

Office of General Services

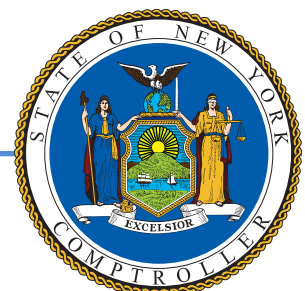
Capital Asset Management

Report 2022-S-32 | February 2024

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objectives

To determine whether the Office of General Services is adequately overseeing selected State agencies and related entities to ensure that they have proper inventory controls in place to safeguard assets and that they are properly reporting capital assets. The audit covered the period from April 2020 through May 2023.

About the Program

To fulfill its mission of delivering a broad scope of critical services for State agencies, the Office of General Services (Office) provides essential support services for the operation of State government. Under Chapter 405 of the Laws of 1981, the State is responsible for establishing and maintaining custody of a comprehensive capital asset reporting system that allows for monitoring and reporting of the State's capital assets. To improve controls, financial reporting, accountability, and operational efficiencies in managing these assets, the State established the Statewide Financial System Asset Management Module (SFS AM) to house and maintain capital asset information in a single master file, providing auditable information in accordance with generally accepted accounting principles. SFS AM is used by State and agency managers to effectively budget, account for, and control the acquisition and disposition of the State's capital assets.

Within the Office, the Bureau of Capital Assets (BCA) acts as a service bureau to agencies by monitoring and coordinating SFS AM capital asset inputs, assisting agencies in the management and maintenance of their asset data in SFS AM, and distributing reports. Each State agency has a property control manager responsible for gathering, entering, and maintaining accurate information within SFS AM related to the capital asset activity at each of their sites. BCA developed and made publicly available a Capital Asset Policy and Procedural Manual for State agencies to understand their role and responsibilities for maintaining capital asset information in SFS AM. Each State agency is asked to annually certify the value of their capital assets in SFS AM on March 31 as part of the State's annual statewide financial statement audit. To further verify the accuracy of SFS AM capital asset inventory data, BCA conducts periodic physical inventory site visits (site visits) to State agencies.

New York State has a significant investment in capital assets, totaling \$112.2 billion as of March 31, 2022 with the Office's reporting obligation at \$18.6 billion. Capital assets include land, land improvements and land preparation, buildings, construction in progress, infrastructure, equipment and library books, artwork and historical treasures, and intangible assets. According to the Office, 55 State agencies use SFS AM and are required to report their capital assets to the Office. All other State entities that do not use SFS AM report their capital assets to the Office of the State Comptroller.

Key Findings

- BCA is not adequately overseeing capital assets reported by State agencies to ensure that these agencies are properly and timely reporting capital assets. For example, BCA has not established adequate policies and procedures for its site visit process, as our site visits to 17 sites (at 12 different State agencies) found the following:
 - 224 capital assets went unreported in SFS AM, including forklifts, a ticket booth, garages, and dump trucks.

-
- 16% (156 of 994) of capital assets had incorrect or missing data in SFS AM, such as the description, location, cost, or other key pieces of information required to locate, identify, or report on an asset.
 - 3% (32 of 994) of capital assets reported in SFS AM could not be found or verified during our site visit. The capital assets that could not be found have a total value of \$6.7 million and include a snowplow, sheds, and laboratory equipment.
 - BCA cannot ensure the quality or completeness of the capital asset data in SFS AM or that every State agency required to report its capital assets to BCA is actually reporting for all sites. For example, we found 5,461 instances of properties where the address was marked as State owned in tax parcel data but does not appear in the SFS AM data.
 - BCA officials do not take timely, proactive actions such as running reports from SFS AM or performing analysis on SFS AM data to provide the Office with valuable data to monitor and identify potential data inaccuracies or trends.

Key Recommendations

- Augment existing processes by including more effective methods to ensure agencies that are required to report capital assets to the Office are properly doing so.
- Develop and implement procedures to provide continued support, such as detailed risk-based guidance and trainings, to ensure agencies are aware that capital asset data needs to be accurate, complete, and updated timely.
- Take proactive action to identify capital asset data inaccuracies reported in SFS AM by enhancing internal processes such as data analysis.



Office of the New York State Comptroller Division of State Government Accountability

February 12, 2024

Jeanette M. Moy
Commissioner
Office of General Services
Corning Tower, 41st Floor
Albany, NY 12242

Dear Commissioner Moy:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Capital Asset Management*. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
Office	Office of General Services	<i>Auditee</i>
BCA	The Office's Bureau of Capital Assets	<i>Bureau</i>
FY	Fiscal year	<i>Key Term</i>
GFO	New York State Guide to Financial Operations	<i>Policy</i>
Law	Chapter 405 of the Laws of 1981	<i>Law</i>
Manual	Capital Asset Policy and Procedural Manual	<i>Policy</i>
SFS AM	Statewide Financial System Asset Management Module	<i>System</i>
Site visits	Physical inventory site visits	<i>Key Term</i>

Background

The Office of General Services' (Office) mission is to deliver a broad scope of critical services to State agencies. As part of this mission, the Office provides essential support services for the operation of State government. Under Chapter 405 of the Laws of 1981 (Law), the State is responsible for establishing and maintaining custody of a comprehensive capital asset reporting system that allows for monitoring and reporting of the State's capital assets. To improve controls, financial reporting, accountability, and operational efficiencies in managing these assets, the State established the Statewide Financial System Asset Management Module (SFS AM) to house and maintain capital asset information in a single master file, providing auditable information in accordance with generally accepted accounting principles, as required by Law. Capital asset data in SFS AM is used by State agency managers to effectively budget, account for, and control the acquisition and disposition of the State's capital assets. Capital asset accountability, operational efficiencies, and maintaining asset information in a single master file is important so policy makers have easy access to information for decision making when solving a variety of crises. For example, Executive Order 30, which aims to address the State's housing crisis, calls on State entities to identify potential sites for housing development, which requires accurate information about State-owned real estate.

The Office considers tangible and intangible property (i.e., a resource lacking a physical substance, such as a copyright or patent) with a significant value that is used over a long period of time to be a capital asset. This includes the following:

- All land and buildings
- Infrastructure and intangible assets costing over \$1 million
- Building and land renovations/improvements costing over \$100,000 with a useful life of 2 years or more
- Equipment costing over \$40,000 with a useful life of 2 years or more
- Works of art and historical treasures costing over \$40,000
- Construction in progress
- Library books costing over \$5,000 each

New York State has a significant investment in capital assets, which total \$112.2 billion as of March 31, 2022 with the Office's reporting obligation at \$18.6 billion. According to the Office, 55 State agencies use SFS AM and are required to report their capital assets to the Office. All other State entities that do not use SFS AM report their capital assets to the Office of the State Comptroller.

Within the Office, the Bureau of Capital Assets (BCA) acts as a service bureau to State agencies by monitoring and coordinating capital asset inputs to SFS AM, assisting agencies in the management and maintenance of their asset data in SFS AM, and distributing reports. In addition, the Bureau of State Asset and Land Management assists in managing land capital assets by maintaining the State Land Inventory, dispositions of State land, the transfers of jurisdiction of State land from one State agency to another, and the declarations of surplus buildings and improvements. Each State agency has a property control manager responsible for

gathering, entering, and maintaining accurate information within SFS AM related to their capital asset activity.

According to the Law, to provide an accurate and current inventory of capital assets, the Office may prescribe the elements, extent, and format of information included in the inventory and the procedures for capital asset information collection, presentation, and verification. It further states that each State agency shall deliver this information to the Office as requested for the establishment and maintenance of the capital asset inventory, and permits the Office to make physical and record inspections, as deemed necessary. Capital asset inventory is maintained on a continuous basis, with each State agency submitting additions, deletions, and modifications electronically via SFS AM. Once submitted, all capital assets are reviewed and approved by BCA. To maintain accuracy, each State agency is responsible for performing a physical inventory of their capital assets on a biennial basis (i.e., every 2 years) and submitting a biennial report. Any resulting changes must be submitted by the agency in SFS AM to BCA on a timely basis. Also, each State agency is asked to annually certify the value of their capital assets in SFS AM on March 31 as part of the State's annual statewide financial statement audit. To further verify the accuracy of the capital asset inventory data maintained in SFS AM, BCA conducts periodic physical inventory site visits (site visits) to State agencies.

