
District Superintendent
and Chief Executive Officer

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November 30, 2023

Melissa Myers
Chief of Municipal Audits
Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

Dear Ms. Myers:

Cattaraugus-Allegany-Erie-Wyoming BOCES (CA BOCES) is in receipt of Audit 2023M-126 issued by the New York State Office of the State Comptroller (OSC). The CA BOCES' Board of Education and leadership team understand the purpose of an OSC audit is to identify opportunities for improvements to operational practices and appreciates OSC's extensive review of our internal controls over capital assets. The thoroughness and professionalism demonstrated by your auditing team was evident throughout the process and is truly appreciated.

We accept the recommendations made in the report and intend to develop a Corrective Action Plan (CAP) to address OSC's findings and strengthen our internal controls over capital assets. With an inventory record numbering over 13,000 assets purchased over the course of more than five decades and a geographic area covering more than 2,200 square miles, we recognize there are inherent challenges and risks associated with internal controls over capital assets. We also understand accurate reporting, monitoring and oversight of capital assets is critical in maintaining strong fiscal stewardship.

In preparation for the audit, it became evident that the responsibilities required to adequately monitor, report and inventory CA BOCES' capital assets, along with duties required for the purchasing of goods and services required more time than that of one full-time equivalent. As a result, CA BOCES created and filled a full-time inventory clerk position to focus solely on capital assets. Separating this position will not only provide adequate time to perform necessary steps in maintaining capital asset records and to perform periodic inventories but will also create better segregation of duties, thereby strengthening the control structure in both the areas of purchasing and capital assets.

The Board of Education intends to review and, where appropriate, make enhancements to its existing capital asset policies. Any changes will be immediately communicated to those responsible for carrying out the policies and, if necessary, training will be provided. Lastly, we intend to have capital assets as an area of focus during future internal audits, which will reinforce the importance of having strong controls over capital assets and will assess whether corrective actions have been implemented.

Once again, we extend our gratitude for the thorough assessment and professional approach to the audit conducted by your office. A Corrective Action Plan with implementation dates will be forthcoming.

Sincerely,

A simple, handwritten signature in blue ink, appearing to be the name 'Scott Payne'.

Scott Payne
District Superintendent and CEO

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 Board members and BOCES officials who were responsible for the capital asset monitoring process. We also reviewed BOCES' policies and Board meeting minutes and observed procedures to gain an understanding of the BOCES' capital asset inventory process.
- From an identified population of 13,300 capital assets totaling approximately \$21.3 million, we used our professional judgment to review 150 capital assets. We chose these assets because they were "highly walkable" (prone to theft) to determine whether BOCES' capital asset records were complete and accurate and contained required information, as described in the BOCES' asset policies. Our sample included capital assets listed in the capital asset inventory ledger, identified through our review of BOCES' claims disbursement process, and identified during our walkthrough of BOCES facilities.
- We walked through multiple BOCES facilities and school districts to determine the existence and condition of the 150 capital assets in our sample.

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 BOCES' website for public review.

Appendix C: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

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