



East Quogue Union Free School District

IT Asset Management

S9-22-8 | March 2023

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Report Highlights

East Quogue Union Free School District

Audit Objective

Determine whether East Quogue Union Free School District (District) officials appropriately tracked, inventoried and safeguarded information technology (IT) assets acquired or in use during the audit period.

Key Findings

District officials did not appropriately track or inventory IT assets, maintain complete IT inventory records or establish adequate controls to safeguard IT assets. As a result, officials cannot assure taxpayers that money invested in IT assets has been appropriately spent or safeguarded.

We selected 25 IT assets to confirm their location and that they were inventoried, and five additional IT assets to confirm they were inventoried. We found 20 percent of the sampled assets were not properly accounted for. Specifically:

- Six IT assets with combined purchase prices of approximately \$8,200 were not inventoried.

In addition, annual inventories were not conducted, IT equipment was susceptible to environmental damage and officials did not adopt a comprehensive written policy for IT equipment inventory.

Key Recommendations

- Ensure District inventory records are complete and include the detail necessary to adequately track and locate IT assets.
- Perform annual and complete physical inventories and compare results to inventory records.

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

Background

The District serves the Town of Southampton in Suffolk County.

The elected five-member Board of Education (Board) is responsible for the general management of the District.

The Superintendent serves at the Board's direction and is responsible for day-to-day management.

The IT Director is contracted by the District and is responsible for overseeing the IT Department, including IT asset inventory management.

The IT Director oversees a System Administrator, who is also an onsite contractor, and an IT Coordinator, a District employee.

Quick Facts

District	
Enrollment	388
Staff	96
Approximate Cost of IT Assets Purchased or Leased in Our Audit Period	\$322,000

Audit Period

July 1, 2019 – March 31, 2022. We expanded our audit period through May 25, 2022 to observe inventory at the District.

IT Asset Management

School districts purchase a wide variety of IT equipment, such as interactive displays and desktop computers, as well as highly portable items, such as monitors, laptops and tablets. These assets can make up a significant portion of a district's IT asset inventory, in both value and number. School district officials are responsible for providing oversight to ensure that assets are protected from loss, inventory records are current, and assets can be easily located.

With the onset of the COVID-19 pandemic, school districts acquired a significant number of IT assets to transition to remote and hybrid learning. This influx of new and often highly portable IT assets highlighted the importance of tracking and inventorying practices to ensure that taxpayer funds are appropriately spent and safeguarded.

How Should District Officials Inventory and Safeguard IT Assets?

A school board should adopt a comprehensive written policy that sets forth guidelines and procedures for establishing and maintaining IT asset inventory. Although some IT assets could be considered fixed assets, IT assets' portability and access to a district's network and/or confidential data poses a distinct risk of loss or misuse. Given this risk, school district officials should establish a separate, well-defined policy that includes guidance for school district officials to maintain detailed, up-to-date inventory records for all IT assets including:

- Adding new equipment to the inventory,
- Notifying the IT Department when equipment is reassigned, lost or stolen,
- Documenting and updating the inventory for equipment disposal, and
- Annually reviewing the physical inventory.

Inventory records should include a description of each item including the make, model and serial number; the name of the individual to whom the device is assigned, if applicable; the physical location of the asset; and relevant purchase or lease information including the initial cost, depreciation and acquisition date.

In addition, school district officials should verify the accuracy of IT asset inventory records through annual physical inventory counts. Devices should be periodically examined to assess their condition and to verify accurate location information in the inventory records. Maintaining complete and up-to-date IT asset inventory records also helps a school board develop and implement an effective IT equipment replacement plan. To safeguard IT assets from loss, theft or misuse, IT assets should be in a locked and secured area with environmental controls such as smoke detectors, fire alarms and extinguishers, and protection from water damage.

Officials Did Not Appropriately Inventory or Safeguard IT Assets

Although the Board-adopted Fixed Assets Accounting Policy¹ (Policy) requirements provide direction for officials to track and inventory assets, the Board did not adopt a comprehensive written policy specifically for IT equipment inventory. According to the Policy, fixed assets are tangible items of a non-consumable nature, the value of which is \$1,000 or more and the normal expected life of which is two or more years.

The Policy also states that all computer hardware, regardless of cost, will be tagged or marked with an identification number assigned by the District, and inventory records for each asset should be maintained. Based on these requirements, most IT assets would be subject to this policy guidance without a comprehensive policy specifically for IT assets.

The Policy states that inventory records, where possible, should contain:

- Date of acquisition,
- Description,
- Cost or value,
- Location,
- Estimated useful life, and
- Date and method of disposition.

The Policy also directs the Superintendent to maintain a continuous and accurate inventory of property and equipment but does not require officials to conduct an annual or periodic inventory.

