

South Country Central School District

Information Technology Inventory

DECEMBER 2017



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

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Report Highlights

South Country Central School District

Audit Objective

Determine whether District officials maintained complete and accurate inventory records to safeguard information technology (IT) assets.

Key Findings

- Because neither the accounting department nor the network specialists provide inventory information timely, the inventory secretary cannot maintain a complete and accurate inventory record.
- Except for a camera valued at \$799, none of the purchased items reviewed, totaling \$109,031, were listed in the District's inventory records as of June 30, 2017.

Key Recommendations

- Ensure the District's inventory records are complete, accurate and updated timely.
- Ensure that periodic physical inventories are performed more frequently and investigate any differences from the District's inventory records.

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

Background

The South Country Central School District (District) is located in the Town of Brookhaven in Suffolk County.

The seven-member Board of Education (Board) is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools (Superintendent) is responsible for the District's day-to-day management and, along with the Assistant Superintendent for Finance and Management (ASFM), for maintaining an accurate inventory of equipment and accounting for general fixed assets.

Quick Facts

Employees	1,009
School Buildings	6
2016-17 Operating Expenditures	\$119,357,137
2016-17 IT Equipment Purchases	\$2,938,130

Audit Period

July 1, 2016 – June 30, 2017

Information Technology Inventory

What Are Effective Inventory Controls?

Good business practices require management to maintain proper records of IT assets and perform a periodic physical inventory. Accurate and complete inventory records help to ensure that assets are accounted for properly. A detailed inventory record should include a description of each item, including make, model and serial number; the name of the employee to whom the equipment is assigned, if applicable; the physical location of the asset; and relevant purchase information including acquisition date. Each item also should be affixed with an identification tag. Equipment should be periodically examined to establish condition and to ensure none has been misplaced or stolen.

The District's equipment inventory policy requires:

- The Superintendent, or his designee, to maintain a continuous and accurate inventory of equipment owned by the District.
- The ASFM be responsible for arranging for the annual inventory and appraisal of District property, equipment and materials. Any discrepancies between the inventory and the District's property records should be traced and explained.

District Officials Did Not Ensure Inventory Records Were Accurate

The Superintendent designated an inventory secretary (secretary) who compiles the inventory using information provided by the accounting department and computer network specialists. Upon receiving this information, the secretary reviews the data provided to identify all assets that are over the District's \$500 threshold,¹ then records those assets into the District's inventory record. However, because neither accounting personnel nor the computer network specialists provide this information timely, the secretary cannot maintain a complete and accurate inventory record.

In addition, the ASFM is not ensuring that a physical inventory is conducted more frequently than every five years and that any differences from the District's inventory records are investigated. For instance, the District purchased \$2.9 million of IT assets in 2016-17, \$2.6 million of that through the Smart Schools Bond Act.² However, accounting department staff did not provide the 2016-17 inventory additions until September 9, 2017, citing difficulties with the recent financial software upgrade, which resulted in most of the 2016-17 assets not being added to the District's inventory records.

1 All assets valued at \$500 or greater are to be listed on the District's inventory.

2 The Smart School Bond Act authorized the issuance of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the New York State.

Because of this weakness, we selected seven IT asset claims³ that contained 276 items totaling \$109,031 to determine whether assets were recorded in the District's inventory records and physically located in the recorded location. Except for a smart document camera valued at \$799, none of the assets purchased on the selected claims were recorded in the District's inventory records. District officials explained that the purchase of 120 document cameras valued at \$69,312 were not reported to the secretary because they are still in boxes at the administration building awaiting the Network Administrator's determination of whether to assign each document camera to a designated classroom or to the teacher assigned to the classroom. Also, the computer network specialists told us there was a breakdown in communication with the network administrator that resulted in the May 2017 purchase of 150 Chromebooks valued at \$36,474 not being recorded in the District's inventory. Going forward, the specialist said that they will provide information for these assets to the secretary to be recorded.

Without a complete and accurate inventory of IT equipment, District officials have not adequately accounted for these assets and they have no assurance that the assets have been adequately protected from loss, theft or misuse. Further, in the event of a disaster, District officials would be unable to provide the insurance company with an accurate list of IT assets to replace.

What Do We Recommend?

The Board should:

1. Review and revise, as necessary, its inventory procedures to include timely tagging all new purchases, relocating assets, updating and maintaining the inventory records and performing periodic physical inventories.

The Superintendent should:

2. Ensure that the District's inventory records are complete, accurate and updated timely.

The ASFM should:

3. Ensure that periodic physical inventories are performed more frequently and investigate any differences from the District's inventory records.

³ See Appendix B for sampling methodology.

