



Half Hollow Hills Central School District

Information Technology Equipment
Inventory Records

2024M-33 | June 2024

Contents

- Report Highlights 1**

- Information Technology Equipment Inventory Records. 2**
 - How Should District Officials Track, Inventory and Safeguard IT Equipment? 2

 - District Officials Did Not Properly Track, Inventory or Safeguard IT Equipment. 3

 - What Do We Recommend? 6

- Appendix A – Response From District Officials 7**

- Appendix B – Audit Methodology and Standards 9**

- Appendix C – Resources and Services. 11**

Report Highlights

Half Hollow Hills Central School District

Audit Objective

Determine whether Half Hollow Hills Central School District (District) officials appropriately tracked, inventoried and safeguarded information technology (IT) equipment.

Key Findings

District officials did not always appropriately track, inventory and safeguard IT equipment. IT department staff did not maintain complete IT inventory records. As a result, District officials cannot assure taxpayers that all IT equipment is adequately accounted for and would be detected if lost, stolen or misused.

We selected 100 pieces of IT equipment (devices) costing \$88,223 to confirm their location and that they were properly inventoried, and determined that 23 percent of the equipment was not properly accounted for. Specifically:

- Three IT devices, including MacBooks and other laptops, totaling \$3,012 could not be located.
- 20 IT devices that cost \$19,914 were not listed in the District's accounting detail report.

Key Recommendations

- Maintain complete, accurate and up-to-date inventory records.
- Perform annual inventories.

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

Audit Period

July 1, 2022 – August 31, 2023

Background

The District is located in the Towns of Babylon and Huntington in Suffolk County, and has five elementary schools, two middle schools and two high schools.

The District is governed by an elected seven-member Board of Education (Board) that is responsible for the District's general management. The Superintendent serves at the Board's discretion and is responsible for the District's day-to-day management.

The IT department is responsible for tracking IT equipment. The Director of Instructional Technology, Business Education and Secondary Libraries (IT Director) maintains the educational (student) device inventory list, and the Network and Systems Coordinator (Coordinator) maintains the staff device inventory list.

Quick Facts

Student Enrollment	7,221
Employees	2,000
Total Value of IT Equipment	\$5.5 Million
Number IT Devices	8,144

Information Technology Equipment Inventory Records

Education methods have evolved to include remote and hybrid learning, which has required school districts (districts) to acquire a significant amount of IT equipment. This influx of new and often highly portable IT devices highlighted the importance of districts' tracking and inventorying practices to ensure that taxpayer funds are properly spent and safeguarded. IT equipment includes items such as interactive displays and desktop computers, as well as highly portable items, such as monitors, laptops and tablets. This equipment represents a substantial investment of the districts' resources, and officials are responsible for providing oversight to ensure that equipment is protected from loss, inventory records are current and the equipment can be easily located.

How Should District Officials Track, Inventory and Safeguard IT Equipment?

District officials are responsible for ensuring that IT inventory records are current and accurate, and equipment is tracked and protected from loss, misuse and/or theft. To ensure officials have access to reliable, up-to-date IT equipment information, district officials should maintain a complete, current perpetual inventory of IT equipment. Inventory records should include a description of each item, including the make, model and serial number; the name of the individual to whom the device is assigned, if applicable; the physical location of the device; and relevant purchase or lease information, including the initial cost and acquisition date. Officials also should comply with any district policy that sets forth guidelines and procedures for establishing and maintaining inventory records.

In addition, district officials should verify the accuracy of IT equipment inventory records through annual physical inventory counts. Devices should be periodically examined to assess their condition and to verify accurate location information in the inventory records. Maintaining complete and up-to-date IT equipment inventory records also helps a school board implement and update an effective IT equipment replacement plan. To safeguard IT equipment from loss, theft or misuse, IT devices should be in a locked and secured area with environmental controls such as smoke detectors, fire alarms and extinguishers, and protection from water damage.