The Policy requires certain attributes to be recorded that do not necessarily aid in tracking and inventorying IT assets but are important for other operational needs. For example, cost, acquisition date or estimated useful life do not aid in tracking an asset but are useful for determining overall cost or age of assets, which in turn, could ensure appropriate insurance coverages are maintained and assist in planning for replacement of assets reaching the end of their useful life. Although the District's accounting records have the costs, acquisition date and vendor information for IT assets, this information is not easily compiled for inclusion in the District's IT asset inventory records and therefore cannot easily aid in planning for future IT asset investments. Therefore, the age and cost of all IT assets currently in use by the District was undetermined at the conclusion of our fieldwork.

The IT Director and his staff maintain three inventory lists for District's IT assets: the main list, the printers list and an interactive displays list. We reviewed the three inventory lists and found that they did not always contain adequate

¹ Policy 6800, adopted on December 12, 2016.

information to sufficiently track and/or identify the District’s IT assets. Each list had numerous missing information for individual entries, such as an IT asset’s serial number, assigned user or location.

Further, the information that was recorded was not always accurate and contained erroneous information or was incomplete. Specifically:

- Serial numbers were missing for 78 out of 986 items on the three lists. The IT Director told us the IT Department switched to a new inventory management system in July 2021, and as of May 25, 2022, they have not had a chance to update all IT assets in the system yet.
- Duplicate serial numbers were found in one list for 17 out of 881 devices recorded. The IT Coordinator told us assets were relocated and the asset could have been added to inventory records a second time in error.
- 288 assets did not have an asset tag, as required by the Policy. Instead the assets serial number was recorded as the asset tag number. Although the System Administrator told us he uses various programs and methods to track assets, and that those methods are documented, he was unable to provide us with such documentation.

Additionally, none of the three lists contained all information required by the District’s Policy. All three lists were missing acquisition date, cost or value, estimated useful life and disposal information, and the main list was missing specific locations for individual assets (Figure1).

FIGURE 1: Board-Required Inventory List Attributes

Inventory Lists	Acquisition Date	Description	Cost or Value	Location	Estimated Useful Life	Date & Method of Disposition
Main List	X	✓	X	✓	X	X
Printers	X	✓	X	✓	X	X
Interactive Displays	X	✓	X	✓	X	X

In addition, in our physical test of 25 IT assets and an additional test of 5 assets identified during our walk-through of the District, we found six assets (one interactive display, two monitors and three desktops) costing approximately \$8,200 were not recorded on any of the District’s inventory lists or the new inventory management system.

Annual Inventories – District officials told us an inventory was conducted in July 2021 but were unable to provide documentation to support the inventory was conducted. The District purchased one desktop and one monitor in August 2020 and, while these assets were located in the District, they were not on inventory

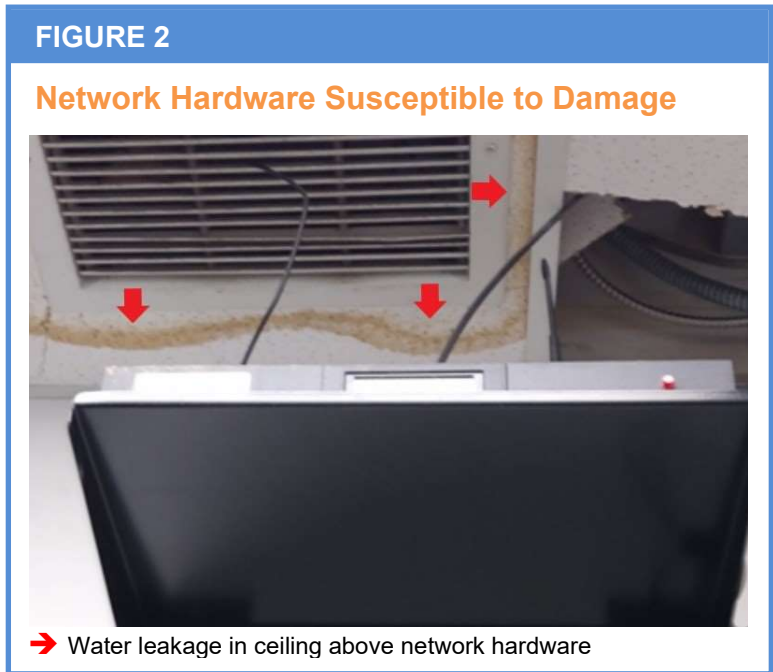
records. Had the Department conducted an adequate annual inventory, these two assets that cost approximately \$2,055 should have been identified and subsequently added to the inventory record.

The Superintendent was aware of the Policy and told us the IT Department is responsible for asset tracking. The IT Director and his staff told us they were unaware of the Policy requirements and had not looked at it prior to the commencement of our audit field work. The Superintendent and IT Director did not provide an explanation as to why they did not monitor the work of the IT staff.

Safeguarding Assets – District officials located 24 of 25 assets we selected to confirm they were in the District’s possession and provided documentation for the sale of the other asset. However, during our building walk-through and inspection we observed an unsecured interactive display valued at \$3,032 located in the school hallway. We also observed water leakage in the ceiling of a server closet above stored network hardware, leaving the hardware susceptible to damage (Figure 2).