Government Accounting Standards Board Statement No. 34 outlines reporting requirements and accounting standards concerning capital assets and requires the use of specific procedures to account for infrastructure costs that form the basis for much of the capital asset information that is reported on the State's annual financial statements. Further, the New York State Guide to Financial Operations (GFO) states that capital assets should be accounted for at historical cost or at estimated historical cost if actual historical cost is not practicably determinable. For financial statement presentation purposes, capital asset historical cost is then reported net of accumulated depreciation. BCA developed and made publicly available a Capital Asset Policy and Procedural Manual (Manual) for State agencies to understand their role and responsibilities for maintaining capital asset information in SFS AM.

Audit Findings and Recommendations

We found that BCA is not adequately overseeing State agency capital asset reporting. BCA's existing controls are not functioning as intended to ensure that State agencies are properly and timely reporting and safeguarding the State's capital assets at all State agency sites. As a result, BCA cannot ensure that State agencies have accurately reported capital assets for all their sites, which jeopardizes the quality and completeness of the capital asset data that is used to create activity and management reports for decision making by State agency managers.

We found a comprehensive approach is needed to reduce capital asset discrepancies and increase the safeguarding of the State's capital assets. For example, we found:

- BCA has not established sufficient policies and procedures to oversee the capital asset management program and is not maximizing the full capability of its site visits.
- BCA is not conducting site visits on a regular or consistent basis, leading to inaccuracies in reporting. For example, our site visits to 17 sites at 12 different State agencies found the following:
 - 224 capital assets went unreported in SFS AM, including forklifts, a ticket booth, garages, and dump trucks.
 - 16% (156 of 994) of capital assets had incorrect or missing data in SFS AM, such as the description, location, cost, or other key pieces of information required to locate, identify, or report on an asset.
 - 3% (32 of 994) of assets reported in SFS AM could not be found or verified during our site visit as a result of being disposed, demolished, moved, or inaccessible. The assets that could not be found have a total value of \$6.7 million and include a snowplow, sheds, and laboratory equipment.
- BCA officials do not take timely, proactive actions such as running reports from SFS AM or performing analysis on SFS AM data to provide the Office with valuable data to monitor and identify potential data inaccuracies or trends.
- We found 5,461 instances of properties where the address was marked as State owned in tax parcel data but does not appear in the SFS AM data. Additional work needs to be done to determine the status of these properties. Information of this nature can assist the Office and other State agencies when fulfilling their requirement under Executive Order 30 to identify property under their ownership as potential solutions to the State's housing crisis.

While we acknowledge the Office's assertion that it is the responsibility of each State agency to enter capital asset information and certify its completeness, BCA officials confirmed they are responsible for approving all pending data entries made by State agencies to ensure the data is complete and reasonable.

Without complete, accurate, and reliable capital asset data, State agency decision makers cannot use the data to make informed decisions, manage State capital assets, identify underutilized assets or assets in need of replacement or modification, or confidently use data to aid in budget and operational planning.

BCA Policies and Procedures

BCA has not established sufficient policies and procedures necessary to oversee the capital asset management program and is not maximizing the full capability of its site visits. More specifically, BCA officials have failed to provide necessary guidance, such as site visit procedures, to help minimize errors during site visits.

Site Visits

BCA does not have comprehensive site visit policies and procedures outlining how BCA staff should conduct a physical inventory of capital assets to identify physical inventory discrepancies at State agencies and the reasons these discrepancies occurred. For example, we found there are no specific procedures for how staff should handle situations during site visits when the capital assets reported by a State agency in SFS AM are not found on site or capital assets found on site have not been recorded in SFS AM.

Upon our initial request for the policies and procedures, BCA site visit staff stated there were no policies or procedures besides what is included in the Manual. However, our review of the Manual determined it is primarily designed to assist State agencies in recording capital assets in SFS AM and does not contain site visit policies, processes, or procedures followed by BCA staff. BCA officials subsequently provided the audit team with an undated and unofficial site visit process document – not part of or referred to in the Manual – containing four high-level bulleted steps of the site visit process. BCA officials stated the document was last modified in June 2021 but could not provide documentation to support the creation or modification date. The four steps include:

- Generating and printing a report of capital assets for the respective State agency that will be visited.
- Visiting the site in person to verify the inventory listed on the report and record identified discrepancies that need or may need to be added, removed, or updated and to collect any additional information from the State agency.
- Compiling and issuing the results of the site visit into a findings and recommendations letter that is sent to the State agency.
- Following up within 30 days to ensure that the agency has implemented recommendations or given an explanation in cases of non-implementation.

As a result of the lack of adequate physical inventory procedures, we identified instances where BCA omitted or missed the identification of capital assets. For example, during one site visit, we identified two huge, freestanding water towers (see image to the right) that, although considered a capital asset, were not listed on the SFS AM-generated State agency capital assets report run and provided by BCA. These water towers were also not addressed by BCA during a previous visit conducted at the site.



Water towers found at Sunmount Developmental Disabilities Services Office.

BCA officials contended that these water tower assets are appropriately recorded in SFS AM but did not show up on the report due to a system error resulting from the 2015 conversion to SFS AM. They further stated they must contact SFS directly to determine the reasons why. Of further concern, prior to our site visit in January 2023, BCA conducted its own site visit in January 2020, and although there were numerous findings and recommendations, it failed to identify these water towers. In response to our preliminary audit report, the Office stated that, although these assets were not reported on the biennial report, they are in SFS and included in annual financial reporting, and contended they are not material. However, we believe, in aggregate, all changes may be material and the Office should look into and address the reasons these capital assets, and any others like them, may not be included on the State agency reports.

During our site visit at another State agency site, we questioned agency officials about 12 buildings that were reported in SFS AM with a \$0 total cost. Agency officials confirmed the cost of the buildings was not zero and provided the \$3.2 million actual cost. BCA failed to identify and address the inaccuracies of the cost of these buildings during a site visit it conducted in 2022.

Documentation of policies and procedures is critical to the daily operations of an organization. Without this framework of understanding, the efficiency and effectiveness of operations can be adversely affected. Policies should be communicated and available to employees in accordance with their duties, and management should ensure employees understand their responsibilities related to policies affecting their functions. Further, management should periodically and systematically review policies, procedures, and related control activities for relevance and effectiveness in achieving objectives and addressing related risks. Without adequate policies and procedures, BCA cannot ensure its site visits mitigate the risk of inaccurate capital asset data.

Office Asset Tags

Asset tags are labels or tags that are attached to assets to identify and track them. In addition to improving inventory monitoring, they help prevent asset theft. According to BCA staff, asset tags are brought to each site visit to attach to newly identified capital asset equipment not previously recorded in SFS AM or to equipment that may be missing a tag. However, the site visit process provided by BCA does not have asset tag procedures to ensure that Office asset tag numbers are affixed to all capital asset equipment and appropriately recorded in SFS AM. As a result, we found the BCA site visit staff are not always bringing a supply of Office asset tags when conducting site visits. In fact, during the five site visits the BCA site visit staff members accompanied us on, we observed the site visit staff members did not bring tags to any of the site visits. Overall, during our 17 site visits, we found 73 of the 138 (53%) equipment assets reviewed were without an Office asset tag, and State agency officials at 12 sites either did not use or were completely unaware of Office asset tags. In certain instances, BCA should have been aware of these errors from prior physical inventories. When asked if any follow-up is done to ensure a State

agency has received and/or attached tags to the correct pieces of equipment after a site visit, the site visit staff stated that “the only way to verify is to go do another site visit as it is the State agencies’ responsibility to put the tags on and if the agency didn’t put them on, it would appear in a findings and recommendations letter when the next site visit was done.”

We believe confirmation of tag placement could be accomplished using digital photos. We also determined that asset tags affixed to capital asset equipment all have the same non-scannable, universal bar code as provided by the vendor. When asked about this, Office officials stated they do not believe scannable asset tags would add value to the physical inventory process. They stated the costs involved and the lengthy approval process needed to acquire scanning equipment and obtain software that would allow an interface with SFS would not be worth it. Office officials also stated that only equipment items have asset tags, so there would still need to be a manual verification process for all other assets. Nevertheless, more efficient methods, such as scannable bar codes or use of imaging or electronic viewing, could be employed by BCA to efficiently obtain assurance that the asset was properly tagged.

Without an appropriate asset tag, State and agency management will not be able to uniquely identify, appropriately access, and report on information related to capital asset equipment.

