



# Scio Central School District

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## Capital Assets

2024M-45 | July 2024

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# Report Highlights

## Scio Central School District

### Audit Objective

Determine whether Scio Central School District (District) officials maintained complete and accurate capital asset records.

### Key Findings

District officials did not maintain complete and accurate capital asset records. As a result, of the 100 capital assets with a total recorded replacement cost of approximately \$113,000 we reviewed, 51 assets with a total replacement cost of approximately \$38,000 could not be located. The missing assets included laptops, digital cameras, computer monitors and televisions.

- For all 100 capital assets, certain key information such as the initial cost, current value, salvage value or the individual assigned custody of the asset was not recorded.
- 38 capital assets with a total recorded replacement cost of approximately \$47,000 did not have their location listed.
- Although required annually, the last physical inventory was conducted in 2017.

The Superintendent of Schools (Superintendent) and former Business Administrator (Administrator), while familiar with the District’s asset policy and procedures, did not comply with them. Had the Board of Education (Board) ensured that the Superintendent and former Administrator complied with the District’s policy, complete and accurate assets records may have been maintained.

### Key Recommendations

- Maintain capital asset records that comply with District asset policy and procedures.
- Conduct an annual physical inventory of capital assets.

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

### Audit Period

July 1, 2022 – March 22, 2024

### Background

The District is located in the Towns of Alma, Amity, Andover, Bolivar, Friendship, Scio, Ward, Wellsville and Wirt in Allegany County.

The District is governed by the elected seven-member Board, which is responsible for managing the District’s financial and educational affairs. The Superintendent is the chief executive officer and is responsible, along with other administrative staff, for the District’s day-to-day management.

The Administrator, under the Direction of the Superintendent, is responsible for maintaining an accurate perpetual inventory record of District capital assets. And arranging for the annual physical inventory of capital assets.

The District contracts with a vendor for an annual capital asset report and inventory record that is based on information supplied by the Administrator.

#### Quick Facts

Population of Recorded Capital Assets	970
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Replacement Cost of Recorded Capital Assets	\$3.8 million
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#### Capital Assets Reviewed

Number	100
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Replacement Cost	\$113,000
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# Capital Assets

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Capital assets have a useful life of more than one year, represent a significant investment of resources and can be subject to loss, misuse and/or obsolescence. They can include everything from furniture, computer software and equipment, vehicles and machinery to buildings and land.<sup>1</sup>

## What Are Complete and Accurate Capital Asset Records?

Complete and accurate capital asset records precisely record key information of all capital assets purchased or received such as the asset's initial cost, current or salvage value as well as the individual assigned custody of the asset, the asset's location and its condition.

The District's capital asset policy and supplemental procedures require District officials to maintain a perpetual inventory system<sup>2</sup> that includes:

- A description of each asset,
- The location of the asset,
- The individual assigned custody of the asset, and
- A District assigned asset label that includes an asset identification number.

The policy also requires that the inventory system must include certain purchase information for each capital asset, including the purchase date and amount paid or current value, which includes the salvage value or replacement cost, as necessary. In addition, the policy requires that officials either conduct an annual physical inventory to confirm the existence and condition of each capital asset, or contract to have this physical inventory conducted. An annual physical inventory can also help officials to verify the completeness and accuracy of the inventory records.

## Capital Asset Records Were Incomplete and Inaccurate

The Administrator did not maintain capital asset records in accordance with the District's asset policy and supplemental procedures. The District's perpetual inventory records primarily consisted of a computerized spreadsheet provided by the vendor and updated throughout the year by the Administrator to include new acquisitions and disposals.

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<sup>1</sup> For further information, refer to OSC's *Local Government Management Guide: Capital Assets* (<https://www.osc.state.ny.us/files/local-government/publications/pdf/capital-assets.pdf>).

<sup>2</sup> Perpetual inventory records are detailed records that are continually updated as assets are purchased or disposed of.

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We reviewed 100 capital assets<sup>3</sup> with a recorded replacement cost of approximately \$113,000 and determined that the assets' records were incomplete and inaccurate.

The description and date of acquisition was recorded on the spreadsheet for all 100 assets, but one or more pieces of required information was incorrectly recorded or missing. Specifically, all 100 capital assets did not have their initial cost, current value, salvage value or the individual assigned custody of the asset recorded on the spreadsheet inventory record. Our review also identified the following issues with the records:

- 38 capital assets with a total recorded replacement cost of approximately \$47,000 did not have their location listed on the spreadsheet.
- 10 capital assets with a total recorded replacement cost of approximately \$11,000 did not have an asset tag identification number listed on the spreadsheet.

We also reviewed acquisition invoices from July 2022 through September 2022 and identified six capital assets with a purchase price totaling approximately \$3,600 that were not included on the spreadsheet inventory record. They included a refrigerator, an air compressor and hand tools.

We attempted to physically confirm the condition and existence of the 100 capital assets that we reviewed. However, at the time of our review, neither we nor District officials could physically locate 51 capital assets with a total recorded replacement cost of approximately \$38,000. This included laptops, digital cameras, computer monitors and televisions. Of the 49 assets we were able to locate, 15 assets, with a total recorded replacement cost of approximately \$25,000, did not have an accurate location recorded.