Prior to disposing of IT devices, district officials should ensure that district-related data and information is permanently and completely removed. A third-party vendor may be used for this purpose. If such data or information is of a sensitive, personal, or confidential nature, and cannot be removed prior to disposing, the device should be destroyed.

District Officials Did Not Properly Track, Inventory or Safeguard IT Equipment

The District follows its Capital Assets Accounting and Inventory Policy (Policy) for the required attributes contained on their internal inventory records. According to the Policy, an inventory is an itemized list for tracking and controlling property, including equipment items and materials that cost more than \$500 and all non-equipment capital assets costing more than \$15,000. Fixed assets with a useful life of at least two years and physical characteristics not appreciably affected by use or consumption will be inventoried and recorded on an annual basis. The Policy also says the following information must be maintained on the equipment/ fixed assets inventory:

- Name and description of property,
- Date of acquisition,
- Serial number or other identification number,
- Location,
- Cost of the asset at acquisition (or, if unknown or a gift, the estimated fair market value),
- Source of financing or acquisition (general fund, federal fund, gift, etc.),
- Estimated useful life, and
- Date and method of disposal.

Additionally, the Policy requires certain attributes to be recorded that do not necessarily aid in tracking and inventorying IT equipment but are important for other operational needs. For example, cost and acquisition date information do not aid in tracking a device, but are useful for determining overall cost or age of devices that, in turn, could ensure appropriate insurance coverages are maintained and assist in planning for replacement of equipment reaching the end of its useful life.

We selected 80 pieces of IT equipment taken from the District's student and staff device inventory lists to determine whether the devices were physically located in the District. IT department staff could not locate three of the 80 devices to confirm they were in the District's possession, including:

- Two MacBooks costing \$1,909, and
- One laptop costing \$1,103.

In addition, using our selected 80 IT devices and adding 20 IT devices identified during our walkthrough of the District, we determined that 20 of the 100 IT devices (20 percent) with a total purchase price of \$19,914 were not recorded on the accounting detail report as of June 30, 2023 (Figure 1), including:

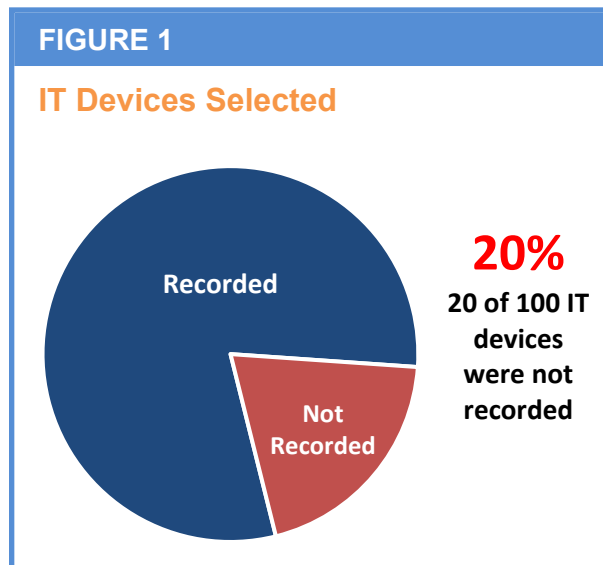
- 16 MacBooks costing \$14,252,
- Two laptops costing \$3,984, and
- Two iPads costing \$1,678.

Additionally, one laptop (\$2,881) and one iPad (\$899) were not recorded on either the student or staff device inventory list.

We also determined that, of the 100 devices selected, 26 Chromebooks and seven iPads with a total purchase price of \$10,709 were recorded on either the staff or student device inventory lists, but were not recorded on the accounting detail report. The Coordinator said that because these 33 devices were individually under the required \$500 threshold, they were not listed on the accounting detail report.