Findings and Recommendations Letters

Another shortcoming of the site visit process document is that it does not contain guidance on how long after a site visit a findings and recommendations letter should be issued. Timely feedback is a critical component of successful program management. If feedback that ties site visit discussions to findings and recommendations is given to agencies in a timely manner, it should reinforce guidance given and performance should improve. When asked about this, BCA officials stated that they were unsure if there is a policy or best practice documenting the acceptable time frame to issue a findings and recommendations letter following the site visit. Subsequently, the BCA supervisor stated, “The important thing is to have complete, accurate letters with actionable recommendations rather than having a deadline. Every attempt is made to get the letters done as soon as possible after the site visit. It is unusual for it to take more than six months, or even a few months, but it could happen in the event that we are waiting on information from the agency in order to complete the letter.”

An analysis of the site visit findings and recommendations letters issued during our scope period found a total of 86 letters had been issued and five letters for fiscal year (FY) 2022–23 had not yet been issued as of March 2023. Specifically, 36 letters were issued in FY 2020–21, 23 in FY 2021–22, and 27 in FY 2022–23.

We determined more than 31% (27 of the 86) of the letters issued were sent out over 30 working days after the completed site visit, including five that were sent out more than 3 months after the site visit was conducted. In one instance, despite no findings

or recommendations resulting from the site visit, it took 101 working days after the site visit for the letter to be issued. Further, the five findings and recommendations letters that have not been issued have been outstanding for an average of more than 3 months (108 working days as of March 2023) since the site visit was conducted. The BCA supervisor stated that two of the site visits had complications that required additional training or follow-up by the BCA site visit staff, which is “ongoing.”

The findings and recommendations letter template states that State agencies are to complete necessary updates no later than 30 days upon receipt of the letter. However, BCA officials do not have any formal follow-up procedures for working with State agencies that do not implement their recommendations other than what is listed in the process: “After 30 days from date of site visit recommendation letter, OGS begins following up to ensure that agency has implemented recommendations or, if applicable, given a satisfactory explanation for why a particular recommendation will not be implemented.” According to the site visit staff, they will follow up 30 days after issuance of the findings and recommendations letter by contacting applicable State agency officials via email, and will then reach out by phone in the event of no response. According to BCA, SFS AM contains live data and does not have a log of when changes are made by State agencies. As a result, although we were not able to determine the number of days it took for State agencies to implement recommendations after receipt of a findings and recommendations letter from BCA, we found 75% (353 of the 468) of the recommendations listed in the 86 findings and recommendations letters issued were reported as implemented by the respective State agencies.

Without the timely issuance of findings and recommendations letters, corrective action measures addressing the risks associated with reporting incorrect data may be delayed or not met.

Oversight

Physical Inventory Planning

At the onset of our audit, BCA officials supplied a list of 55 State agencies required to report their capital assets to the Office. BCA officials use this listing to determine where to perform their site visits. According to Office officials, determination of which agencies are required to report their capital assets to the Office depends on whether a State agency has a “business unit” in SFS AM (an SFS AM assigned category for each State agency). The list of State agencies in SFS AM with a business unit is compared with a previously determined list of agencies to identify and eliminate agencies that report their capital assets directly to the Office of the State Comptroller. From this listing of 55 State agencies, we requested details concerning each agency’s sites where capital assets are located and where BCA conducts site visits. BCA officials stated site visits are only conducted at State agencies that report having capital assets on their biennial report. BCA officials stated they did not have a total listing of all sites.

An estimated total listing was put together and provided to the audit team using documentation dating back to 2016 and included approximately 1,200 sites for 34 of the 55 State agencies. No site information was provided for the other 21 State agencies. In response to our preliminary findings, the Office explained that the 21 agencies omitted appear to have no capital assets based on their biennial responses. However, an analysis of the capital asset data in SFS AM for these 21 State agencies determined the listing provided by BCA was inaccurate and should have included only 19 agencies. Specifically, we found that:

- The 21 omitted State agencies included five State agencies that are not required to submit a biennial report to the Office.
- The 21 omitted State agencies also failed to include three State agencies that are required to and did not submit a biennial report to the Office.

Our analysis of SFS AM data determined that 36 of the 55 agencies (65%) required to report to the Office actually have capital assets. We also found that, in contrast to Office officials' assertion that they only conduct site visits at those State agencies that report having capital assets on their biennial report, BCA failed to account for two agencies (the Department of Labor with 18 capital assets valued at more than \$7 million and the Department of Public Service with two items valued at more than \$95,000) in their site visit plan. Additionally, BCA did not provide site location information for either agency, despite both agencies submitting a biennial report reflecting ownership of capital assets. Furthermore, we determined that two other agencies (the Office and the Justice Center for the Protection of People with Special Needs) were included as part of their site visit plan and location information but had not submitted biennial reports to reflect ownership of a combined total of 3,013 equipment, building, and land capital assets totaling \$2.7 billion according to SFS AM.

Site Visits

BCA officials initially stated site visits are conducted over a 5-year cycle with a goal of 30 site visits per year. BCA officials subsequently informed us that there was no site visit goal and provided a 3-year audit plan covering FYs 2020–21, 2021–22, and 2022–23 that outlined a total of 153 site visits at 31 of the 36 State agencies that have capital assets and are required to report to the Office. BCA officials provided auditors with an email detailing informal considerations and a site visit plan methodology used to generate the site visit schedule for the three FYs prior to our audit. The methodology used was a balance between covering all agencies with assets within the 3-year period, the number of assets at a specific location covered as a percentage of total agency assets, and the total cost of assets at a specific location as a percentage of total cost of all agency assets. The methodology further stated that site visits would have a particular focus on equipment assets, and because some agencies have a larger number of equipment assets, a sampling approach over several years would be taken, and agencies with a smaller number of equipment assets that can be completed during one site visit may be conducted once during the 3-year period.

Our analysis of the site visits conducted during these three FYs found that, as of March 2023, BCA conducted just 92 site visits at 11 State agencies of those proposed in the plan. Site visits were not conducted at any sites for the remaining 25 State agencies that have capital assets and are required to report to BCA. Details of the site visits conducted by BCA can be found in Table 1.

Table 1 – Site Visits Conducted by BCA

	State Agency Name	Estimated Sites per BCA	BCA Site Visits
1	Department of Environmental Conservation	282	2020, 2021, 2022
2	Division of Military and Naval Affairs	43	2020, 2021, 2022
3	Office of Mental Health	35	2020, 2021
4	Office for People With Developmental Disabilities	25	2020, 2021
5	Office of Children and Family Services	25	2020
6	Office of Parks, Recreation and Historic Preservation	245	2020
7	State Education Department	8	2020
8	Division of State Police	41	2020
9	Division of Correctional Industries	14	2021
10	Department of Corrections and Community Supervision	44	2021
11	Department of Health	11	2021
12	Office of Addiction Services and Supports	4	BCA did not visit
13	Department of Agriculture and Markets	5	BCA did not visit
14	Adirondack Park Agency	1	BCA did not visit
15	New York State Assembly	3	BCA did not visit
16	New York Legislative Bill Drafting Commission	2	BCA did not visit
17	Department of Civil Service	2	BCA did not visit
18	Office of Court Administration	10	BCA did not visit
19	Division of Criminal Justice Services	1	BCA did not visit
20	Department of Financial Services	3	BCA did not visit
21	Gaming Commission	1	BCA did not visit
22	Office of General Services*	50	BCA did not visit
23	Higher Education Services Corporation	1	BCA did not visit
24	Division of Homeland Security and Emergency Services	11	BCA did not visit
25	Office of Information Technology Services	16	BCA did not visit
26	Justice Center for the Protection of People with Special Needs/Executive Office*	1	BCA did not visit
27	Department of Labor**	–	BCA did not visit
28	Department of Law/Attorney General	5	BCA did not visit
29	Department of Motor Vehicles	2	BCA did not visit
30	Department of Public Service**	–	BCA did not visit
31	Office of the State Comptroller	3	BCA did not visit
32	Statewide Financial System	2	BCA did not visit
33	Department of Taxation and Finance	3	BCA did not visit
34	Office of Temporary and Disability Assistance	4	BCA did not visit
35	Department of Transportation	300	BCA did not visit
36	Workers' Compensation Board	1	BCA did not visit

*Agency that did not submit the biennial report during our audit scope period

**Agency for which the Office did not provide the number of sites

BCA officials stated the COVID-19 pandemic made it difficult to get into facilities and that “the last 2 years they have done more site visits than in the past.” However, according to documentation provided by BCA officials, the largest number of site

visits conducted during our scope period was during FY 2020–21 – at the height of the COVID-19 pandemic. Furthermore, our analysis of documentation provided by BCA officials, outlined in Table 2, found BCA is not conducting site visits on a regular or consistent basis.

