

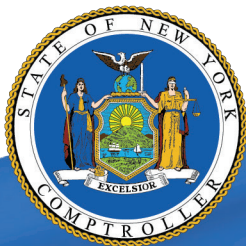
# Elmsford Union Free School District

## Fixed Assets

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OCTOBER 2017

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

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# Report Highlights

## Elmsford Union Free School District

### Audit Objective

Determine whether the District properly recorded and accounted for fixed assets.

### Key Findings

- The District does not have a comprehensive policy for identifying and recording fixed assets.
- Fixed assets were not tagged as District property for 26 items valued at \$144,420.
- District inventory records of technology assets were inconsistent.

### Key Recommendations

- The Board should adopt a comprehensive policy that includes establishing threshold amounts for controlling inventory and procedures for maintaining fixed asset records.
- District officials should ensure all fixed assets with values that exceed the threshold have a tag affixed identifying them as District property.
- District officials should review fixed asset records each year and ensure that they are accurate and up-to-date.

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

### Background

The Elmsford Union Free School District (District) is located in the Village of Elmsford in Westchester County. The Board of Education (Board) is responsible for managing the District's operations. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible, along with other staff, for the District's day-to-day management under the Board's direction.

The District contracts with an outside vendor to maintain its fixed asset inventory. During our audit period the District purchased \$236,166 in fixed assets, of which \$124,385 were technology items.

#### Quick Facts

Employees	193
Enrollment	955
2016-17 Budgeted Appropriations	\$33.5 million

### Audit Period

July 1, 2015 – March 13, 2017

# Fixed Assets

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## How Should the District Record and Account for Fixed Assets?

Fixed assets, such as machinery and equipment, represent a significant investment of District resources. District officials are responsible for ensuring that assets are protected from loss and inventory records are current and accurate. The Board should adopt a comprehensive fixed asset policy that sets forth the duties, records and control procedures to safeguard assets. A common method of accounting for fixed assets includes affixing an identification tag or decal to each asset identifying the asset as District property. Asset tags should have unique numbers to identify the asset and the name of the municipality on them. Asset tags improve the ability to differentiate between assets, making them easier to track, and can provide a deterrent for improper use. District officials should establish dollar value thresholds for identifying and recording assets and procedures to ensure assets are located in their department of record, fixed assets are identified as District property and asset records are current and accurate. If multiple records are maintained, District officials should periodically reconcile them to identify and correct variances.

The District contracts with a vendor (contractor) who provides asset reporting and insurance valuation services. The contractor is responsible for maintaining the District's fixed asset records and provides a template to update asset records, such as current inventory, additions and disposals. Information technology (IT) department employees and a Business Office assistant are responsible for updating the asset record for all assets greater than \$1,000. The IT department also has a database to track and monitor IT equipment,<sup>1</sup> using labels to identify IT assets as they are assigned. Asset disposals are reviewed by the Assistant Superintendent for Business and approved by the Board.

## The District Does Not Have a Comprehensive Policy for Identifying and Recording Fixed Assets

The District's fixed asset policy does not establish a threshold value for tagging assets. In addition, the IT department does not have written procedures for maintaining IT inventory. Although the IT department labels items before they are placed in service and adds these assets to the IT inventory database, there are no written procedures. Without comprehensive written procedures for identifying and recording fixed assets, District officials do not have adequate assurance that assets are sufficiently protected from loss, waste or misuse.

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<sup>1</sup> The IT department maintains technology items only such as laptops, desktops, printers/scanners and smartboards.

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## Fixed Assets Are Not Properly Tracked

We selected 15 assets valued at \$36,995 from the District's inventory records and 15 assets valued at \$119,007 from the 2016-17 fiscal year cash disbursement data to determine whether they were in the District's possession. While we found all 30 District assets, four were not in their documented location. An IT department employee informed us that two assets were being repaired. District officials told us that assets are relocated as needed.

We also found that 26 of these assets valued at \$144,420, including 16 IT assets, did not have an inventory tag attached. District officials could not explain why these assets did not have tags and told us they thought the contractor was responsible for tagging. While the IT assets had a label from the IT department which specified the location and room number, they did not have District asset tags attached. The lack of asset tags increases the risk that assets could be lost or misplaced without detection. Further, two assets valued at \$6,605 had serial numbers that did not agree with District records. In addition, although an ice maker valued at \$1,585 was tagged, the asset tag number did not agree with the District records. District officials could not explain these discrepancies.

We selected an additional sample of 10 assets located in two schools and inspected them for District asset tags. Although all 10 assets were tagged, two were not included in the District records. As a result, they would not be included in the valuation for the District's insurance.

## District Inventory Records of Technology Assets Were Inconsistent

We selected two of the three District schools and compared the District records maintained by the contractor with the IT department asset list (IT list) for desktop and laptop computers to determine whether the District records were accurate and up-to-date. We identified the following discrepancies:

- For Dixson Primary School, District records included 52 more active computers than the IT department list. (Figure 1). In addition, the computers on the District's records for this school were recorded with a \$0 acquisition cost.
- For Grady Elementary School, District records had 26 fewer active computers than on the IT department list (Figure 2).<sup>2</sup>
- 123 of the 125 serial numbers for desktop and laptop computers on the District's records did not match the serial numbers on the IT list.

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<sup>2</sup> The IT department list included the locations for these computers.

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IT personnel said the 123 computers on the District records were not included on the IT list because they were disposed of. However, we found 40 computers on the District records were not on the IT disposal list.

District officials told us that they will review District records to ensure that they are accurate and complete. Without accurate and up-to-date fixed asset records, District officials cannot ensure that District assets are protected against loss or unauthorized use and that District insurance rates are correct.

