



Greater Southern Tier Board of Cooperative Educational Services

Capital Assets

2024M-35 | June 2024

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Report Highlights

Greater Southern Tier Board of Cooperative Educational Services

Audit Objective

Determine whether Greater Southern Tier (GST) Board of Cooperative Educational Services (BOCES) officials properly monitored and accounted for capital assets.

Key Findings

BOCES officials did not properly monitor and account for all capital assets and have not conducted periodic physical inventories in at least 10 years. As a result, officials lack assurance the capital asset records are complete and accurate, and that assets are protected from loss, theft, misuse and obsolescence.

We reviewed 50 assets with a combined purchase price totaling approximately \$259,900 and determined that 10 assets totaling \$68,600 had exceptions:

- Eight assets, totaling approximately \$65,400, did not have required asset tags, were not on the inventory asset list and/or had incorrect locations on the inventory list.
- A camcorder with a purchase price of \$1,700 could not be located or accounted for.
- A telecommunications switch with a purchase price of \$1,500 was still active on the inventory list but was disposed of in October 2018.

Key Recommendations

- Ensure BOCES' asset records are complete, accurate and up to date, and assets are tagged and recorded prior to being placed in service.
- Conduct periodic physical inventories.

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

Audit Period

July 1, 2022 – August 1, 2023.

We extended our audit period through January 9, 2024 to observe inventory at BOCES' facilities.

Background

GST BOCES provides educational and administrative services to 21 component school districts in Schuyler, Steuben, Chemung, Tioga and Allegany counties and is governed by a seven-member Board of Education (Board) elected by the boards of the component school districts.

The Board is responsible for the general management and control of financial and educational affairs. The District Superintendent (Superintendent) is the chief executive officer responsible, along with other administrative staff, for the day-to-day management and regional planning and coordination.

The Assistant Superintendent for Finance supervises all functions of the business office and is responsible, with the Director of Facilities, for approving all disposals of capital assets. An appointed Asset Manager is responsible for keeping asset records up to date.

Quick Facts

2023-24 Appropriations	\$125.6 million
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Number and Total Cost of Capital Assets

Total	7,741	\$87.3 million
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Reviewed^(a)	50	\$259,900
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(a) Some capital assets did not have acquisition costs in the inventory records and include OSC estimates.

Capital Assets

How Should BOCES Officials Monitor and Account for Capital Assets?

Capital assets are those that have a useful life of more than one year. They can include everything from buildings and land, parking lots, machinery, vehicles and furniture to computer equipment and software. As a result, they represent a significant investment of resources. A board should adopt comprehensive, written capital asset and disposal policies and procedures to account for and safeguard assets and properly dispose of obsolete or surplus assets. Officials are responsible for protecting assets from loss, keeping inventory records current so assets can be easily located, and disposing of assets properly.

Procedures should include establishing dollar value thresholds for identifying, recording and tagging assets and performing periodic inventory checks. Asset tags with unique numbers improve the ability to differentiate between assets, making them easier to track, and can provide a deterrent for improper use. Asset tags should be applied immediately upon receiving assets. Information technology (IT) assets should be inventoried regardless of value.

The Board adopted comprehensive, written capital asset and disposal policies and procedures that require the Asset Manager to inventory and tag all capital assets with a purchase price of \$1,200 or more. Furthermore, the policy requires the Assistant Superintendent for Finance to schedule and conduct periodic physical inventories. This periodic inventory should verify that all assets listed as being under control of a department are still located within the department. In addition, officials should conduct an unannounced physical inventory in at least one department per year, ensuring that all departments are covered over three or four years.¹

Officials Did Not Properly Account for Some Capital Assets

We reviewed 50 assets, with a combined purchase price totaling approximately \$259,900, to determine whether they were in BOCES' possession, properly tagged and included on the inventory list. We determined that 40 assets totaling \$191,300 were in BOCES' possession, properly tagged and included on the inventory list. However, officials had not properly accounted for 10 of these assets (20 percent) with values totaling \$68,600, as follows:

- Eight assets, with combined purchase prices totaling approximately \$65,400, did not have required asset tags, were not on the inventory asset list and/or had incorrect locations on the inventory list. These assets included a vehicle, three ovens and two cabinets. The Asset Manager told us the two

¹ Refer to OSC's publication *Capital Assets* for further information. It can be accessed at <https://www.osc.ny.gov/files/local-government/publications/pdf/capital-assets.pdf>

cabinets were not added due to different interpretations of the policy. Officials tagged the cabinets during our audit. The Asset Manager and Assistant Superintendent for Finance stated that other missing tags may have fallen off, been removed by students or were not added in the first place.