Table 2 – Number of Site Visits Conducted During the Scope Period (as of March 2, 2023)

Month	Fiscal Year		
	2020-21	2021-22	2022-23
April	0	4	5
May	0	2	1
June	1	3	5
July	7	1	4
August	1	2	2
September	8	2	3
October	8	1	2
November	3	2	2
December	3	1	0
January	1	2	3
February	4	1	0
March	1	1	0
Totals	37	22	27

In addition to the inconsistent number of site visits conducted, other site visit irregularities were identified, including one visit conducted on a Saturday and two occasions where multiple site visits were conducted on the same day. For these two instances where multiple site visits were conducted in a single day by the same person, the thoroughness with which all assets were properly and accurately verified is questionable based on the distance, travel time, and total assets at each site, as shown in Table 3.

Table 3 – Multiple Site Visits Conducted on the Same Day

Date	Number of Site Visits on Same Day	Number of Assets	Travel Time Required Between Sites
June 22, 2022	3	93	34 minutes
January 24, 2023	3	195	4.5 hours

During our audit, we conducted site visits to 17 different sites at 12 State agencies over a 3-month period from November 2022 through January 2023. During five of the 17 site visits, BCA staff accompanied the audit team, and they performed their own physical inventory. We observed that BCA staff rushed through the site visits, did not verify land, and even left halfway through one site visit. In one instance, the BCA staff generated an inaccurate report from SFS AM for use during our site visit to verify State agency assets and in another instance dismissed inaccurate location, description, and total cost reporting errors, stating “It doesn’t matter, and it is up to the agency to fix that.” Use of inaccurate reports of the capital assets in SFS AM, along with the lack of site visit procedures previously mentioned, will lead to ineffective and incomplete site visit reviews of State agency assets.

Capital Asset Reporting

On a biennial basis, BCA sends email reminders to the property control manager at each State agency that is required to report their capital assets. The email contains an inventory report of the State agency's capital assets reported in SFS AM and requests that State agency officials review, update, and certify the information on the report (e.g., item, location, tag number, serial number, historical cost). Feedback from State agency officials during our site visits demonstrates the importance of BCA's role in sending these biennial reminders to agencies:

- Officials at eight State agencies stated they do not update their capital asset inventory in SFS AM promptly; rather, necessary updates are only made every 2 years, upon receipt of the biennial reminders from BCA.
- Officials at nine State agencies stated the biennial reminders are a helpful control in place to identify capital assets that should have been reported but for some reason went unreported.

We also conducted site visits to review the accuracy of the data reported on the biennial reports and recorded in SFS AM. Our site visits to 17 sites at 12 different State agencies found the following:

- 224 capital assets went unreported in SFS AM, including 10 forklifts an agency was waiting for OGS to add to SFS AM, a ticket booth, garages, and dump trucks.
- 16% (156 of 994) of capital assets contained incorrect or missing data in SFS AM, such as the description, location, cost, or other key pieces of information required to locate, identify, or report on an asset.
- 3% (32 of 994) of assets reported in SFS AM could not be found or verified during our site visit as a result of being disposed, demolished, moved, or inaccessible. The assets that could not be found have a total value of \$6.7 million and include a snowplow, sheds, and laboratory equipment.

See Table 4 (page 17) for additional details on our findings.

We further reviewed the data elements in SFS AM for each of the 994 capital assets examined and identified 1,026 errors.

Office officials advised us that it is the responsibility of each State agency to enter its capital assets into SFS AM and certify the accuracy of the information. While we agree that the agencies are responsible for entering their capital asset information and should enter accurate information, according to the Law, the State is responsible for maintaining custody of the capital asset reporting system to allow for monitoring and reporting of the State's capital assets. Further, the Manual states the Office is responsible for gathering, inputting, and reporting on capital asset information, and the Office itself stated it is responsible for approving all pending data entries made by State agencies to ensure that no required inputs are missing and everything looks reasonable.

Table 4 – Site Visit Findings

Agency Sites Visited	Total Assets*	Asset Values*	Assets Unreported in SFS	Assets With Incorrect Data	Assets Not Found During Site Visit	Value of Assets Not Found During Site Visit
Department of Agriculture and Markets						
Syracuse State Fair	106	\$56,383,086	36	19	2	\$165,596
Department of Environmental Conservation						
Belleayre Mountain Ski Center	75	18,367,781	19	23	0	–
Gore Mountain Ski Center	66	2,687,364	9	10	0	–
Saratoga Tree Nursery	44	1,437,960	1	4	0	–
Whiteface Mountain Ski Center	56	3,398,407	13	3	3	13,195
Department of Homeland Security and Emergency Services						
Guilderland Stockpile	37	2,108,224	12	0	0	–
Department of Motor Vehicles						
Utica State Office Building	4	264,364	0	0	2	154,264
Department of Corrections and Community Supervision						
Coxsackie Correctional Facility	99	24,260,849	4	15	0	–
Department of Health						
Griffin Laboratory	37	6,878,378	3	5	5	281,540
Department of Transportation						
Region 9 Owego	73	10,143,726	6	48	2	552,374
Office of Children and Family Services						
Industry Lower Residential Center	32	27,561,931	21	9	2	99,571
Office of Mental Health						
Creedmoor Psychiatric Center	40	104,619,103	1	7	0	–
Pilgrim Psychiatric Center	51	319,982,293	10	1	3	4,910,781
Office for People With Developmental Disabilities						
Sunmount DDSO	127	22,900,149	41	7	3	44,193
Western NY DDSO	85	25,820,705	46	4	8	392,755
Office of Parks, Recreation and Historic Preservation						
Sunken Meadow State Park	53	20,671,821	2	0	2	125,348
State Education Department						
NYS School for the Deaf	9	2,085,461	0	1	0	–
Totals	994	\$649,571,602	224	156	32	\$6,739,617

*Does not include land capital assets, unreported capital assets, and capital assets with incomplete cost data
 DDSO = Developmental Disabilities Services Office

The Office further stated that it currently conducts site visits on a periodic basis to verify the accuracy of the assets and that no visits to the sites listed in Table 4 had been completed during the scope of the audit. However, based on further analysis of documentation provided by the Office, we determined that, during the scope period, the Office did visit:

-
- Six of the 15 sites where assets found on site went unreported in SFS AM.
 - Seven of the 14 sites where assets contained incorrect or missing data in SFS AM.
 - Three of the 10 sites where assets reported in SFS AM could not be found or verified as a result of being disposed, demolished, moved, or inaccessible.

In response to our preliminary findings, Office officials noted that since the Office did not participate in the majority of the site visits conducted by the audit team, they were unable to ascertain the accuracy of the observations made at each location. However, we invited BCA officials to attend each of our site visits, and although they declined, we did provide detailed information with our preliminary reports for each site visit.

At two sites (for one State agency) that BCA did not visit prior to our audit, we also found:

- \$19.7 million in building renovations (for five assets) went unreported, including an approximate \$11 million renovation completed 4 years ago.
- \$8.7 million for four renovations, some of which were completed as far back as 2011 – 12 years ago.

According to the Office, none of these improvements were reported to the Office nor were they added to SFS AM. The Office further explained that there was confusion whether the particular sites, under an agreement since 2012 to be operated by an authority (Olympic Regional Development Authority) but owned by a State agency (Department of Environmental Conservation), should be recorded in SFS AM, but it has since been clarified that they should. This demonstrates the importance of taking physical inventories – to ensure that discrepancies are identified so that assets are properly recorded.

It is the Office's role to maintain an account of capital assets in SFS AM. The Office – which does not have authority over other State agencies – does share a responsibility along with the State agencies to make sure capital assets are properly recorded in SFS AM. We question how BCA can adequately oversee State agencies to ensure they have proper inventory controls in place to safeguard assets if, in some instances, the location and existence of capital assets are unknown. Consistent site visits and documented procedures will enable BCA to better assist agencies on a regular basis so that SFS AM more accurately reflects the State's capital assets.

Monitoring of Statewide Financial System Asset Management Module

According to the Law, the State is responsible for maintaining custody of a comprehensive capital asset reporting system that allows for monitoring and reporting of the State's capital assets. However, BCA officials do not take timely, proactive actions such as running reports from SFS AM or performing analysis on

SFS AM data to provide the Office with valuable data to monitor and identify potential data inaccuracies or trends.