Inventory Records – Collectively, the business office and IT department staff maintained three inventory lists:

- The District contracts with a third-party vendor to maintain its accounting detail report and provide an insurance valuation of all District capitalized fixed assets, including IT equipment. The accounting detail report was updated at the close of each fiscal year with the items listed on the additions and deletions inventory lists. The District utilizes this report as its perpetual inventory record.
- The additions list was maintained by IT department staff. When an IT device was purchased, the IT staff added the device to either the staff device or student device inventory list, including the assigned asset tag number, a description of the device and other pertinent information, including the model number of the device that was obtained from the claim package. If the device cost more than \$500, the purchasing agent provided physical asset tags to IT department staff to be affixed on the device. IT department staff then updated the additions inventory list with



the serial number, location, and the individual assigned to the device (if applicable).

- The deletions inventory list was maintained by IT department staff with a list of equipment ready for disposal. IT department staff provided this list to the business office, including an explanation why each device is ready to be disposed. This list was presented to the Board for approval.
- The student device inventory list was maintained in a database by the IT Director and tracked IT equipment, including student and instructional staff computers, tablets and other devices used for instructional purposes.
- The staff device inventory list was maintained in a spreadsheet by the Coordinator to track IT equipment assigned to administrative staff.

We reviewed the three inventory lists, and while they contained adequate information to sufficiently track and/or identify the District's IT equipment (including the Policy-required attributes), the recorded information was not always complete. Specifically:

- The District's administration center had 180 desktop computers costing \$212,791, 12 monitors costing \$7,656, and three laptops costing \$8,643 with no serial number listed in the accounting detail report (recorded as "0"). Furthermore, while the accounting detail report generally listed equipment with the room or specific area that it was located, these 195 devices were among more than 600 devices in the administration center with the location listed as "throughout," making it difficult, if not impossible, to locate this equipment within the building.
- Serial numbers were not recorded in the accounting detail report for 384 IT devices (including Chromebooks, Galaxy tablets and iPads) that individually cost less than the District's \$500 capitalization threshold. These 384 devices were recorded in the accounting detail report as multiples (i.e., 10-, 28-, or 70-packs) that, in total, had an original cost of \$95,053. Without knowing the specific serial numbers, District officials did not know which devices were included in each pack or if they were captured in the student or staff device inventory lists.
- The staff device inventory list included 78 iPads totaling \$23,915, 17 Chromebooks totaling \$5,902 and one MacBook Pro totaling \$2,078 with the asset tag recorded as "N/A." District officials said this occurred because each device cost less than \$500 and was not assigned an asset tag. However, if any of these items were part of the previously mentioned multiple packs, they should be identified as part of those asset tags (e.g., 20153550-1, 20153550-2, etc.) to assist in identifying which devices are part of each pack.

Annual Inventories – District officials did not conduct an annual inventory during our audit period. The Coordinator stated that a perpetual inventory was maintained with equipment additions and deletions updated constantly in the District’s inventory records, including the accounting detail report. However, the student and staff device inventory lists were not reconciled to the accounting detail report. Had IT department staff conducted an annual inventory and reconciled their inventory lists to the accounting detail report, the errors could have been identified and the inventory records would have been updated to reflect the status of the IT equipment.

What Do We Recommend?

The IT Director, Coordinator and IT department staff should:

1. Perform a physical inventory of all IT equipment, locate missing and unaccounted-for equipment and update inventory records accordingly.
2. Continue to maintain their perpetual inventory and compare the results to the inventory records maintained by the IT department, as well as the accounting detail report, and take appropriate action to follow up on any discrepancies.

Appendix A: Response From District Officials



June 5, 2024

Mr. Ira McCracken, Chief of Municipal Audits
Office of the NYS Comptroller
Division of Local Government and School Accountability
Hauppauge Regional Office
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Dear Mr. McCracken:

Please accept this correspondence as the Half Hollow Hills Central School District's ("District") response to the draft Information Technology Equipment Inventory Records Report of Examination (2024M-33) for the audit period July 1, 2022 through August 31, 2023. There were two key findings of the audit: (1) three devices could not be located and (2) 20 devices were not listed in the District's third-party accounting detail (inventory) report.

