

Shoreham-Wading River Central School District

Capital Assets

2025M-23 | August 2025

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Audit Results

Shoreham-Wading River Central School District



Audit Objective

Did Shoreham-Wading River Central School District (District) officials properly record and account for capital assets?

Audit Period

July 1, 2022 through April 30, 2024. We expanded our audit period through August 7, 2024 to conduct a walkthrough at the District.

Understanding the Audit Area

A capital asset is generally defined as an asset that has a useful life of more than one year. It can include everything from furniture, computer equipment, vehicles and machinery to buildings and land. Consequently, they represent a significant investment of school district (district) resources. Detailed records help to establish accountability and provide district officials with the information needed to develop additional controls and safeguards, such as establishing additional policies and procedures. As of July 1, 2023, the District's inventory list of capital assets contained 9,815 assets with an acquired value of \$181,700,280.

Audit Summary

District officials did not properly record and account for all of the District's capital assets. As a result, the District has an increased risk that its capital assets could be lost, stolen or misused.

The District's Assistant Superintendent of Business and Operations (Assistant Superintendent), with the assistance of the District's Business Manager (Business Manager), supervised and monitored the District's business operations, which included overseeing the maintenance of the inventory list.

The District's Board of Education (Board) did not designate a property control manager. Therefore, the District did not have a specific person who was responsible for tracking capital assets and ensuring that capital asset information was complete, up-to-date, accurate and useful. Also, District officials did not properly segregate asset inventory duties among employees, and officials did not monitor the work of those who performed these duties.

For example, we reviewed 30 purchases made during our audit period, which included 96 purchased assets, and determined that 78 assets with a combined acquisition value of \$419,538 (87 percent) were not included in the District's inventory list.

In addition, we selected 50 assets with a combined approximate acquisition value of \$233,945¹ to locate them to confirm that they were in the District's possession and properly tagged. While we located all assets, we determined that 15 assets with a combined acquisition value of \$29,770 had incorrect or "unknown" locations listed in the inventory list, had inaccurate asset descriptions, or had multiple asset tags.

Furthermore, of the 276 assets recorded in the District's inventory list as having been disposed of, 269 assets with a combined acquisition value of \$830,595 had been disposed of without proper Board approval, disposal information that was not recorded in a timely manner, or were inaccurately recorded as disposed in the District's inventory list.

This report includes eight recommendations that, if implemented, will improve the District's recording of and accounting for capital assets. District officials agreed with our recommendations and indicated they planned to initiate corrective action.

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. Our methodology and standards are included in Appendix C.

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 the New York State General Municipal Law, Section 2116-a (3)(c) of the 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.

¹ We estimated the value of five assets (\$2,152) because officials did not record their original purchase prices.

Capital Asset Program Findings and Recommendations

District officials are responsible for ensuring that inventory records are complete, reliable, current and accurate and that assets are protected from loss, misuse and/or obsolescence. A designated property control manager should be responsible for tracking the district's capital assets, ensuring the accuracy and usefulness of the asset records and establishing detailed procedures for capital asset protection.

Capital asset inventory records should include a description of each item, including the make, model and serial number; the physical location of the asset; and relevant purchase or lease information, including the initial cost, depreciation and acquisition date. Also, district officials should verify the accuracy of capital asset inventory records through periodic physical inventory counts. These periodic examinations allow officials to assess the condition of assets and verify asset location information in the inventory records. Lastly, officials should document when equipment becomes obsolete and obtain authorization from the district board of education (board) before disposing of the items and removing them from the equipment inventory list.

More details on the criteria used in this report, as well as resources we make available to district officials that can help officials improve operations (Figure 2), are included in Appendix A.

Finding 1 – The Board did not properly designate a property control manager.