BCA officials noted that a query in SFS AM was created by a former BCA official to look for large equipment items on vouchers or purchase orders that are more than \$40,000 and not recorded in SFS AM. While the query does not take into account any split coded items and is not considered a failproof method, it can be considered the initiation of data analysis to identify risk in the area of capital assets. However, we determined BCA has not used this query, nor any other query, during our scope period to identify purchases of potential capital assets that may require recording in SFS AM. In response to our preliminary report, Office officials stated that the query was never used for BCA purposes and was built to help the Office, not BCA. BCA officials also stated that if there were a lot of issues, then they would examine SFS AM for trends. Without taking timely, proactive actions, such as running reports, performing analysis, and monitoring for trends, data inaccuracies will continue to go unidentified.

Our audit also included an analysis of SFS AM data to determine whether data inaccuracies or trends could be identified and used as a tool and resource to guide BCA in how it allocates its resources and find errors, inaccuracies, and inefficiencies. As part of our analysis, we conducted a data match between two State-owned data sources – State GIS Program Office (GPO) tax parcel data and SFS data – to determine whether a list of tax parcel addresses marked as State owned were reported in SFS data. We found 5,461 instances where an address was marked as State owned in the GPO tax parcel data but does not appear in the SFS data. Additional work needs to be done to determine the status of these properties. We shared this analysis with Office officials, who disagreed with our analytical techniques. Nevertheless, we believe data analysis should be conducted, as it's a valuable tool to identify data inaccuracies and inconsistencies as well as ensure that the data in SFS AM is high quality and available for use by management to make informed decisions. Information of this nature can assist the Office and other State agencies when fulfilling their requirement under Executive Order 30 to identify property under their ownership as potential solutions to the State's housing crisis.

The Office contended that tax maps are for tax purposes only and do not reflect individual deed parcels in the private or public sectors. However, we disagree with this assertion as the data is relevant, credible information that is available to the Office and can be used to conduct a risk assessment. Risk analysis results are only an indicator of risk, and further investigation is warranted. Our preliminary results highlight an approach that may assist and strengthen the Office's program oversight.

Another analysis of SFS AM data that we performed identified a total of 3,774 entries for buildings, equipment, and land that appear to be incorrectly reported with a total cost of either \$0 or \$1 (see Table 5). This includes the 12 assets previously reported under the BCA Policies and Procedures Site Visits section of our report.

Table 5 – Assets in SFS AM With a Total Cost of \$0 or \$1

Assets in SFS AM	Buildings	Equipment	Land	Total
\$0 total cost	761	2,271	221	3,253
\$1 total cost	61	158	302	521
Totals	822	2,429	523	3,774

After reviewing these assets, the Office stated that the majority have a dollar value under \$40,000 and thus are not considered capital assets. However, we question how the Office can readily distinguish between errors and entries for non-capital assets without a way to distinguish which assets are capital assets in SFS AM. The Office should perform its own data analysis and work with State agencies to review the accuracy of assets and ensure that the correct historical asset value is assigned to each asset in SFS AM.

In addition, the Office contended that 626 of the 761 buildings with a cost of \$0 are fully depreciated and thus their value is accurately recorded as \$0. However, we question why the actual historical cost value of an asset is not recorded and netted against its accumulated depreciation, which would give a more accurate representation of total value and ensure the capital asset inventory is accurate. The Office also stated that more than half of the 61 buildings recorded with a cost of \$1 were the result of having a historical acquisition date, and the cost of \$1 was either the best cost they could find and/or they actually cost \$1. Yet the GFO states, “Generally capital assets should be accounted for at historical cost (at estimated historical cost if actual historical cost is not practicably determinable).”

Our analysis of SFS AM data also found 450 instances of duplicate capital asset records where the same asset tag number was listed more than once. These instances include duplicate entries for the same asset with certain differing data fields that created multiple records for a single capital asset with the same asset tag number. It also includes situations where the same asset tag number was used by more than one State agency. For example, an asset tag number associated with equipment that cost approximately \$34,000 at one agency was also listed as an asset tag at a different agency for equipment that cost \$500. Due to the item descriptions listed in SFS AM, we were unable to decipher the nature of each piece of equipment. In its response to our preliminary findings, Office officials stated the majority of these instances are related to a known glitch in some of the queries used, where it repeats query result lines, rather than actual duplicate capital asset records. However, the Office could not support the claim of this known glitch or whether it has taken steps to address the issue. We also identified two Office-owned assets that were incorrectly listed as intangible capital assets but did not meet the definition of an intangible asset. In response, the Office contended that neither of these assets are capital assets, and although it will take note to correct informally, these assets are not relevant to the scope of the audit or under the purview of BCA’s review. We again assert that if State agencies will be using SFS AM to record all assets, not just capital assets, there should be an easily identifiable way to distinguish which assets

are capital assets in SFS AM, and discrepancies should not be dismissed as system errors.

It is crucial that the Office identifies possible red flags and indicators that State agencies may have been inaccurately reporting their capital assets. Using queries and conducting analyses are valuable tools that will help in monitoring and reporting the State's capital assets, and these tools would also help BCA offer relevant and appropriate guidance and training to better assist State agencies. The accuracy of all assets should be verified to ensure that relevant and high-quality information is available for use by management to make informed decisions, evaluate the organization's performance, and address risks.

Communication and Guidance

We determined that BCA provides limited training and outdated guidance to State agencies regarding their capital assets in SFS AM. In addition, notwithstanding the limitations noted, BCA could better communicate to State agencies that these resources are available.

BCA updated the Manual in 2016, and it includes criteria, guidance, and requirements for State agencies to follow when recording capital asset transactions, including acquiring, modifying, and retiring (disposal) of capital assets. However, the Manual has not been updated in 8 years and certain areas are outdated, limited, or not included. For example, we found:

- References to a capital assets database – as well as BCA's responsibility for maintaining it – that, according to BCA, no longer exists.
- Insufficient information regarding available SFS AM trainings. Job aid trainings are available to users in SFS Coach and provide step-by-step instruction guides covering a basic overview of the system; accessing and using the biennial inventory query; searching, adding, and retiring assets; modifying or updating inspection for an asset; and asset management 101. However, the Manual only briefly mentions the existence and availability of job aids and how they can be accessed.
- Guidance on how a State agency declares an asset as surplus, but omitting the requirements for when a State agency obtains an asset from surplus.

BCA notifies State agencies of its availability to address questions or concerns and provides contact information in its Manual, annual certification, biennial reminder emails, and findings and recommendations letters; however, some State agency staff are still not aware of resources available, such as the Manual and SFS Coach. We found State agency officials at nine of the 17 sites were unable to recall a previous capital asset site visit performed by BCA, and State agency officials at six sites (belonging to four different State agencies visited during our audit) were not aware of the guidance regarding capital assets contained in the Manual.

In addition, State agency officials at eight sites belonging to five different State agencies never heard of SFS Coach (including four of the same sites at three of the

same State agencies mentioned previously that were not aware of the Manual) and an additional four know of SFS Coach but do not use it. State agency officials at certain sites stated that SFS Coach is confusing, not user-friendly, and only helpful if the user is already proficient with SFS. Further, State agency officials stated that the site staff who are in direct contact with the property control managers and conduct the on-site inventories for the biennial reporting do not usually have access to SFS and thus are unable to utilize the job aid trainings. Further, one State agency official provided feedback that the Manual should be updated but did not specify which topics or sections needed updating, and another State agency official stated it would be helpful if BCA offered Zoom meetings to address questions. State agency officials at 12 of the 17 sites visited during our audit stated that BCA site visits are helpful for providing guidance in capital asset reporting.

As previously noted, during our site visits, we found 224 assets on site that met the capital asset criteria and went unreported (including their cost) in SFS AM, including 47 of these assets at two agencies that went unreported because of inadequate guidance, according to State agency officials. These assets include 10 vehicles acquired from surplus that went unreported because of a lack of guidance in the Manual on how to report assets acquired from surplus and 37 sheds or detached garages that were not reported due to unclear guidance in the Manual, which states that all structures built for permanent use with at least three walls and a roof are considered buildings and should be reported.

BCA officials maintained that the Manual and job aids are sufficient guidance. Office officials advised us that BCA communicates with agencies' property control managers for the annual certification, at a minimum, and that responsibility falls on the property control manager if this information is not distributed within the agency. In contrast to the Office's assertions, during our site visits, we found annual communication to the property control manager is not always happening. For example, one property control manager expressed that they were not notified of any site visits or any findings and recommendations letters from the Office and, as a result, had not been informed of changes that needed to be made. Because the State agency property control manager maintains access to SFS and the ability to readily make necessary changes, at the very least, all property control managers should be copied on all communications regarding asset management.