The IT Director and the Superintendent said they were unaware of the water leakage, and the Superintendent told us the System Administrator would be made aware of any leaks. However, the System Administrator told us he was unaware of any leaks in the server closets and thought it was the responsibility of the District’s facilities department. While the facilities department should monitor buildings for leaks, the IT Director should also ensure equipment is protected from damage.

The Superintendent and IT Director did not provide adequate oversight of IT staff to ensure detailed up-to-date inventory records or a single master inventory list were maintained, annual physical inventories were conducted, or that District IT assets were adequately safeguarded. As a result, District officials cannot be assured that IT assets are adequately accounted for and would be detected if lost, stolen, or misused. Further, complete, accurate, and up-to-date inventory records help District officials ensure that IT assets are properly insured, tracked through their life cycle and replaced as necessary. When inventory records are incomplete, and assets are not properly accounted for, District officials cannot



ensure taxpayers that money invested in IT assets has been appropriately spent or safeguarded. Finally, IT system components should always be in a locked and secured area to further safeguard them from damage or loss.

What Do We Recommend?

The Board should:

1. Adopt a specific comprehensive written policy to appropriately track and inventory IT equipment. This policy should include guidance and processes for:
 - Maintaining detailed, up-to-date inventory records for all IT equipment,
 - Adding new equipment to the inventory,
 - Notifying the IT Department when equipment is reassigned, lost or stolen,
 - Documenting and updating the inventory for equipment disposal, and
 - Annually reviewing the physical inventory.
2. Require the IT Director to perform a physical inventory of all IT equipment, locate missing and unaccounted-for equipment and update inventory records accordingly.

The Superintendent and IT Director should:

3. Review and comply with applicable District policies.
4. Ensure District inventory records include the detail necessary to adequately track and locate an IT asset and that asset records minimally include the make, model and serial number; the name of the individual to whom the device is assigned, if applicable; the physical location of the asset; and relevant purchase or lease information including the initial cost, depreciation and acquisition date.
5. Develop a single, master inventory list that includes all IT assets regardless of asset type or location.
6. Update inventory records to track assets not currently in District records.
7. Perform a complete, annual physical inventory and compare the results to the inventory records. Take appropriate action to follow up on any discrepancies.
8. Ensure that District personnel keep IT asset storage areas secured and safe from environmental damage, such as water leakage.

Appendix A: Response From District Officials



EAST QUOGUE
UNION FREE SCHOOL DISTRICT

Kelly Fallon, *Interim Superintendent of Schools*
Kelly Freeborn, *Assistant Principal*

January 3, 2023

Response to Technology Audit
Office of Audit Services

The East Quogue Union Free School District appreciates the time the Office of Audit Services spent reviewing our IT asset management policies and procedures. We acknowledge that, although we fared well in comparison to others, we have work to do in order to achieve a 100% level in this area. We are working on a formal corrective action plan which will include the following:

1. Revision of Board of Education policy 6800, Fixed Asset Accounting, to categorize certain computer hardware more appropriately,
2. Preparation of a separate, detailed policy specifically for handling of IT equipment,
3. Use of our current main IT inventory system to consolidate our other, separate, inventory methods,
4. Perform weekly inspections of all areas where IT equipment is housed to assure its safety and security,
5. Perform an annual comparison of the physical inventory completed by our outside company with our own internal inventory,
6. Update our inventory so that all current IT equipment is included, per the current Board policy, and
7. Be certain that all IT equipment is secured at all times.

For your information, we are not waiting for the final report to make these changes. Some updates have already been implemented and we continue to work on the others.

Sincerely,

Kelly Fallon
Interim Superintendent/Principal

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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 selected the District for audit from a list of school districts (excluding NYC schools) with enrollment greater than 300 and not currently in the OSC audit process at the time of selection. We classified school districts into four groups by enrollment and, using a random number generator, selected Districts from these groups. The list was broken out by geographic region for an even representation of school districts across the State for this multi-unit audit.
- We interviewed District officials and reviewed District policies and Board minutes to gain an understanding of IT asset management.
- We reviewed District IT Department IT asset records provided by the District to determine if the records contained sufficient information to identify IT assets.
- We selected a sample of 25 IT asset purchases, 15 from District invoices and 10 from student device reports. For 15 assets, we selected the largest invoice(s) from each IT vendor and selected IT assets over \$195. Five student devices were selected based on four-month school access inactivity report and five were selected using a random number generator. We reviewed purchase orders, invoices, and/or packing slips and District inventory records to determine if assets were added to the inventory record and physically located in the District.
- We performed a walkthrough of District facilities and judgmentally selected five assets to determine whether the assets were accurately recorded on the inventory record. During our visual inspection of District IT assets, we assessed the general condition of their locations for the potential risk of damage or loss.

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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