The former Administrator<sup>4</sup> told us that she was familiar with the District's asset policy requirements to perform an annual physical inventory and to record certain specific information about assets in the asset inventory records, but she did not have the time or resources to focus on updating the District's asset inventory records or to conduct an annual inventory because of her other more demanding job responsibilities. The Superintendent told us that she was aware that the Administrator did not have the time or resources to focus on asset inventory records or to conduct an annual inventory and agreed with the Administrator's assessment that the more demanding job responsibilities should have taken priority. Although we acknowledge that resources at smaller school districts can be limited, because the District's capital assets represent a \$3.8 million investment of resources, the Board, Superintendent and Administrator should

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<sup>3</sup> Refer to Appendix B for more information on our sample selection.

<sup>4</sup> The former Administrator was hired by the District in July 2019 and left District employment in January 2024.

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work collaboratively to ensure an appropriate amount of time and resources is dedicated to protecting these assets from loss, misuse or theft.

According to District records, the last physical inventory of capital assets was conducted in 2017. Had the former Administrator complied with the District's asset policies and procedures and contracted for the annual physical inventory of assets, or given her time constraints, selected a District staff member to conduct a physical inventory as required, then these issues may have been detected and corrected.

Because the former Administrator did not comply with the District's asset policy and procedures, and the Board and Superintendent did not ensure that the Administrator complied, capital asset inventory records were not complete or accurate and assets were either missing or could not be located.

### **What Do We Recommend?**

The Board and Superintendent should:

1. Ensure that the Administrator complies with the District's asset policies and procedures and maintains a complete perpetual capital asset inventory record.
2. Require the Administrator to perform an annual physical inventory of capital assets or arrange for this inventory to be conducted and to investigate any capital assets that cannot be located, including the ones identified during our review.

The Administrator should:

3. Update the capital asset records and spreadsheet for the errors, discrepancies and omitted information noted in this report including the newly acquired capital assets not previously recorded in the records.
4. Comply with the District's asset policy and procedures and maintain up-to-date perpetual inventory records that include all required information.
5. Arrange for or perform an annual physical inventory of capital assets and update capital asset records as needed.

# Appendix A: Response From District Officials

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**Jennifer Cappelletti**  
Superintendent of Schools

**Jonathan Cucchiaro**  
Business Administrator

**Cristy McKinley**  
PK-12 Principal

**Kelly Morehouse**  
Director of Pupil Personnel Services

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June 24, 2024

Melissa Meyers  
Chief of Municipal Audits  
Buffalo Regional Office  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

Dear Ms. Myers:

Scio Central School is in receipt of Audit 2024M-45 issued by the New York State Office of the State Comptroller (OSC). The Scio Board of Education and leadership team understand the purpose of an OSC audit is to identify opportunities for improvements to operational practices and appreciates OSC's extensive review of our internal controls over capital assets. The thoroughness and professionalism demonstrated by your auditor was evident throughout the process and is truly appreciated.

We accept the recommendations made in the report and intend to develop a Corrective Action Plan (CAP) to address the OSC's findings and strengthen our internal controls over capital assets. With an inventory record of almost 1000 assets, we recognize there are inherent challenges and risks associated with internal controls over capital assets. We also understand accurate reporting, monitoring and oversight of capital assets is critical in maintaining strong fiscal stewardship.

As a result of this audit, it has become evident that the Business Administrator needs additional personnel to assist in the monitoring, reporting and inventory of capital assets. Our CAP will address possible shifts of duties and/or additional time for key personnel to provide this assistance. Proper training of all personnel involved will be considered essential.

The Board of Education intends to review and, where appropriate, make enhancements to its existing capital asset policies. Any changes will be immediately communicated to those responsible for carrying out the policies and, if necessary, training will be provided. In addition, we intend to make it a priority to perform a thorough annual physical inventory of the district's capital assets and to have capital asset procedures as an area of focus during future internal audits. This will reinforce the importance of having strong controls over capital assets and will assess whether corrective actions have been implemented.

Once again, we extend our gratitude for the thorough assessment and professional approach to the audit conducted by your office. A Corrective Action Plan with implementation dates will be forthcoming.

Sincerely,

Superintendent

## Appendix B: Audit Methodology and Standards

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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 Board members and District officials who were responsible for the capital asset monitoring process. We also reviewed District policies and Board meeting minutes and observed procedures to gain an understanding of the District's capital asset inventory process.
- From an identified population of 970 recorded current capital assets totaling approximately \$3.8 million, we used our professional judgment to review 100 capital assets with a replacement cost of approximately \$113,000. We chose these assets because they were "highly walkable" (prone to theft) to determine whether District capital asset records were complete and accurate and contained required information, as described in the District's asset policy and procedures.
- We reviewed July 2022 through September 2022 claim packets for capital assets purchased and compared them against inventory records to determine whether asset records were complete and accurate. Using our professional judgment, we chose these months because of the increased volume of purchasing activity.
- With the assistance of District officials, we physically walked through the District's buildings to determine the existence and condition of the 100 capital assets in our sample.

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



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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

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