

Richfield Springs Central School District

Fixed Assets

SEPTEMBER 2019



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

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Report Highlights

Richfield Springs Central School District

Audit Objective

Determine whether fixed assets were recorded and accounted for properly.

Key Findings

- Fixed asset and disposal policies were not comprehensive or being followed.
- Out of 206 fixed assets reviewed, 64 were unable to be located, 39 were not recorded in the master inventory list, 12 did not have asset tags and four had the incorrect asset tag numbers.
- Out of 158 fixed assets listed as being disposed, 143 lacked detailed supporting documentation including either sale records or Board approval.

Key Recommendations

- Establish a threshold for inventorying and recording fixed assets and update policies to include proper sanitation and disposal of electronic devices.
- Ensure inventory records are accurate and up-to-date and periodically perform physical inventories.
- Ensure disposed assets are Board-approved, sufficiently supported with adequate disposal documentation and reported to the Board according to policy.

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

Background

The Richfield Springs Central School District (District) serves the Towns of Richfield, Springfield, Otsego and Exeter in Otsego County and the Towns of Warren and Columbia in Herkimer County.

The District is governed by a five-member elected Board of Education (Board). The Board is responsible for managing and controlling the District's financial and educational affairs. 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. The Treasurer is responsible for the accounting of fixed assets, and he designated the Clerk to be responsible for inventorying assets and affixing or distributing asset tags.

Quick Facts

Employees	160
Enrollment	481
2018-19 Appropriations	\$12.1 million
Fixed Assets ^a	
Purchased During our Audit Period	\$862,025

^a Electronic devices of any price and other assets greater than or equal to \$500

Audit Period

July 1, 2017 – March 5, 2019. We extended our audit period to June 11, 2019 to review inventory records and observe fixed assets.

Fixed Assets

How Should a District Record and Account for 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, including dollar value thresholds for identifying and recording assets for inventory control and financial reporting. Boards should also adopt policies and procedures for the disposal of assets. Some assets, such as computers, may contain sensitive and confidential information or software that should be sanitized prior to disposal or transfer of the assets. Boards should establish security management policies that clearly describe the secure disposal of equipment containing electronic information. Policies should also cover the performance of periodic physical inventories of all fixed assets and comparisons to detailed inventory records. District officials should investigate any discrepancies between actual and recorded fixed assets discovered during the physical inventories.

District officials are responsible for ensuring that assets are protected from loss, inventory records are current and accurate, and assets are disposed of properly. A common method of accounting for fixed assets includes affixing an identification tag or decal (asset tag) to each asset identifying the asset as district property. Asset tags should include the district's name and unique numbers to identify the asset. Asset tags improve the ability to differentiate between assets, making them easier to track, and can provide a deterrent for improper use.

Fixed Asset and Disposal Policies Were Not Comprehensive or Being Followed

In 2010, the Board established a policy for the accounting, inventorying and tracking of fixed assets. The policy did not contain threshold values for tagging and inventorying assets, and we could not find any evidence that the Board established these thresholds. However, the Clerk told us she affixed asset tags and inventoried all computers and electronic devices and used \$500 as a threshold for tagging and inventorying all other fixed assets.

The policy designated the Treasurer to be responsible for the accounting of fixed assets and ensuring an annual physical inventory and appraisal of District property is performed, including reconciling to the master inventory list and resolving differences. However, the Treasurer told us an annual physical inventory had not been performed because he was unaware of the annual requirement in the policy. District records indicated that the last physical inventory was performed in October 2009. District officials signed a new contract with the District's asset management service provider (provider) while we were onsite to perform a physical inventory and appraisal which, according to correspondence with the provider, is scheduled to occur in August 2019.

The Board also adopted two disposal policies in 1992 requiring the Board to approve items for disposal by declaring them surplus and the Superintendent to report on how the assets were subsequently disposed at the next Board meeting. However, we found deficiencies with the approval and reporting of disposals. In addition, although neither policy included procedures for securely disposing of electronic devices, the Technology Coordinator told us that he appropriately sanitizes electronic devices prior to disposal.

Fixed Assets Were Not Properly Tracked

The District uses inventory management software to compile a master inventory list, maintained by the provider, to inventory and track fixed assets. The Clerk periodically updates these records based on purchases and disposals. The District uses physical asset tags with barcodes that can be read electronically during a physical inventory.