The Board's fixed asset policy designated a "School Business Official" to be responsible for the duties of a property control manager. However, this position did not exist at the District. Therefore, the District did not have a designated person who was responsible for tracking capital assets and ensuring the accuracy and usefulness of the information in the District's inventory list, which consisted of a spreadsheet with three tabs. The Assistant Superintendent told us that the position listed in the policy was an interchangeable term used to encompass the duties of officials in the business office. According to the Assistant Superintendent, this created a disconnect between the delegation of these duties and the policy.

The Business Manager, the District's IT Director (IT Director), the District's Treasurer (Treasurer) and two clerks in the business office performed capital asset functions. These functions included adding assets to the inventory records, maintaining asset tags, and tagging assets. However, officials did not adequately monitor the work of those who performed these duties.

In addition, District officials did not properly segregate IT asset inventory duties among employees. The IT Director prepared purchase requisitions for IT assets, maintained custody of the assets, tagged new assets and recorded IT assets in the asset management software, which was used by the IT department for tracking and repair purposes. Every three months during the fiscal year, the IT Director provided the accounts payable clerk with a spreadsheet of the IT assets purchased during that time period. The accounts payable clerk then used the spreadsheet to update the District's inventory list. However, officials did not review the spreadsheet or reconcile it with purchase invoices to ensure that the records were accurate and complete.

Because no one ensured that the capital asset records were accurate; and because one person was responsible for making IT purchase requests, maintaining custody of assets, recordkeeping and other IT asset functions; the District has an increased risk that errors within inventory records, or misuse of the District's capital assets, could occur.

Recommendations

1. The Board should designate a property control manager who is responsible for maintaining an up-to-date inventory of capital assets.
2. District officials should segregate inventory control duties among different employees or establish compensating controls over the work performed by employees who are responsible for tagging and recording capital assets and maintaining custody of the assets.

Finding 2 – District officials did not properly record and account for capital assets.

The District used a third-party vendor (vendor) to manage the District's inventory list. The vendor provided District officials with a software template, which District officials then used to record inventory changes throughout the year. At the end of each year, officials sent the template with their information back to the vendor, and the vendor updated the District's inventory list.

We reviewed the District's inventory list as of June 30, 2023, which listed 7,248² capital assets with an approximate acquisition value of \$8,255,747. The inventory list did not have serial numbers, manufacturer names, model numbers, and/or accurate acquisition values for 3,159 assets with an approximate acquisition value of \$4,807,437, as follows³:

- 2,463 assets with an approximate acquisition value of \$3,983,555 did not have a serial number.
- 2,031 assets with an approximate acquisition value of \$2,844,552 did not have a manufacturer's name.
- 1,796 assets with an approximate acquisition value of \$2,476,511 did not have a model number of the asset.
- 982 assets each had an acquisition value listed as \$1.

2 We excluded assets that were categorized as site improvements, buildings, land, infrastructure and items that generally would not have a manufacturer, model number or serial number associated with them.

3 Some asset listings had more than one inaccuracy or missing attribute.

We also reviewed 30 purchases⁴ made during our audit period, which included the purchase of 96 assets with a combined acquisition value of \$479,523. These assets exceeded the \$1,000 threshold established by the Board to determine whether the assets should be listed in the District's inventory list. We determined that 78 assets with a combined acquisition value of \$419,538 (87 percent) were not listed in the inventory list. These 78 assets included items such as tablets; a saxophone; security cameras; hardware for the District's IT network, such as switches; and furniture, including desks and filing cabinets.

The Business Manager told us that these deficiencies occurred due to human errors. She also said that the deficiencies were not identified because the District did not have procedures requiring officials to ensure that all assets with a purchase price of more than \$1,000 are included in the inventory list. As a result, the District's inventory list was incomplete and did not contain sufficient information for officials to adequately track, inventory and safeguard assets.