For background, the District maintains a dynamic and comprehensive inventory database for all of its information technology equipment, regardless of the purchase price of the equipment. In addition, the District has a third-party organization maintain an inventory report – used for insurance purposes only – which is updated once every five years through a physical inventory audit followed by yearly reporting updates (i.e. adds and deletes). This latter report only captures equipment items valued at or above the District's capitalization threshold as set by Board Policy.

Regarding the three devices which could not be located:

1. One device is from a 2008 purchase that had long ago been taken out of service and obsoleted, however the District's database and third-party inventory report had not been updated to reflect such.
2. One device was reported by the employee as stolen back in 2010, with a notation added to the District's database at that time as well as an email communication sent to the third-party organization to update their records accordingly in August 2010.
3. One device from 2007 was reported lost by the employee, but because the employee did not report this information to the proper department, the District's database and third-party inventory report had not been updated to reflect such.

Regarding the 20 devices which were not listed in the District's third-party accounting detail (inventory) report:

- None of these devices was missing (i.e. unable to be located).
- The District's inventory database reflects the accurate status of each of these devices.
- These 20 devices were not listed on the third-party organization's (insurance) inventory report. When asked why, the company indicated that procedural changes on their end – based on instructions from the insurance company – may have caused some of the discrepancies:
 - Items below the capitalization threshold were dropped from the report because the insurance company only needs items at or above the threshold for its purposes. This removal of devices keeps the report in compliance with what the insurance company needs for pricing various policies. Since the District's database captures all devices (not just those above a certain dollar threshold), the District relies on its own comprehensive database to manage its information technology equipment rather than that of the outside company which, by design, is incomplete.
 - The report from the third-party company will not provide specific individual item detail on equipment which they "bundle" (i.e. bulk purchases which get recorded as one "bundled" item by the third-party). This bundling will make it appear that certain devices are not captured in the third-party report when in fact they very well may be as part of a "bundle". In contrast to the third-party report, the District's database will list all items individually, regardless of whether they were purchased in bulk. Again, another reason why the District relies on its own comprehensive database to manage its information technology equipment rather than that of the outside company which, by design, will not contain the breath of information which the District's own database has.

The Half Hollow Hills Central School District is appreciative of and acknowledges the efforts by the New York State Comptroller's Office Audit Team. Although not mentioned in the draft report, the District is appreciative of the feedback provided by the examiners during the exit interview; specifically, that our staff was approachable, professional and thorough. The District is equally pleased that the examiners' review of our server rooms proved they met all necessary stability and safety requirements and were kept in an organized, secure manner.

Sincerely,

Dr. Patrick Harrigan
Superintendent of Schools

Mrs. Diana Acampora
Board of Education President

cc: Board of Education
Assistant Superintendent for Finance and Facilities

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 District officials and reviewed policies to gain an understanding of the District's IT equipment inventory records.
- We reviewed IT inventory records provided by District officials, including internal records and third-party vendor reports, as of June 30, 2023.
- We used our professional judgment to select a sample of 80 IT devices from the District's student and staff device inventory lists to determine whether the IT equipment was physically located in the District. We performed a walkthrough of the District's facilities and used our professional judgment to select an additional 20 IT devices to determine whether the equipment was accurately recorded in the inventory records. We traced the IT devices to purchase orders and invoices to confirm the correct information was entered in the District's records.
- We compared the District's internal inventory report to the third-party inventory report as of June 30, 2023 to determine whether the 100 IT devices appeared in both reports.

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. The CAP should be posted on the District's website for public review.

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

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

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

<https://www.osc.ny.gov/local-government>

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

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief of Municipal Audits

NYS Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York
11788-5533

Tel (631) 952-6534 • Fax (631) 952-6091 • Email: Muni-Hauppauge@osc.ny.gov

Serving: Nassau, Suffolk counties

[osc.ny.gov](https://www.osc.ny.gov)

