

Byram Hills Central School District

Fixed Assets

OCTOBER 2019



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

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Report Highlights

Byram Hills Central School District

Audit Objective

Determine whether fixed assets were recorded and accounted for properly.

Key Findings

- The Board did not approve the disposal of assets with a book value of \$4,483.
- District officials did not maintain up-to-date disposal records.
- Ten of 25 assets (40 percent) totaling \$43,330 were not traced to locations.

Key Recommendations

The Board should:

- Authorize asset disposals.

District officials should:

- Maintain accurate and up-to-date asset disposal records.
- Locate all the assets identified in this report.
- Ensure all fixed assets with values that exceed the established threshold have a tag affixed identifying them as District property.

District officials agreed with our findings and indicated they plan to initiate corrective action.

Background

The Byram Hills Central School District (District) serves the Towns of North Castle, New Castle, Bedford and Mount Pleasant in Westchester County. The District is governed by a seven-member Board of Education (Board) which is responsible for the general management and control of operations. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible, along with other administrative staff, for day-to-day management under the Board's direction.

The District contracts with an asset management service provider to prepare asset reports and insurance valuation updates for its fixed asset inventory.

Quick Facts

Employees	546
Enrollment	2,281
2018 -19 Budgeted Appropriations	\$92 million
Fixed Assets Purchased During the Audit Period Valued at More Than \$1,000	\$1.9 million

Audit Period

July 1, 2017 – March 5, 2019

Fixed Assets

What Are Good Controls Over Fixed Assets?

Fixed assets, such as machinery and equipment, represent a significant investment of district resources. Boards should adopt a comprehensive fixed asset policy that sets forth the duties, records and control procedures to safeguard assets. District officials are responsible for ensuring that such assets are protected from loss and inventory records are current and accurate. A board should also adopt policies and procedures designed to ensure maximum financial benefit is obtained for the district when disposing of obsolete or surplus assets.

In addition, a common method of accounting for fixed assets includes affixing an identification tag or decal to each asset identifying the asset as district property. Asset tags should have unique numbers to identify the asset and the district's name on them. Asset tags improve the ability to differentiate between assets, making them easier to track, and can provide a deterrent for improper use. District officials are responsible for ensuring fixed assets are tagged and located in the most recent department of record. The District requires that all equipment items with a purchase price of \$1,000 or more and all non-equipment capital assets with a purchase price of \$5,000 or more should be inventoried.

Furthermore, detailed property records help establish accountability, allow for the development of additional controls and safeguards, and can impact the various costs (insurance, replacement, etc.) associated with owning assets.

The Board Did Not Approve Asset Disposals

According to the District's policy, building administrators and department supervisors are responsible for identifying items that are considered to be obsolete or surplus. The information is then forwarded to the Business Office and included on a Board meeting agenda for its approval to dispose in a manner that is advantageous to the District.

We selected all 16 assets valued at \$440,242 listed as disposed of during our audit period and found none had Board approval. In addition, although District officials were able to provide documentation regarding the means of disposal for the two buses disposed of during the 2017-18 fiscal year,¹ they could not provide documentation indicating the means of disposal, such as resale, donation or trashing of the items, for the remaining 14 assets. These assets had a book value of \$4,483² and included a radio system (\$1,657), a phone system (\$1,183), an audio visual and lighting system (\$871) and a communication system (\$772).

1 The District sold these buses for \$2,000 each.

2 Ten assets had a book value of \$0.

District officials did not provide a reason for the lack of Board approval and disposal documentation. However, the Treasurer indicated that they would seek approval for all future disposals. Although we did not find any indication of fraud, without adequate records for asset disposals, District officials do not have assurance that District assets were disposed of in a manner that is advantageous to the taxpayers.

Assets Were Not Recorded

To verify the timely recording of new assets, we reviewed the cash disbursement records to obtain a list of assets purchased during our audit period. We identified 103 invoices from 46 vendors totaling \$1,992,559 that appeared to be asset purchases. We selected 19 invoices from which we identified 50 assets valued at \$155,602 that were required to be recorded. However, 26 assets (52 percent) totaling \$62,735 were not recorded on the asset list. These assets included a learning wall (\$14,630), deck mower (\$13,317) and snow blower (\$7,168).

District officials told us the list was not updated because the contractor was scheduled to perform the District's 2018-19 inventory update a few weeks after our arrival. In addition, the District did not have a reliable list of assets acquired and disposed of since the last inventory to serve as a bridge between updates by the contractor, leaving a gap in accountability for fixed assets. Without accurate and up-to-date fixed asset records, District officials cannot ensure that District assets are protected against loss or unauthorized use.