Finally, we selected 50 assets with a combined acquisition value of approximately \$233,945⁵ from the District's inventory lists as of June 30, 2023⁶ and reviewed them to determine whether the assets were in the District's possession and properly tagged. We determined that all 50 assets were in the District's possession. However, the inventory listings for 15 assets with a combined acquisition value of \$29,770 contained the following discrepancies:

- Two interactive panels and four laptop computers with a combined acquisition value of \$13,014 had incorrect locations indicated on the inventory list.
- Asset tags were incorrectly attached to five assets with a combined acquisition value of \$14,559 as indicated in the inventory list. For example, we attempted to locate an asset from the inventory list that contained a description of an interactive panel. However, when we located the item with the indicated asset tag number, we determined that the asset was a laptop and not an interactive panel. The IT inventory list that the IT department maintained included the correct descriptions.
- Two laptops and an iPod with an acquisition value of \$1,282 had "unknown" listed as their building location.
- One 3D printer with an acquisition value of \$916 had three separate asset tag numbers associated with the same device. The device was found in the location indicated on the inventory list. However, the asset tag number assigned to the asset in the inventory list was not attached to the device. The device also had two other asset tag numbers attached to it. The Business Manager told us that the device was inadvertently tagged three times. It was tagged the first time when it was received in 2022, again in 2023 when the Treasurer performed an annual inventory and a third time in March 2024 by the accounts payable clerk.

4 We reviewed four months of claims and identified which claims were for purchasing assets. We reviewed all claims that contained assets during the four-month period. Refer to Appendix C for further information on our sample selection.

5 See supra, note 1.

6 Refer to Appendix C for further information on our sample selection.

The Assistant Superintendent said that these inaccuracies were likely due to a lack of available staff and procedures to help ensure that the asset records were accurate. Without accurate inventory records, officials cannot ensure that assets are accounted for and easily located, which increases the risk that capital assets could be lost, stolen or misused.

Recommendation

- District officials should ensure that employees maintain accurate and up-to-date capital asset inventory lists that contain necessary details needed to track and locate capital assets. These lists should include the make, model and serial number and accurate location and tag number for all assets.

Finding 3 – District officials did not always obtain prior Board approval for and accurately record disposals.

According to District officials and the District’s disposal policy, District property should not be sold or disposed of without prior Board approval.

The District’s inventory list indicated that 276 assets with a combined acquisition value of \$901,395 were disposed of from July 1, 2022 through June 30, 2023. We compared the 276 assets to the lists of assets that the Board approved for disposal during that period. We determined that 269 assets with a combined acquisition value of \$830,595 were listed as having been disposed of without proper Board approval, were disposed of but the disposals were not recorded in a timely manner, or were inaccurately recorded as disposed of in the District’s inventory list (Figure 1).

Figure 1: Disposal of Assets Not Properly Approved Or Inaccurately Recorded^a

Description	Quantity	Original Cost
Active Assets Incorrectly Listed as Having Been Disposed Of	204	\$125,720
Disposed Of Without Board Approval	40	636,082
Disposed Of With Board Approval But Recorded in an Untimely Manner	25	68,793
Totals	269	\$830,595

a) The disposed assets included older computer, audio visual and athletic equipment.

The Business Manager told us that items were marked as disposed of by the vendor when the vendor performed a physical inventory in May 2023. The vendor provided a list of items that could not be located to District officials, but District officials did not provide an explanation as to why an item could not be located, so the vendor marked the item as having been disposed of. The Assistant Superintendent told us that officials accepted the updates to the inventory list without adequately

reviewing them and, consequently, did not identify that 204 active assets were inaccurately marked as having been disposed of. The Assistant Superintendent, IT Director and Facilities Director explained that the other items that were missing during the vendor's physical inventory were generally items that were disposed of during capital improvements or when old equipment was replaced or upgraded. However, the disposals were not properly approved and recorded at the time of disposal.