Because of the lack of oversight over the inventorying of fixed assets, we reviewed purchases that included 53 fixed assets totaling over \$344,800 and traced these to the inventory records and to the actual items. Although we were able to locate all of the assets, we found 28 assets with a total cost of almost \$159,600 were not listed in the master inventory list, including: 16 network switches (\$101,235), a digital printer (\$46,935), a server (\$4,775), two soccer goals (\$1,698), a copier (\$1,631), a kitchen disposal (\$1,125), a piece of bus communication equipment (\$994), four Apple TVs (\$596) and a projector (\$564). In addition, the copier, kitchen disposal and an Apple TV did not have an asset tag affixed to them.

The Clerk told us these assets had not been entered yet either in error or because she only enters purchased fixed assets on a periodic basis, and she had not yet input them into the master inventory list.

We also selected 123 fixed assets from the District's master inventory list and traced them to the physical items. We were able to locate 59 of these assets, but we found the following deficiencies:

- We were unable to locate 64 assets, including:
 - Thirty-seven televisions which the Technology Coordinator said were disposed of before he started working at the District four years ago.
 - Sixteen electronic devices which the Technology Coordinator also said were all disposed of before he started working at the District.
 - Eight office tables which the Treasurer told us had been declared surplus many years ago.
 - A cafeteria table that District staff could not locate.

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- A flute the band teacher could not locate and was unaware the District owned.
 - A point-of-sale system for the cafeteria that had been replaced with a new system.
 - Four assets (two tractors, a piano and a snow blower attachment for a tractor) did not have asset tags affixed. The maintenance supervisor told us the asset tags for the tractors and the snow blower attachment could have fallen off. The music teacher was unsure why the piano was not tagged because it was purchased before he began working at the District.
 - Four electronic devices had incorrect asset tag numbers as determined by matching serial numbers. The Technology Coordinator told us these errors could have occurred due to incorrect information on the previous Technology Coordinator's subsidiary inventory list.

In addition, we performed a walkthrough of the main school building, the maintenance areas and the transportation garage and selected a sample of 30 fixed assets to determine whether they were tagged and listed correctly on the master inventory list. We found the following:

- Eleven fixed assets (a projector, trophy case, food warmer, typewriter, water fountain, choral risers, snow blower, floor scrubber and three desktop computers) were not listed in the master inventory. In addition, four of these assets did not have asset tags affixed.
- Of the 19 fixed assets found in the master inventory, one shop tool had the wrong description and a computer did not have an asset tag affixed but was identified using the serial number. The Clerk has since updated the wrong description for the shop tool.

Fixed Asset Disposals Were Not Sufficiently Documented

We examined Board minutes, accounting records and inventory records to identify disposals of fixed assets and determine whether these items had been Board-approved for disposal, sanitized (if electronic) and removed from the master inventory records. We identified disposals of 121 laptops, 22 tablets, 10 televisions, two buses, a dump truck, a van and a copier. We found the following deficiencies:

- The Board-approved resolution for the disposal of 120 laptops did not include detailed documentation listing the laptops approved for disposal. However, the Technology Coordinator provided us with a list of laptops that was supposed to be included with the resolution when it was approved. District officials told us some of these devices were sold to students and staff and some were sold by auction. Although we saw evidence of a sale

of 62 laptops by auction for \$11,000, this sale did not include a list of serial numbers that could be matched to the list provided by the Technology Coordinator. Therefore, we could not determine whether this sale is related to these disposals. In addition, there is no evidence documenting how the remaining 58 laptops were disposed. Furthermore, not all of these laptops were properly removed from the master inventory records. For example, we traced a sample of 44 serial numbers from the 120 laptops and found that six remained in the master inventory records.

- The disposal of 22 tablets was only documented by a printout showing the District used an auction company to sell these devices for \$930. There was no Board-approved resolution declaring these items surplus and no details indicating the serial numbers of the specific tablets sold. Therefore, we could not determine whether these items were ever included on the master inventory records or appropriately removed.
- According to the master inventory records, there was a laptop shown as being disposed in 2018, but the District was unable to provide any other documentation, including a resolution for declaring the asset surplus or any records of what happened to the computer.
- Although the Technology Coordinator told us he routinely sanitizes electronic devices to remove sensitive information, there was no written evidence of this.

These errors occurred due to a lack of oversight over the disposal process, including ensuring the Superintendent and Board received complete and timely information about pending disposals so the assets could be declared surplus and the subsequent disposals be reported to the Board as required by the policy. District officials told us they were unaware of the requirement to report to the Board on the disposal of items declared surplus after they have been disposed and that, due to frequent turnover at the District, not all officials and employees were aware of the procedures.

Without accurate and up-to-date fixed asset records, District officials cannot ensure that District assets are protected against loss or unauthorized use.

What Do We Recommend?

The Board should:

1. Formally establish a threshold for inventorying and recording fixed assets.
2. Update policies to include the proper sanitation and disposal of electronic devices.
3. Authorize all asset disposals.