During our site visits, we observed instances where the BCA site visit staff member issued inconsistent guidance and/or findings and recommendations letters. For example, inaccurate descriptions of capital assets in SFS were reported as findings to one State agency, but the same inaccuracies at another State agency were not reported as findings. Also, inconsistent guidance concerning the treatment of buildings was given by a BCA site visit staff member. In a findings and recommendations letter, the site visit staff stated that a building must be in service to be considered a capital asset and recorded in SFS. However, during a site visit at a State park, conflicting guidance was provided to a State agency official who conveyed frustration and questioned why an out-of-service and condemned building couldn't be removed from SFS AM until it was demolished. In this instance, the site

visit staff informed the State agency official that the only requirement outlined in the Manual for a building to be considered a capital asset is it must have three walls and a roof and did not mention it must be in service. Retaining the asset in SFS AM would ensure the State is aware of agency ownership.

BCA should openly communicate with State agency officials to ensure they are aware of the support and resources available and that the needs of State agency staff are being met. Routine and regular communication with State agency inventory personnel may have identified State agency issues or concerns with the Manual and SFS Coach as well as errors and discrepancies when reporting capital assets.

Recommendations

1. Establish clear guidance through policies and procedures when conducting physical inventories to ensure they are completed appropriately and identified risks are mitigated.
2. Work with State agencies to identify their additional sites to develop a complete listing of locations that may house capital assets.
3. Augment existing processes by including more effective methods to ensure agencies that are required to report capital assets to the Office are properly doing so.
4. Conduct a formal risk assessment of the site visit process and use results to establish reasonable and obtainable goals, including performing site visits to each State agency with established regularity.
5. Take proactive action to identify capital asset data inaccuracies reported in SFS AM by enhancing internal processes such as data analysis.
6. Develop and implement procedures to provide continued support, such as detailed risk-based guidance and trainings, to ensure agencies are aware that capital asset data needs to be accurate, complete, and updated timely.
7. Facilitate communication with State agencies regarding the types of errors the Office encounters statewide and address them with all State agencies.

Audit Scope, Objectives, and Methodology

The objectives of our audit were to determine whether the Office is adequately overseeing selected State agencies and related entities to ensure that they have proper inventory controls in place to safeguard assets and that they are properly reporting capital assets. The audit covered the period April 2020 through May 2023.

To accomplish our objectives and assess internal controls related to the Office's oversight and monitoring of reported capital assets, we reviewed relevant laws and regulations; Office policies and procedures; relevant financial and program records, including job duties and trainings offered; and capital asset supporting documentation, such as biennial reports, findings and recommendations letters, and site visits planned and completed for the audited period. We interviewed Office management to gain an understanding of their efforts. We interviewed State agency officials to further gain an understanding of the asset management process. We determined that the data was sufficiently reliable for use in accomplishing our objectives.

We used a non-statistical sampling approach to provide conclusions on our audit objectives and to test internal controls and compliance. However, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations. Our samples were based on the relative materiality of the various categories of costs reported and their associated level of risk, which are discussed in detail in the body of our report. We selected a judgmental sample of 17 different sites at 12 agencies with a total of 994 assets totaling approximately \$650 million. Our judgmental sample was based on high-risk factors such as 10 or more recommendations received from previous site visits, prior BCA audit results, and whether the site was visited by the Office during our scope period. During our site visits, we interviewed State agency staff on their process of reporting capital assets to determine their accuracy of capital asset reporting and if certain proper inventory controls were in place to safeguard assets. Specifically, at each site visit, we examined whether capital assets found on site were reported to the Office in SFS AM; if capital assets reported in SFS AM could not be identified on site; whether there were errors in the capital asset data reported in SFS, including description, location, cost, or other key pieces of information required to locate, identify, or report on an asset; and whether capital assets recorded in SFS AM no longer should be and need to be removed. In addition, during site visits, we reviewed equipment assets to determine whether they had an asset tag issued by the Office and if the asset tag number matched SFS AM data as appropriate. We analyzed all SFS AM data to identify questionable transactions and errors, such as assets marked with a questionable total cost and owner, duplicate asset tags, and incorrect asset classification type.

As part of audit procedures, the audit team used Geographic Information Systems (GIS) software for geographic analysis. This analysis used New York State parcel data, including Suffolk County Real Property Tax Service Agency "AREIS and Tax Map" (Copyright 2021, County of Suffolk, NY). This data was used to conduct a data match between the tax parcel and SFS data to generate a list of tax parcel addresses marked as State owned that do not appear in the SFS data.

Statutory Requirements

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

We conducted our performance audit in accordance with 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. These duties could be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our professional judgment, these duties do not affect our ability to conduct this independent performance audit of the Office's oversight and administration of its capital asset management program.

Reporting Requirements

We provided a draft copy of this report to Office officials for their review and written comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of it. Office officials agreed with the majority of our recommendations but took exception to certain statements in the report. Our responses to certain Office comments are embedded within the Office's response as State Comptroller's Comments. We also provided Office officials a letter for matters considered to be of lesser significance and, therefore, did not include them in our audit report.

As is our standard practice, we issue written preliminary reports during the audit process. For our second, and last, preliminary report, Office officials did not provide a written response and stated that they had nothing to add because they did not go on site visits with us and could not comment on our findings, nor would they be commenting on the second preliminary report's findings in the draft report.

Within 180 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of General Services shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Agency Comments and State Comptroller's Comments



KATHY HOCHUL
Governor

JEANETTE M. MOY
Commissioner

November 9, 2023

Nadine Morrell, Audit Director
NYS Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

Re: Draft Audit Report- 2022-S-32, Capital Asset Management

Dear Nadine Morrell,

Thank you for the opportunity to respond to the Office of the State Comptroller's ("OSC") above-referenced draft audit report (the "Report"). On behalf of the Office of General Services ("OGS") and pursuant to Executive Law § 170, I write to provide confirmatory information concerning OGS's responses to OSC's seven recommendations detailed in the final audit report.

While OGS generally agrees with most of the Recommendations in the Report, we respectfully disagree with the Report's conclusion that our office "is not adequately overseeing capital assets reported by State agencies to ensure that these agencies are properly and timely reporting capital assets." This conclusion is not supported by the findings. We also note that significant statements presented as findings are in fact mere assumptions, as evidenced by the use of language such as "we question," "it appears," or "we believe." OGS is also concerned to find that information we provided during fieldwork that would correct certain misapprehensions or misunderstandings was disregarded by the audit team.

State Comptroller's Comment – We stand by our conclusion that "the Office is not adequately overseeing capital assets reported by State agencies to ensure that these agencies are properly and timely reporting capital assets" – as it is supported by the findings throughout the report. We conduct our audits in accordance with generally accepted government auditing standards. As such, we are required to obtain – and we have obtained – sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Further, we are troubled by the Office characterizing our findings as "mere assumptions" simply due to wording choices – each of the six instances of "we question" and "we believe," are used not in connection with a finding, but rather in response to an Office assertion or practice – and not weighing our findings as a whole. Further, we did not disregard any information provided by the Office. In fact, in many cases, further correspondence or other pieces of information were considered. Finally, Office officials declined to respond to one of our preliminary reports, despite being given multiple opportunities, as they noted they had "nothing to add," yet they now are questioning the findings.

Mayor Erastus Corning 2nd Tower, Governor Nelson A. Rockefeller Empire State Plaza, Albany, New York 12242 | www.ogs.ny.gov

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OGS's responsibility regarding capital assets is specified in the Chapter 405 of the Laws of 1981, which stipulates that the Commissioner of General Services shall by rule or regulation, and upon the advice of the Comptroller, prescribe the elements, extent, and format of the information to be included and the procedures for collection, presentation, and verification of such information necessary to establish and maintain a set of general fixed asset accounts that comply with generally accepted accounting principles.

It is the responsibility of each agency to maintain accurate capital asset information in the Statewide Financial System ("SFS"). The OGS Bureau of Capital Assets ("BCA") act as a service bureau to the agencies, monitoring and coordinating inputs to the system, maintaining the capital assets database, and distributing reports. Information from the database is provided to OSC to prepare the Annual Comprehensive Financial Report.