**Figure 1: Fixed Asset List Discrepancies for Dixon Primary School**

	Number of Desktops	Number of Laptops	Total
<b>District record</b>	24	51	75
<b>IT list</b>	22	1	23

**Figure 2: Fixed Asset List Discrepancies for Grady Elementary School**

	Number of Desktops	Number of Laptops	Total
<b>District record</b>	35	15	50
<b>IT list</b>	75	1	76

## What Do We Recommend?

The Board should:

1. Adopt a comprehensive written fixed asset policy that includes a threshold for tagging assets and procedures for maintaining asset records.

District officials should:

2. Ensure all fixed assets above the established thresholds have a tag affixed identifying them as District properties.
3. Review fixed asset records each year and ensure that they are accurate and up-to-date.
4. Periodically reconcile the District asset records to the IT Department asset list.

# Appendix A: Response From District Officials

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## ELMSFORD UNION FREE SCHOOL DISTRICT

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Superintendent of Schools

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October 12, 2017

Ms. Tenneh Blamah  
Chief Examiner of Local Governments and  
School Accountability  
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Newburgh Regional Office  
33 Airport Center Drive, Suite 103  
New Windsor, N.Y. 12553

Dear Ms. Blamah:

The Elmsford UFSD Board of Education and Administration appreciate the efforts of the auditing team from the Office of the State Comptroller. The District is in receipt of the Draft Audit Report entitled **Fixed Assets** for the period July 1, 2015 through March 12, 2017.

The N.Y.S. Comptroller's Office conducted a comprehensive risk assessment of the District Finances. The risk assessment included a thorough evaluation of Financial Condition and Oversight, Control Environment, Cash Receipts and Disbursements, Purchasing, Capital Assets and Consumable Inventories, Payroll and Personnel Services, Information Technology and New York State Teachers and Local Retirement Systems reporting. We are pleased to note that the audit found no instances of fraud, misuse or misappropriation of funds. In addition, out of all the areas of the District financial operations that were subject to the risk assessment by the Comptroller's audit team, only one area **Fixed Assets** was selected for additional review.

The first priority of the Elmsford UFSD is to ensure the consistency and integrity of the educational programs for our students, while safeguarding our community resources. We take our fiduciary responsibility very seriously and we appreciate the opportunity to improve our policies and procedures. The draft report made some recommendations regarding **Fixed Assets**. The district acknowledges the suggested recommendations and hereby sets forth the required **Corrective Action Plan** to be implemented in response.

**Audit Recommendation #1:** Adopt a comprehensive written fixed asset policy that includes a threshold for tagging assets and procedures for maintaining asset records.

**Implementation Plan of Action:** The Board of Education adopted a new policy # 6645 Fixed Assets Accounting that includes the threshold for tagging assets and identifies the procedure for maintaining the asset records. The first reading of the new policy was held on October 4, 2017.

**Audit Recommendation #2:** Ensure all fixed assets above the threshold have a tag affixed identifying them as District properties.

**Implementation Plan of Action:** The District is bringing in a contractor to ensure all current items are tagged identifying them as district property. This will give us a complete record and create a starting point for district employees to carry forward. New fixed assets above the established threshold will be tagged by the Buildings and Grounds or IT staff prior to being put into service. The tag number will be maintained in the Business Office for a complete record of additions and deletions.



**Audit Recommendation #3:** Review fixed asset records each year to ensure that they are accurate and up-to-date.

**Implementation Plan of Action:** At year end the complete record of additions and deletions will be sent to our vendor to update our fixed asset report annually. The draft from our vendor will be reviewed by the Business Office Clerk prior to finalization to ensure all changes have been accounted for in the report.

**Audit Recommendation #4:** Periodically reconcile the District asset records to the IT Department asset list.

**Implementation Plan of Action:** The IT Department will submit their asset record to the Business Office. The IT Department and the Business Office Staff will review the complete draft report for accuracy prior to finalization.

The Elmsford UFSD is committed to take appropriate corrective action to enhance and strengthen our Fixed Asset practices. We take great pride in our processes in place to safeguard taxpayer funds. Thank you for the opportunity to review and respond to these findings.

Respectfully,

Marc P. Baiocco, Ed.D.  
Superintendent of Schools





## Appendix B: Audit Methodology and Standards

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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, we performed the following audit procedures:

- We interviewed District personnel to obtain an understanding of fixed asset policies and procedures.
- We reviewed the fixed asset policy to determine its adequacy.
- We selected 10 assets located in two of the schools during our walkthroughs and inspected them for District asset tags. We then traced the assets to the District records.
- We judgmentally selected vendors from the cash disbursement data that appeared to be fixed assets vendors and determined the assets purchased.
- We judgmentally selected two of the three District schools because they had a larger inventory of desktop and laptop computers and compared the laptops and desktops included on the District records to the IT list to determine if the District records were accurate and up-to-date.
- We randomly selected 15 fixed assets valued at \$36,995 from the District records to determine if they were in the District's possession and tagged properly by tracing each asset recorded to their location.
- We randomly selected 15 fixed assets purchased during fiscal year 2016-17 valued at \$119,007 and traced to their locations.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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 2116-1(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 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. We encourage the Board to make the CAP available for public review in the Clerk's office.

# Appendix C: Resources and Services

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## **Regional Office Directory**

[http://www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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

<http://www.osc.state.ny.us/localgov/costsavings/index.htm>

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

<http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm>

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

<http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm>

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

<http://www.osc.state.ny.us/localgov/planbudget/index.htm>

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

<http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf>

## **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

<http://www.osc.state.ny.us/localgov/finreporting/index.htm>

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

<http://www.osc.state.ny.us/localgov/researchpubs/index.htm>

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

<http://www.osc.state.ny.us/localgov/training/index.htm>

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