- One asset, a camcorder with a purchase price of \$1,700, could not be located or accounted for. The asset was purchased in 2013. The Director of Technology told us they believed this asset had been disposed of but could not provide supporting documentation to show that it had been approved for disposal.
- One asset, a telecommunications switch with a purchase price of \$1,500, was still active on the inventory list, but had been approved for disposal and disposed of in October 2018. The Asset Manager corrected the list during our audit.

In addition, we reviewed the status of 20 assets either approved by officials for disposal (10 assets) or marked disposed on the inventory list (10 assets). Fourteen of these 20 assets were disposed of properly. However, we identified discrepancies with six assets:

- Four computers were disposed of prior to approval because a new employee did not know the disposal procedure.
- Two assets, a bus and a computer, were disposed of but had not been marked disposed in the inventory list. The Asset Manager corrected the list during our audit.

The Asset Manager told us that inaccuracies on the inventory list were likely due to oversight and poor past practices in maintaining the asset list. The Asset Manager also stated that BOCES had recently changed asset management software and some assets may not have transferred properly. Without accurate inventory records, officials cannot ensure that assets are accounted for, easily located or properly disposed of in BOCES' best interest.

Officials Did Not Perform Periodic Physical Inventories

Although Board policy requires periodic physical inventories of BOCES' assets, the Assistant Superintendent for Finance told us this had not been done since she started in April 2021. The Asset Manager told us a physical inventory had not been performed for at least 10 years at BOCES. Neither official knew why they had not been performed in the past and were unaware that an unannounced inventory should occur.

Without accurate and up-to-date capital asset records and periodic inventories, BOCES officials cannot ensure that assets are in BOCES' possession and are protected against loss or unauthorized use.

What Do We Recommend?

BOCES officials should:

1. Ensure inventory records are accurate and up to date and all assets can be located.
2. Tag capital assets in accordance with BOCES' policy, identifying them as BOCES' property.
3. Comply with the Board-approved policy by conducting periodic physical inventories, including unannounced inventories.
4. Provide training to BOCES and component school district employees responsible for BOCES' capital assets to ensure they understand their responsibilities regarding capital asset records and disposals.

Appendix A: Response From BOCES Officials



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Office of the State Comptroller
Binghamton Regional Office
44 Hawley Street, Suite 1702
Binghamton, NY 13901

June 13, 2024

RE: Greater Southern Tier Board of Cooperative Educational Services, Capital Assets, Report of Examination 2024M-35

On behalf of the Greater Southern Tier Board of Cooperative Educational Services (BOCES), I would like to thank the Office of the State Comptroller staff for the time spent conducting our audit. The audit process was collaborative and beneficial to our administration, board of education and overall organization.

BOCES administration recognizes the importance of maintaining accurate capital asset records and completing periodic inventories. The BOCES accepts the recommendations made in the draft report and will develop a Corrective Action Plan to address the Office of the State Comptroller's findings and recommendations. The collaborative approach of the Office of the State Comptroller's team during the audit process allowed for open communication and strengthening of our controls over capital assets.

Sincerely,

Tracy Loukopoulous
Assistant Superintendent for Finance
Greater Southern Tier BOCES

Greater Southern Tier Board of Cooperative Educational Services
Serving Schuyler, Steuben, Chemung, Tioga and Allegany Counties

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

- We interviewed BOCES officials and reviewed policies and procedures and Board meeting minutes to gain an understanding of, and evaluate the adequacy of, capital asset policies and procedures.
- We used our professional judgment to select the five highest dollar purchase orders dated between July 1, 2022 and August 31, 2023 containing 83 capital assets costing \$154,700. We randomly sampled 20 of those assets costing \$36,900 using computer software to determine whether recently purchased assets were added to the inventory list and IT inventory list (if applicable), properly tagged and in BOCES' possession.
- From the 2,346 assets totaling \$29.6 million on the inventory list meeting or exceeding the \$1,200 capitalization threshold, we selected a random sample of 20 assets totaling \$182,700 using computer software and reviewed them to determine whether they were in BOCES' possession and properly tagged.
- While performing a walkthrough of BOCES' facilities, we used our professional judgment to select 10 assets that we estimated were valued at \$1,200 or more to determine whether the assets were on the inventory list and the IT inventory list (if applicable) and properly tagged.
- We used our professional judgment to select 10 assets from the disposal approvals dated July 1, 2022 through August 31, 2023 using non-biased judgmental sampling to determine whether they were marked disposed on the inventory list and properly disposed of.
- We selected a random sample of 10 assets using computer software from the July 1, 2022 through August 31, 2023 disposal list to determine whether the assets were approved for disposal beforehand and properly disposed of.
- We interviewed BOCES officials to determine whether physical inventories were conducted, how often and by whom.

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

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

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (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 next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review on GST BOCES' website.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

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