In addition, we reviewed the Board's meeting minutes for any assets that the Board approved for disposal but were not included in the inventory list as having been disposed of. We identified 37 assets with a combined acquisition value of \$47,784 that were approved for disposal in the meeting minutes, but were not marked as disposed in the inventory list. Furthermore, the Board's disposal resolutions did not contain sufficient identifying information, such as serial or asset tag numbers, to determine whether nine assets that the Board approved for disposal were marked disposed in the inventory list.

Without adequate records and proper authorization for asset disposals, officials cannot ensure that District assets were not lost or stolen, or were properly disposed of in the District's best interest.

Recommendations

4. District officials should ensure that the Board authorizes all asset disposals before the assets are disposed of and are marked as disposed in the District's inventory list.
5. District officials should review updates to the inventory list proposed by the vendor, investigate any discrepancies and ensure that the updates are accurate.

Finding 4 – District officials did not perform a comprehensive annual inventory of capital assets.

The District contracted with the vendor to perform a complete physical inventory on a five-year basis. The last physical inventory was conducted in May 2023. In addition, each year the Superintendent performed a test of the District's inventory by selecting assets from a report of the current year's equipment purchases. Officials then traced the items selected from their purchase orders to the inventory list and to their indicated locations.

We reviewed the inventory test performed by officials at the end of the 2022-23 fiscal year, which included 10 purchases of equipment totaling \$32,734 from total equipment purchased for the year totaling \$485,008. Officials did not find any discrepancies in their testing, and all assets selected were located. However, the selected assets included only a sample of assets purchased during that fiscal year and did not include assets recorded in the inventory list. While this test may help to ensure that assets purchased were recorded in the inventory record, a more comprehensive test that reviewed and

selected assets from the inventory list by department or building would help ensure that all assets are properly accounted for.

Also, IT department staff performed an annual inventory of IT assets during July and August each fiscal year. This process involved IT department staff walking through each of the rooms in the District's buildings, scanning each IT asset tag and verifying that the assets were entered in the IT asset management software and that the location listed for each IT asset in the software was accurate. However, this test would not identify missing IT assets from the District's inventory list because officials did not compare the reports generated from the IT asset management software to the District's inventory list.

We reviewed the IT inventory list and compared it to IT assets listed in the District's inventory list as of July 1, 2023 and determined that 1,701 assets in the IT inventory list were not included in the District's inventory list. Also, the IT inventory list did not have sufficient information, such as the original purchase price, to help officials determine whether the 1,701 assets should have been included in the District's inventory list. The IT Director told us that this difference occurred because IT department staff tagged and entered all IT items purchased by the IT department into the asset management software for tracking and repair purposes, but many of these items were below the District's \$1,000 purchase price inventory threshold. Therefore, these assets might not be included in the District's inventory list. However, because the IT inventory list did not always include the acquisition date or value of IT assets, officials did not have sufficient information to determine the age and value of these assets and identify whether they were below the inventory threshold.

Had officials maintained sufficient records and reconciled the IT inventory list each year to the District's inventory list, they could have determined whether the 1,701 assets should have been included in the District's inventory list. Also, if officials had performed more comprehensive annual inventories and compared the IT inventory list to the District's inventory list, many of the discrepancies identified in this report could have been detected and corrected.

Recommendations

6. District officials should perform a more comprehensive annual inventory test of purchased assets and select assets from the inventory list to test as well.
7. District officials should compare the IT inventory list to the District's inventory list on an annual basis to identify any discrepancies.
8. The IT Department should include more detailed information, such as acquisition dates and cost, in their inventory list.

Appendix A: Profile, Criteria and Resources

Profile

The District is located in the Towns of Riverhead and Brookhaven in Suffolk County. The District is governed by the elected five-member Board that is responsible for managing and controlling the District's financial and education affairs.

The Superintendent is the District's chief executive officer and is responsible for managing the District's day-to-day operations. The Assistant Superintendent, with the assistance of the Business Manager, manage the District's business operations, which includes overseeing the maintenance of the inventory list.

