**Thomas P. DiNapoli**
**COMPTROLLER**

OFFICE OF THE
NEW YORK STATE COMPTROLLER

DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY

# STATE UNIVERSITY OF NEW YORK

# EQUIPMENT CONTROLS AND COMPLIANCE WITH REPORTING REQUIREMENTS

# Report 2008-S-46

## AUDIT OBJECTIVES

The objectives of our audit were to determine whether selected State University of New York (SUNY) campuses have established adequate controls over equipment items, and whether they are reporting lost or missing equipment items, as required by law.

## AUDIT RESULTS - SUMMARY

According to SUNY records, the 29 State-operated campuses and 5 statutory colleges own about 60,000 equipment items with a total cost of about $2.6 billion. SUNY System Administration administers its Property Control System (PCS) which campuses system-wide must use to record items of equipment with purchase prices of $5,000 or more. According to the PCS Manual, campuses are required to perform annual physical inventories of equipment costing over $5,000 and to update the PCS when the status of items change (i.e., when items are surplused, disposed of, or stolen).

We visited five SUNY campuses to determine if they had adequate equipment inventory controls. The campuses included Buffalo State College (Buffalo), Delhi College (Delhi), Old Westbury College (Old Westbury), the University at Stony Brook (Stony Brook) and the Upstate Medical University at Syracuse (Syracuse). We found that the equipment inventory controls at the campuses we visited were generally adequate, to the extent we were able to account for nearly all of the equipment items we selected for verification. These campuses should be acknowledged for these results.

We recommended certain other improvements to equipment inventory controls. Specifically, Old Westbury, Delhi and Buffalo should initiate efforts to perform annual physical inventories of equipment. We also determined that physical inventories at certain campuses were performed by staff that had custody over the equipment tested. Because the physical inventories were not performed by independent personnel, management could place only limited reliance on them. In addition, we determined that several campuses needed to develop and implement policies to ensure that campus identification decals are placed on pieces of equipment that require them. Buffalo and Delhi did not tag items below $5,000.

At the campuses we visited, we judgmentally selected 100 equipment items for testing and we accounted for almost all of them. However, we determined that the campuses did not always update the PCS timely, and consequently, the PCS included pieces of equipment that had been lost or surplused several years ago. For example, at Stony Brook, the PCS included a 1986 Ford Bronco and a fishing boat that were surplused so long ago that there were no longer records of the dispositions of the items.

SUNY campuses are required to report a theft or loss of equipment in excess of $1,000 to the designated SUNY authorities (including campus security) and the Office of the State Comptroller (OSC). We surveyed SUNY's 34 State-operated and statutory college campuses and reviewed the reports submitted by those campuses to OSC for the period January 1, 2006 through September 30, 2007. We found that only 2 campuses submitted all of the required reports, and 15 campuses submitted some. We contacted the remaining 17 campuses, and officials from 9 of those campuses advised us that they had no lost or stolen equipment to report during the period. Moreover, officials from the other 8 (of the 17) campuses advised us that equipment was lost and/or stolen during the period; however, these 8 campuses did not report the losses to OSC, as required.

Our report contains seven recommendations to SUNY System Administration to improve controls to safeguard SUNY's equipment items. SUNY officials generally agreed with our recommendations, and they indicated the steps that they have taken and will be taking to implement them.

This report, dated January 16, 2009, is available on our website at http://www.osc.state.ny.us.
Add or update your mailing list address by contacting us at: (518) 474-3271 or
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

## BACKGROUND

The State University of New York (SUNY) consists of 64 autonomous campuses (29 State-operated colleges, 5 statutory colleges affiliated with private universities, and 30 community colleges) located throughout the State, and a central administrative office located in Albany (System Administration). SUNY's 29 State-operated and statutory campuses have about 60,000 equipment items (e.g., furniture, computers, DVD players) which cost approximately $2.6 billion (see Exhibit A).

System Administration administers a system-wide Property Control System (PCS) for recording each item costing $5,000 or more. PCS provides a means for uniform reporting and control of capital assets at all SUNY campuses. The fundamental purpose of PCS is to facilitate proper and timely reporting of equipment transactions and safeguard items against loss, theft or other misappropriation. Campuses are required to input equipment inventory information directly into PCS when the status of the item changes (e.g., when items are surplused, disposed of, or stolen).

System Administration's PCS Manual (Manual) outlines criteria for including property and equipment on PCS, as well as tagging, inventory and property disposal procedures and requirements. State-owned equipment valued below $5,000 is not required to be entered into PCS, but should be tagged with a campus identification decal.

## AUDIT FINDINGS AND RECOMMENDATIONS

### *Physical Inventories of Equipment*

The Manual requires campuses to perform an annual physical inventory of equipment items costing over $5,000. Items not located during physical inventories should be promptly reported to the appropriate officials and their status updated in PCS. Physical inventories should be performed by employees who are not responsible for overseeing the items being inventoried. When this separation is not possible, compensating controls should be established to create an independent verification process.