State Comptroller's Comment – The Office's response states BCA is responsible for maintaining a capital assets database. On several occasions during the audit, we discussed BCA's responsibility regarding the capital assets database referenced in BCA's Manual. Each time, the Office's position was that, with the inception of SFS AM, the capital assets database was no longer in existence. After the Office further reaffirmed this position in its written response to our first preliminary report, we included it in our report as one example of outdated guidance in the Manual that needs to be revised. Yet now the Office asserts otherwise – that a capital assets database does exist and BCA is responsible for maintaining it.

It must be noted that, each year, OSC engages the services of an independent accounting/audit firm to conduct an audit of the State's financial statements. Annually, as part of that audit engagement, fieldwork is conducted by the independent firm which includes (among other things) substantive testing of capital assets and deletions. In recent years, the auditors have not issued a management letter identifying any findings or observations based on that fieldwork and testing regarding the procedures and controls used by State agencies and OGS in reporting capital assets in SFS.

State Comptroller's Comment – We are unsure why the Office would reference the work of the State's independent auditor – the Annual Comprehensive Financial Report and the State of New York Basic Financial Statements and Other Supplementary Information – as these reports do not express an opinion on the effectiveness of the State's internal control over financial reporting or on compliance.

The following are our Responses to the content of the Report and conclusions as presented.

1. (Page 8), 16% (156 of 994) of capital assets had incorrect or missing data in SFS AM, such as the description, location, cost, or other key pieces of information required to locate, identify, or report on an asset.

OGS Response: Based on the audit team's testing it can be concluded that there was no issue with 84% of the assets tested. Furthermore, upon careful review, we find that the incorrect or missing data for the 156 assets is generally insignificant, such as asset name or floor/room number. These issues do not impair BCA's ability to report capital asset data for financial reporting purposes.

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2. (Page 8), 3% (32 of 994) of capital assets reported in SFS AM could not be found or verified during our site visits. The capital assets that could not be found have a total value of \$6.7 million and include a snowplow, sheds, and laboratory equipment.

OGS Response: Based on the audit team's testing, it can be concluded that 97% of the assets were located, which further demonstrates the reliability of assets documented in SFS by State agencies. Moreover, the 32 assets not verified during the visits are valued at approximately 1% of the total 994 capital assets.

State Comptroller's Comment – We are concerned by the Office's response. The Office not only dismisses the significance of the specific assets we found to be at risk (as argued in #1 and #2 above) but, in doing so, also misrepresents the overall finding. The findings are part of a larger, overarching finding on the accuracy of the data reported on the biennial reports and recorded in SFS AM, which found assets unreported in SFS, assets with incorrect data, and assets not found during our site visits, with a value of \$6.7 million.

As noted on page 16 of our report, the Office itself stated it is responsible for approving all pending data entries made by State agencies to ensure that no required inputs are missing and everything looks reasonable. Furthermore, as noted on page 17 of our report, the Office stated that it currently conducts site visits on a periodic basis to verify the accuracy of the assets – yet sheds, a snowplow, and lab equipment, with a value of \$6.7 million, were missing from a small sample of the SFS assets we tested.

3. (Page 8), BCA has not established sufficient policies and procedures to oversee the capital asset management program and is not maximizing the full capability of its site visits.

OGS Response: This is not an accurate conclusion. OGS has published and maintains a Capital Asset Policy and Procedure Manual that is used by State agencies for asset management. The audit team was provided with this manual and did not identify any deficiencies.

State Comptroller's Comment – We disagree. Based on its response, the Office does not understand the finding as it relates to both the Manual and BCA's own policies and procedures used to conduct site visits. As we noted in the Communication and Guidance section of our report (pp. 21-23):

- The Manual only briefly mentions the existence and availability of job aids and how they can be accessed.
- We found 224 assets on site that met the capital asset criteria and went unreported (including their cost) in SFS AM, including 47 assets at two agencies that went unreported because of inadequate guidance, according to State agency officials.
- These assets included 10 vehicles that were unreported due to a lack of guidance in the Manual on how to report assets acquired from surplus and 37 sheds or detached garages that were not reported due to unclear guidance in the Manual.
- We observed instances where the BCA site visit staff member issued inconsistent guidance and/or findings and recommendations letters.

Further, as stated in the report, the policies and procedures BCA follows to conduct site visits are insufficient. This issue was included in our second preliminary report, which the Office chose not to respond to while also stating it had nothing to add and would not be commenting on the

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second preliminary's finding in the draft report. Had the Office responded to the preliminary report as requested, we would have been able to clarify its misinterpretation of the report earlier.

4. (Page 8), BCA is not conducting site visits on a regular or consistent basis.

OGS Response: This is not an accurate statement. BCA has performed an average of 29 site visits per year during the scope period as shown in Table 2 of this report. The term "regular" is arbitrary and not supported by criteria other than this conclusory opinion in the Report.

State Comptroller's Comment – Again, the Office is misinterpreting the finding. Our finding is factually supported by BCA's data and is not an opinion. For the 37-month audit scope period, BCA did a site visit for only 11 of 36 (31%) required State agencies, as shown in Table 1 (p. 14). Further, BCA conducted either zero or only one site visit for 15 of the 37 months (41%), as shown in Table 2 (p. 15). This clearly illustrates that sites visits are not being conducted regularly. (We note that, during the audit, we conducted 17 site visits in about 13 weeks.) Again, this issue was included in our second preliminary report, which the Office chose not to respond to.

5. (Page 8), We found 5,461 instances of properties where the address was marked as State owned in tax parcel data but does not appear in the SFS AM data. Additional work needs to be done to determine the status of these properties.

OGS Response: The Report presents this as a finding and gives the misleading impression that the asset data in SFS may be incomplete, even though the Report never indicates if these "instances" are in fact assets that would meet the criteria to be listed in SFS as capital assets. The Report states that "Additional work needs to be done to determine the status of these properties." OGS respectfully disagrees because, as explained below, it should not be surprising that there would be discrepancies between tax map data and asset data in SFS in light of their very different purposes.

During fieldwork, a member of the audit team inquired with the BCA if they were aware of any reasons why an address that was marked as State-owned in the GPO tax parcel data does not appear in the SFS data. The member of the audit team provided BCA with a few examples. The BCA forwarded the question to the Bureau of State Asset and Land Management ("SALM") for its review. SALM is responsible for maintaining an inventory of State-owned real property as required by Public Lands Law § 2 and for, among other things, granting easement rights in State-owned land, granting rights in State-owned lands under water, transferring jurisdiction in State lands from one State agency to another, and disposing of unused State land through public auction. Through this experience, the personnel in SALM are very familiar with the uses and limitations of tax map data.

The response from SALM was as follows:

Tax maps are for tax purposes only and do not reflect individual deed parcels, both in the private or public sectors. Often times there is an assemblage of deeds from different owners that make up a State-owned

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facility. NYS is exempt from paying taxes. Tax map data cannot be used to determine State ownership. We do not advise using tax map data to determine State ownership, official addresses or area. They were not made for that purpose.

Despite this clear warning from SALM that tax map data is ill-suited to corroborate or verify the asset data in SFS, and despite the fact that BCA provided an example (supported by screenshots) that certain land parcels were in-fact listed under multiple deeds and properly included in SFS, the Report contends that the tax map data “can be used to conduct a risk assessment” (page 19). That would only be the case if the tax map data were painstakingly reviewed and corrected to have sufficient reliability to compare to SFS data.

State Comptroller’s Comment – We disagree with the Office’s response, as it does not address the overall finding. We found that BCA does not take timely, proactive actions such as running reports from SFS AM, performing analyses on SFS AM data to derive valuable data for monitoring and identifying potential data inaccuracies or trends (basic data analysis), or analyzing data from other sources. Our analysis was an indicator to show that leveraging data and using analytical techniques can help identify potential inaccuracies. The 5,461 instances stated in the report are the potential effect of using data analytic techniques, and not the finding – the finding is BCA not leveraging available data, which can be sources other than tax parcel data. In addition, the Office only showed us five land parcels that were not improperly listed in SFS, leaving 5,456 as potentially improperly listed. In addition, in late October 2023, the Office requested a listing of the 5,461 instances because it didn’t have them, despite our providing this listing to officials in mid-May 2023 as part of our first preliminary report.

6. (Pages 9-10), [W]e identified two huge, freestanding water towers (see image to the right) that, although considered a capital asset, were not listed on the SFS AM generated State agency capital assets report run and provided by BCA. These water towers were also not addressed by BCA during a previous visit conducted at the site.