District officials should:

4. Ensure all fixed assets valued at more than the established threshold are immediately tagged identifying them as District property.
5. Ensure an accurate and up-to-date inventory is maintained.
6. Ensure periodic physical inventories are performed with any differences reconciled and explained.
7. Ensure disposed assets are properly Board-approved, supported with adequate disposal documentation and reported to the Board according to policy.

Appendix A: Response From District Officials

RICHFIELD SPRINGS CENTRAL SCHOOL

P.O. Box 631, 93 Main Street, Richfield Springs, NY 13439
Phone 315-858-0610 • Fax 315-858-2440

BOARD OF EDUCATION

Scot Mondore, *President*
Bradley Smith, *Vice-President*
Tom Shypski
Tony Bailey
Julie Gavalo



ADMINISTRATION

Thomas Piatti
Superintendent of Schools
Joseph D'Apice
Secondary Principal
René Wilson
PK-6 Principal

September 6, 2019

New York State Education Department
Office of Audit Services
89 Washington Avenue, Room 524 EB
Albany, NY 12234

New York State Office of the State Comptroller
Binghamton Regional Office

[REDACTED]
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Re: Response letter for Office of NYS Comptroller Audit of Fixed Assets
2019M-140
July 1, 2017 – June 11, 2019

Dear Auditors:

Richfield Springs Central School District agrees with the findings and the recommendations from The Office of the New York State Comptroller's current audit.

The New York State Comptroller auditors had three key findings, as well as recommendations. Fixed Assets and Disposal Policies were not comprehensive or being followed. Fixed Assets were not properly tracked. Fixed Assets Disposals were not sufficiently documented. Recommendations include: updating policies, ensuring records are accurate and kept up-to-date, and ensuring disposed assets are Board-approved, with sufficient documentation according to policy.

The Corrective Action Plan is forthcoming.

The District would like to thank the auditors for helping us find where we need to improve with Fixed Assets and with recommendations for fulfilling our corrective plan.

Sincerely,

Thomas A. Piatti
Superintendent and Purchasing Agent

Kurt V. Sunderland
Business Manager

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 fixed asset and disposal policies to determine their adequacy.
- We reviewed equipment expenditures for July 1, 2017 through April 29, 2019 and identified any purchases over \$500 for potential fixed assets. We then used our professional judgment to select a sample of 25 of these purchases totaling almost \$306,300 from the 50 identified totaling \$566,400. We also received a listing of 290 electronic devices purchased through the Mohawk Regional Information Center totaling \$295,700 and used our professional judgment to select a sample of 21 of these totaling over \$65,200. Of these samples, we found there were 53 fixed assets purchased, which we then traced to the actual asset and the master inventory list to determine whether the assets were at the District and on the master inventory listing with the proper asset tag number, description and location. We also compared any musical instruments or electronic devices to the subsidiary inventory lists to determine whether they were listed accurately.
- From the master inventory listing of 2,348 assets, we selected 22 fixed asset listings that were valued at \$5,000 or more that included 88 individual assets, based on the description, age and cost. We also selected 28 fixed asset listings that were less than \$5,000 that included 35 individual assets by selecting every 77th listing under \$5,000. From our sample of 50 listings, there were 123 fixed assets which we traced to the actual assets to determine whether the assets were at the District, and the asset tag number, description and location matched the master inventory listing. We also compared any musical instruments or electronic devices selected to the subsidiary inventory lists to determine whether they were listed accurately.
- We selected 30 fixed assets viewed at the bus garage, school building and maintenance areas based on age, type and lack of asset tags to ensure we selected a variety of assets. We traced these assets to the master inventory listing to determine whether they were listed accurately including the asset tag number, description and location. We also compared any musical instruments or electronic devices selected to the subsidiary inventory lists to determine whether they were listed accurately.
- We reviewed Board minutes and resolutions, disposals listed on the master inventory report and other disposal documentation and selected all eight group disposals found during our audit period consisting of 158 fixed assets

listed as being disposed to determine whether the District's policies were followed, items were removed from the master inventory listing and disposals were properly documented.

- We selected a sample of 25 electronic devices out of the 1,300 listed on the subsidiary inventory list maintained and 107 musical instruments out of 235 instruments on the subsidiary inventory list maintained based on the type of devices or instruments to ensure we selected a variety of both. We then traced these electronic devices and instruments to the master inventory listing to determine whether the lists agreed including the asset tag number and location.
- We reviewed the District's insurance policy to assess the District's coverage and determine whether fixed assets were adequately protected from loss.

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 District 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
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