The District's 2023-24 actual expenditures totaled \$76,760,590. Approximately 1,960 students were enrolled in the District's four school buildings during our audit period.

Criteria – Capital Assets

A district board and district officials should identify the risks associated with capital assets and develop strategies to manage those risks following guidance provided in OSC's publication titled *Local Government Management Guide – Capital Assets* (Figure 2). Specifically, the board and officials should:

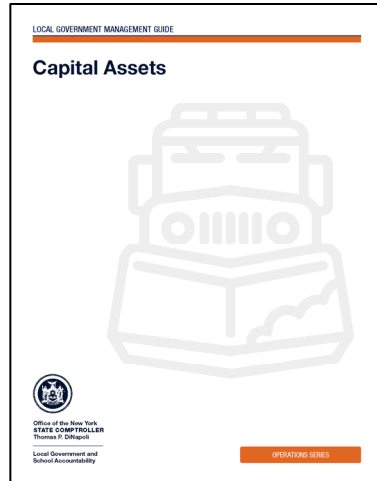
- Develop and adopt comprehensive written capital asset and disposal policies.
- Create procedures to ensure that asset records are complete, accurate and up-to-date.
- Accurately record each asset in a perpetual inventory record to establish accountability. When officials maintain more than one inventory list, they should periodically reconcile them to ensure accuracy.
- Perform periodic comprehensive inventories.
- Properly assign an identification number and marking, such as an asset tag, to all assets.
- Restrict access to assets and records to authorized individuals.
- Approve the disposal of assets in the best interests of the district.

Officials must then decide how best to address any significant and likely risks. The costs of each potentially mitigating action should be weighed against the benefits. For information on the use of internal controls to mitigate capital asset risks, refer to OSC's *Local Government Management Guide – The Practice of Internal Controls* (Figure 2).

FIGURE 2: OSC Publications

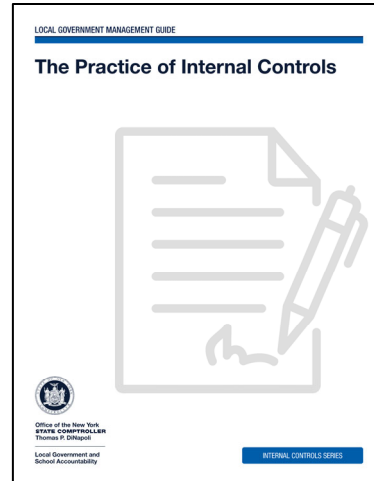
OSC's *Local Government Management Guides* are available on our website help officials understand and perform their responsibilities.

Capital Assets



<https://www.osc.ny.gov/files/local-government/publications/pdf/capital-assets.pdf>

The Practice of Internal Controls



<https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf>

In addition, our website can be used to search for audits, resources, publications and training for officials at: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From District Officials



SHOREHAM-WADING RIVER CENTRAL SCHOOL DISTRICT

631-821-8100

250B Route 25A, Shoreham, New York 11786

www.swrschools.org

Gerard W. Poole, Superintendent
Glen Arcuri, Asst. Supt. for Finance & Operations
Brian K. Heyward, Asst. Supt. for Human Resources
Alan Meinster, Asst. Supt. for Curriculum, Instruction & Assessment

July 31, 2025

Mr. Ira McCracken
Chief of Municipal Audits
Muni-Hauppage@osc.ny.gov

Dear Mr. McCracken:

The Shoreham-Wading River Central School District Board of Education and administration have received and carefully reviewed the draft audit report regarding our capital asset management practices for the period July 1, 2022 through April 30, 2024.

We appreciate the thorough examination conducted by your audit team and acknowledge the professionalism demonstrated throughout the audit process. The District agrees with the findings and recommendations to strengthen capital asset management contained in the draft report and recognizes the importance of maintaining accurate capital asset records to ensure proper accountability and safeguarding of District resources.