Appendix A: Response From District Officials

BOARD OF EDUCATION

Cheryl A. Felice, President
Regina Hunt, Vice-President
Lisa Di Santo
Dr. Anthony Griffin
Carol Malin
Jack Nix
Chris Picini

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT



SUPERINTENDENT OF SCHOOLS

Dr. Joseph Giani

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December 13, 2017

Dear Mr. McCracken:

The South Country Central School District is appreciative of the audit conducted by the Hauppauge Office of the New York State Comptroller and the district's opportunity to respond. We strive for best practices in the safeguarding and protection of the South Country Central School District's finances and assets, in our ongoing effort of achieving excellence in education. Maintaining proper procedures and adhering to protocols is essential toward accomplishing this goal. Subsequent to the audit conducted between July and October 2017, which included an extensive risk assessment of the district's internal controls and functions in the business area(s), you provided the district with a comprehensive report, including recommendations for improvement. Below is our response and corrective action plan.

We note that in the Report Highlights section, you indicate the audit objective, determining whether District officials maintained complete and accurate inventory records to safeguard Information Technology (IT) assets. Included in the report are recommendations, which are:

The Board should:

1. Review and revise, as necessary, its inventory procedures to include timely tagging all new purchases, relocating assets, updating and maintaining the inventory records and performing periodic physical inventories.

The Superintendent should:

2. Ensure that the District's inventory records are complete, accurate, updated and timely.

The ASFM should:

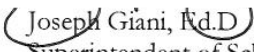
3. Ensure that periodic physical inventories are performed and investigate any differences from the District's inventory records.

The District's Corrective Action Plan is as follows:

1. Review Board of Education Policy #5620, *Inventories and Accounting of Fixed Assets*, and reiterate the guidelines of the policy to appropriate staff. Present any revisions or recommendations to the district's Strategic Planning Committee, for Board of Education review and approval. (Entities Responsible: Board of Education, Superintendent)
2. Tag items deemed eligible by the Board of Education's Inventory Policy upon arrival, rather than upon deployment to school buildings and facilities. Recognizing that Google Chromebooks were the major source of inventory during the 2016-17 and 2017-18 school years, many devices arrived simultaneously, and the appropriate measure was to place tags on such inventory immediately, however the District did ensure the safeguarding of all incoming inventory. The Network Administrator and associated staff(s) will continue to tag, track and maintain pertinent items, as previously conducted and related (Entities Responsible: Assistant Superintendent for Finance and Management Services Building Level and Business Office personnel)
3. Confirmation of items received, document at building level, and cross-check with corresponding Purchase Order. Discrepancies must be brought to the Assistant Superintendent for Finance and Management Services. (Entities Responsible: Assistant Superintendent for Finance and Management Services, Business Office personnel)
4. The district intends to purchase a new inventory software platform designed to catalogue qualifying inventory and track equipment transfers between departments and buildings. The introduction of an inventory control system [REDACTED] will allow for onboarding and off-boarding processes in a more accurate, timely and efficient manner. Utilizing a central online software solution will also allow the district's lab designated staff the ability to easily monitor and control district equipment. (Entities Responsible: Assistant Superintendent for Finance and Management Services, Network Administrator)
5. Provide appropriate technology (e.g. Chromebooks) to staff handling and processing district inventory. (Entities Responsible: Network Administrator)
6. Provide training to select Network Administrator and building level supervised staff on inventory control platform, monitoring, and processes. (Entities Responsible: Assistant Superintendent for Finance and Management Services and Network Administrator)
7. Conduct a physical inventory every three years and reconcile the results to the inventory software system. The physical inventory cycle for Information Technology related equipment will be performed on a more frequent basis. (Entities Responsible: Assistant Superintendent for Finance and Management Services, Network Administrator, Business Office personnel)
8. Provide an inventory list, semi-annually, reflecting new additions and deletions, for Board of Education approval, when necessary. (Entities Responsible: Board of Education, Superintendent of Schools, Assistant Superintendent for Finance and Management Services)

The district is cognizant of the established policies, regulations, and processes essential for maintaining proper operations, in particular the safeguarding of Information Technology assets, and will continue to work diligently toward implementing the appropriate measures as discussed in the above Corrective Action Plan. Please contact my office with any questions.

Sincerely,


Superintendent of Schools

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, we performed the following audit procedures:

- We interviewed District officials and the contracted full-time network support specialists to obtain an understanding of the District's IT inventory procedures.
- We reviewed the District's agreement with BOCES for the services of their network support specialists.
- We reviewed the District's Inventory and Accounting of Fixed Assets policy.
- We reviewed the IT inventory binder containing all 2016-17 purchases of IT equipment (assets) and randomly selected for review seven listed walkable items that were each greater than \$500. We documented important identification information from the packing slip for each asset contained on the claim, traced the assets to the District's inventory records and physically located the IT assets that were not in the inventory records.

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 District Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

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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