Assets Were Not Properly Tracked

We selected 25 assets valued at \$89,120 from the asset list to determine whether they were in the District's possession. Ten assets (40 percent) valued at \$43,330 were not traced to their locations (Figure 1). Of those 10 assets, we could not identify four assets totaling \$14,030. These include a floor scrubber (\$6,790), riding mower (\$2,860), lawn mower (\$2,680) and an oscillating floor machine (\$1,700). We were shown similar items, but could not determine whether they were the items selected because the tag numbers did not match the numbers on the asset list, and the serial and model numbers were not listed for these items on the asset list. The District subsequently provided us with an invoice for the riding mower that included a serial number that matched the mower's serial number. In addition, we were unable to locate a tablet with retina display costing \$17,110 which was listed as located in the District Office. District officials later told us the item was disposed of and gave us a copy of the list of disposals with the item listed.

Figure 1: Items Not Traced to Location

Items	Replacement cost
Tablet with Retina Display	\$17,110
Floor Scrubber	\$6,790
Snow Blower	\$3,390
DVR Channel/Camera	\$2,970
Riding Mower	\$2,860
Lawn Mower	\$2,680
Smart Board	\$2,380
Smart Board	\$2,380
Oscillating Floor Machine	\$1,700
Laptop	\$1,070
Total	\$43,330

Although we traced the remaining 15 assets to their locations, three of those items with a cost of \$8,870 did not have asset tags. The asset list had tag numbers for these items; however, the items were not tagged. Officials could not explain why these assets were not tagged and told us that they had shown these items to the contractor who is responsible for tagging the assets. At the exit conference, the District provided us with additional documentation for the DVR channel/camera, two smart boards and laptop listed in Figure 1.

When assets cannot be located, District officials do not have assurance that all property can be accounted for. Furthermore, when assets are not tagged and identified as District property, there is a greater risk that assets could be lost or misplaced.

What Do We Recommend?

The Board should:

1. Authorize all asset disposals.

District officials should:

2. Maintain accurate and up-to-date asset disposal records.
3. Ensure an accurate and up-to-date asset inventory is maintained, including assets acquired that will be added as part of the next fixed assets inventory listing.
4. Locate the missing inventory items identified in this report.

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5. Ensure all fixed assets above the established thresholds have a tag affixed identifying them as District properties.
 6. Review the asset list each year to ensure that tag numbers on the list match the tag numbers on the assets.

Appendix A: Response From District Officials



BYRAM HILLS SCHOOL DISTRICT

10 Tripp Lane, Armonk, New York 10504
914-273-4082, Ext. 5956 Fax: 914-273-5845

Jen Lamia, Ed.D.
Superintendent of Schools

October 2, 2019

Ms. Lisa Reynolds
Chief Examiner of Local Government and School Accountability
State of New York Office of the Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, New York 12553

Dear Ms. Reynolds,

Please accept this letter as notification that the Byram Hills Central School District has received and reviewed the draft findings that resulted from the audit conducted by the Comptroller's Office. The District affirms that the examination revealed no indication of fraud.

Based on the required next steps in this process, the District is developing a corrective action plan based on the preliminary report.

If required an additional information, please contact me accordingly.

Thank you,

Jen Lamia, Ed.D.
Superintendent of Schools

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District personnel to obtain an understanding of fixed asset policies and procedures.
- We reviewed the asset service provider contract and interviewed District officials to determine the provider responsibility with respect to fixed assets.
- We reviewed the fixed asset policy to determine its adequacy.
- We selected all 16 assets valued at \$440,242 listed as disposed of during our audit period and reviewed Board minutes to determine whether the Board approved the disposal of these assets. In addition, we interviewed District officials and reviewed documentation to determine the means of disposal for these assets. For any assets that were sold, we reviewed the proceeds from sale documents and traced deposits to the bank statement.
- We reviewed cash disbursement data for the audit period and identified purchases that appeared to be for fixed assets. We then reviewed the related invoices to identify any assets purchased that exceeded the \$1,000 threshold and should have been included on the inventory list maintained by the Business Office.
- We used our professional judgment to select 19 invoices from the 103 invoices containing asset purchases and identified 50 assets from these invoices that were purchased during our audit period (25 from 2017-18 and 25 from 2018-19). We traced these assets to the inventory list to determine whether they were properly recorded on the asset listing.
- We used our professional judgment to select 25 items from the 2017-18 asset list. We traced these assets to their locations to determine whether these assets were in the District's possession and properly tagged.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3) (c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

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

www.osc.state.ny.us/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

NEWBURGH REGIONAL OFFICE – Lisa Reynolds, Chief Examiner

33 Airport Center Drive, Suite 103 • New Windsor, New York 12553-4725

Tel (845) 567-0858 • Fax (845) 567-0080 • Email: Muni-Newburgh@osc.ny.gov

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