The District has begun addressing the audit findings and is committed to addressing the recommendations outlined in your report to strengthen our capital asset management practices. The District has already completed a full asset inventory and revised our practices for managing obsolete items. The District will submit a comprehensive Corrective Action Plan within the required 90-day timeframe as mandated by Section 35 of the New York State General Municipal Law.

Thank you for your professional conduct of this audit and for providing us with recommendations to improve our operations.

Sincerely,

Gerard W. Poole
Superintendent of Schools

Board of Education

• Thomas Sheridan, President • James Lauckhardt, Vice-President
• Katie Andersen, Trustee • Michael Lewis, Trustee • Henry Pérez, Trustee • James Smith, Trustee • Meghan Tepfenhardt, Trustee

Appendix C: Audit Methodology and Standards

We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and reviewed policies and the Board's meeting minutes to gain an understanding of the District's asset management.
- We compared the different inventory listings with each other and with the listings in the IT inventory list to verify completeness and accuracy. The listings included those in the current inventory list (the inventory list at the beginning of each year), additions and deletions tabs in the software template and end-of-year updated inventory lists that were maintained by the District for each fiscal year during our audit period.
- We reviewed the District's inventory list to determine whether the inventory records contained sufficient information to identify, track and safeguard assets.
- We selected a sample of 50 assets and conducted a walkthrough to determine whether the assets were in the District's possession and properly tagged. The assets included 30 assets from the District's 2022-23 inventory list, five non-IT assets from the vendor's software template 2023-24 additions tab, five IT assets from the software template 2023-24 additions tab and 10 assets from the IT inventory list.
- We used our professional judgment to review four months of claims to determine whether capital assets purchased during those months were tagged and inventoried according to the District's \$1,000 purchase price inventory threshold.
- We reviewed the Board's meeting minutes during our audit period for any assets that the Board approved for disposal. We traced all assets approved for disposal back to the District's inventory list to determine whether the inventory list had been updated to indicate that the assets had been disposed of. For any assets marked on the inventory list as having been disposed of during our audit period, we verified that the Board authorized the disposal. For assets that were marked as having been disposed of, but the Board did not approve their disposal, we notified District officials.

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 relevant population size and the sample selected for examination.

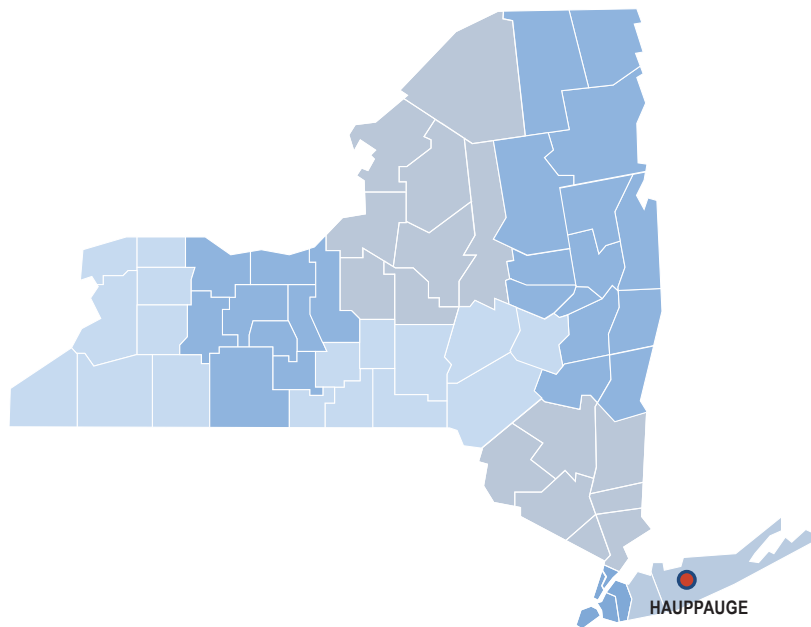
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