OGS Response: This is not a finding, and the Report unfairly gives the false impression that these very conspicuous assets were not accounted for in SFS. In point of fact, these two towers are listed in SFS, and OGS provided evidence of that status to the audit team. This included a screen shot with both towers listed and with unique Asset ID numbers. When the capital asset data was extracted for the audit team for its site visit, the BCA did not include equipment worth under \$40,000 and land improvements under \$100,000, which was clearly explained in the email exchange between the BCA and audit team. The towers were excluded from the report run for the audit team because they are valued at less than \$100,000.

State Comptroller’s Comment – The information provided in the Office’s response is inaccurate and contradicts what we were told by officials during the audit. In a January 5, 2023 email, BCA stated, “The only thing that we cut out was one piece of non-GAAP (\$40,000 or less cost) equipment and some non-GAAP (under \$100,000 cost) land improvements” regarding the SFS AM-generated report for our site visit. Further, when we inquired why the water towers were not included in the report, BCA never indicated that they were not considered capital assets. Rather, in a March 9, 2023 email, a BCA official stated, “To be honest I am not sure why

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are they are not on the lists generated out of SFS. It shows in SFS that they came over with the conversion and has been fully capitalized.”

In addition, in response to our preliminary report, the Office stated, “These assets although not being reported on the biennial report are in SFS and are included in the numbers reported to OSC for annual financial reporting and are not material.” There was no question about the towers’ status as a capital asset.

7. (Page 15), In addition to the inconsistent number of site visits conducted, other site visit irregularities were identified, including one visit conducted on a **Saturday** and two occasions where multiple site visits were conducted on the same day. For these two instances where multiple site visits were conducted in a single day by the same person, the thoroughness with which all assets were properly and accurately verified is **questionable** based on the distance, travel time, and total assets at each site.

OGS Response: This is inaccurate, because OGS provided information to the audit team showing that the site visit in question did not take place on a Saturday and that the date of the visit was inadvertently recorded incorrectly. In addition, OGS objects to statement regarding the thoroughness of the visits to multiple sites conducted in a single day. While the Report calls the thoroughness “questionable,” this is an implication and not a finding, and the Report does not conclude that the site visits were not effective.

State Comptroller’s Comment – The Office is incorrect. Auditors were not provided documentation to show that the date of the site visit listed on the BCA-issued letter for audit recommendations to the State agency was inaccurate.

Again, these issues were included in a second preliminary report issued in June 2023, which the Office chose not to respond to while also stating it had nothing to add and would not be commenting on the second preliminary’s finding in the draft report. The Office did not provide any indication of an issue with these findings until October 2023 – after the draft report was issued.

8. (Page 15), We observed that BCA staff **rushed** through the site visits, did not verify land, and even left halfway through one site visit.

OGS Response: This is not a finding; the BCA staff member was not performing a site visit but rather was merely accompanying the audit team on a visit that the team had arranged. As was explained to the audit team at the time, the BCA staff member had a conflict with a personal appointment and left early for that reason.

State Comptroller’s Comment – The Office is misrepresenting the facts. BCA accompanied us on five site visits, not one. During these site visits, we observed BCA conducting physical inventories and/or training BCA staff on taking physical inventories. This issue was included in our second preliminary report, which the Office chose not to respond to while also stating it had nothing to add and would not be commenting on the second preliminary’s finding in the draft report. Yet, now the Office is providing comments.

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9. (Page 19), Another analysis of SFS AM data that we performed identified a total of 3,774 entries for buildings, equipment, and land that **appear** to be incorrectly reported with a total cost of either \$0 or \$1 (see Table 5).

OGS Response: OGS notes that this statement is merely an implication and not a finding, as evidenced by the Report's use of "appear," which indicates that the audit team never concluded that these assets were incorrectly reported.

State Comptroller's Comment – We are perplexed by the Office's response. The results that the Office cites stemmed from one of several analyses conducted primarily to demonstrate their value for asset monitoring and, in this case, identifying **potential** data inaccuracies or trends, hence our use of the word "appear."

BCA does not take timely, proactive actions such as running reports from SFS AM or performing analyses on SFS AM data to provide the Office with valuable data to monitor and identify potential data inaccuracies or trends. As part of our own analysis to show the effect of this non-action, we found inconsistencies in the dollar value of equipment, buildings, and land. When we inquired about these 3,774 assets, BCA officials noted that the majority have a dollar value under \$40,000 and thus are not considered capital assets, but provided no documentation to support this. Therefore, we recommended the Office perform its own data analysis and work with State agencies to review the accuracy of assets and ensure that the correct historical asset value is assigned to each asset in SFS AM.

10. (Page 20), In addition, the Office contended that 626 of the 761 buildings with a cost of \$0 are fully depreciated and thus their value is accurately recorded as \$0. However, **we question** why the actual historical cost value of an asset is not recorded and netted against its accumulated depreciation, which would give a more accurate representation of total value.

OGS Response: OGS objects that this statement is merely an implication and not a finding, as evidenced by the Report's use of "we question," which indicates that the audit team never concluded that these assets were incorrectly reported.

Moreover, the determination to record the value as \$0 was made in consultation with OSC Bureau of Financial Report and Oil Spill Remediation in 2014 (or thereabouts) regarding the entering of assets into the system that were not previously recorded, yet we know they have been fully depreciated. According to GASB, governments are required to report capital assets at their historical cost and to depreciate that historical cost in a systematic and rational manner over the estimated useful lives of the assets. Capital assets are reported at their historical cost net of accumulated depreciation in financial statements

State Comptroller's Comment – The Office is, again, not considering the finding as a whole and is misrepresenting the facts stated in the report. As noted above, we found BCA officials do not take timely, proactive actions such as running reports from SFS AM or performing analyses on SFS AM data to provide the Office with valuable data to monitor and identify potential data inaccuracies or trends. As part of our own analysis to show the effect of this non-action, we

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found inconsistencies in the dollar value of equipment, buildings, and land, such as buildings with a cost of \$0.

The Office contended that 626 of the 761 buildings with a cost of \$0 are fully depreciated and thus their value is accurately recorded as \$0. Yet, as noted on page 20 of our report, the New York State Guide to Financial Operations states, "Generally capital assets should be accounted for at historical cost (at estimated historical cost if actual historical cost is not practicably determinable)." In addition, the Office's assertion does not account for the other 135 buildings with a \$0 value.

Finally, financial statement notes, which are integral to understanding the financial matters presented, show capital assets as historical cost less accumulated depreciation and the resulting net asset value – and not just assigned a value of \$0 or \$1.

As noted above, OGS generally agrees with the Recommendations set forth on page 23 of the Report. Each Recommendation is listed below with our response following.

1. Establish clear guidance through policies and procedures when conducting physical inventories to ensure they are completed appropriately and identified risks are mitigated.

OGS agrees with this Recommendation.

2. Work with State agencies to identify their additional sites to develop a complete listing of locations that may house capital assets.

OGS disagrees with this Recommendation because it assumes that the listings are currently incomplete. Site visits over the years by BCA staff have not given us any indication that listings are materially incomplete. Moreover, agencies already review and certify their listings. We agree, however, that there is always opportunity for improvement, which we will continue to pursue.

State Comptroller's Comment – The Office should work with State agencies, as noted in the recommendation. During our audit, when requested, BCA officials stated they did not have a total listing of all sites and provided an estimated total listing for the audit team, which included no site information for 21 of 55 State agencies. Later, in response to our preliminary findings, the Office explained that the 21 omitted agencies appeared to have no capital assets based on their biennial responses. However, BCA had to obtain this information to respond to our request and did not have the information readily available.

3. Augment existing processes by including more effective methods to ensure agencies that are required to report capital assets to the Office are properly doing so.

OGS agrees with this Recommendation.

4. Conduct a formal risk assessment of the site visit process and use results to establish reasonable and obtainable goals, including performing site visits to each State agency with established regularity.

OGS agrees with this Recommendation.

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5. Take proactive action to identify capital asset data inaccuracies reported in SFS AM by enhancing internal processes such as data analysis.

While OGS generally agrees with this Recommendation, for the reasons stated above, we will not use tax map data for data analysis purposes, but we will evaluate other possible SFS data reviews to determine their effectiveness.

6. Develop and implement procedures to provide continued support, such as detailed risk-based guidance and trainings, to ensure agencies are aware that capital asset data needs to be accurate, complete, and updated timely.

OGS agrees with this Recommendation.

7. Facilitate communication with State agencies regarding the types of errors the Office encounters statewide and address them with all State agencies.

OGS agrees with this Recommendation.

Thank you for the opportunity to comment on the Report. Please let me know if you have any questions or require further clarification.

Sincerely,



David Sears
Director of Internal Audit

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