To determine if campuses performed physical inventories, we judgmentally selected five campuses to visit based on their size, type of school and potential vulnerabilities. The campuses were Buffalo State College (Buffalo), Delhi College (Delhi), Old Westbury College (Old Westbury), University at Stony Brook (Stony Brook) and the Upstate Medical University at Syracuse (Syracuse). We reviewed inventory records and interviewed officials at the campuses. We found that two campuses (Stony Brook and Syracuse) had performed the required physical inventories in 2008. For the remaining three campuses we determined that:

- Old Westbury's most recent physical inventory was in 2004;

- Delhi's most recent physical inventory was in December 2006; and

- Buffalo's most recent physical inventory was in March 2006.

Consequently, Old Westbury, Delhi and Buffalo did not perform annual physical inventories, as required. Delhi officials said that physical inventories were not performed on an annual basis due to staffing issues. Old Westbury officials stated that they plan to perform their next comprehensive inventory later in 2008.

When Old Westbury and Buffalo did their annual physical inventories, they were conducted by the staff who had custody of the items being tested, and not by independent staff. Consequently, we believe that campus officials could not place sufficient reliance on the results of these verifications. In response to our preliminary observations, Old Westbury officials said that they have instituted new procedures to ensure that physical inventories are performed by employees who do not have custody of the items tested. At the remaining three campuses (Stony Brook, Syracuse, and Delhi) inventory tests were performed or verified by independent staff.

Although Buffalo had not conducted a physical inventory since March 2006, it did perform annual "inventory audits" which included verifications of a limited number of selected equipment items. The most recent "inventory audit" was performed in November 2007. However, these audits are not as comprehensive as the physical inventories since they are spot checks of a limited sample of items selected by the various departments.

**Recommendation**

1. Advise all campuses to comply with the requirement for an annual equipment inventory as prescribed by the Manual.

*Accuracy of PCS*

The Manual prescribes specific procedures to follow when equipment items costing more than $5,000 are missing, disposed of, or taken off campus. We found campuses did not consistently update the PCS appropriately to indicate the proper status of equipment items on the system.

To assess the accuracy of PCS data, we judgmentally selected 100 items that should have been at the five campuses (per the PCS) as of February 28, 2008. The total cost of the 100 items selected was about $792,000. We found that the campuses did not consistently update the PCS properly, and initially there were problems finding 18 of the items selected. Although we eventually accounted for most of the items in question, we concluded that the campuses need to improve their practices for updating the PCS. With respect to specific campuses, we found the following:

- At Old Westbury, we were unable to locate seven of the items selected upon our initial review. According to Old Westbury officials, they were aware that the items in question were no longer in use, and these items should have been removed from the PCS as far back as 2004. However, Old Westbury personnel did not have the technical knowledge to remove items from the PCS, and consequently; the items remained in active status on the system;

- At Stony Brook, five of the selected items included in our review had been surplused; however, the records did not reflect this. The items in question included a 24-foot cabin fishing boat, a 1986 Ford Bronco, and a DVR. Subsequent to our initial review, Stony Brook officials provided us with documentation to account for three of the items. Officials added that the other two items (the fishing boat and the Bronco) were surplused so long ago that they no longer retained documentation of the dispositions. Nonetheless, Stony Brook staff had not posted the changes in status of the five items to the PCS, and the items remained in active status on the system;

  In addition, at Stony Brook we identified 19 vacuum cleaners that were improperly recorded on the PCS. According to the PCS, each item was recorded at $6,018; however, the purchase order for these items showed that the total cost of the 19 vacuum cleaners was $6,018. As a consequence of this recording error, the PCS was overstated by $114,342;

- At Delhi, we were unable to locate four items upon our initial review. The four items included a microfilm reader/printer, a projector, a pick-up truck, and a laptop computer. The projector was found after officials explained that there had been a recording error on the PCS. The pick-up truck (which was to be surplused) was found subsequently at a location other than that indicated on the PCS. Also, the computer was in the possession of a staff person who was working off campus. However, the micro-film reader/printer (costing $8,732) could not be accounted for;

- At Buffalo, we located all but one of the items tested (a projector valued at $5,109). Buffalo officials were unable to account for the projector and advised us that they would update the PCS appropriately to reflect its loss; and

- At Syracuse, we located all but one of the items tested (a digital camera) upon our initial review. The camera was subsequently located at a location other than the one indicated on the PCS.

Based on the results of our review, we concluded that several of the campuses we visited need to make conscious efforts to improve the quality of the data maintained on the PCS. The presence of inaccurate data and/or data that is not up-to-date can mitigate the effectiveness of the PCS as a control tool and compromise the efficiency and effectiveness of efforts to perform physical inventories of campus equipment. In response to our preliminary observations, campus officials indicated that they would take steps to help ensure that PCS is accurate and up-to-date.

**Recommendation**

2. Formally remind the campuses to update the PCS timely to accurately reflect the status of equipment listed on the system. Particular attention should be given to equipment that is surplused or is moved permanently to another location on the campus.

## Controls for Equipment Costing Under $5,000

System Administration does not require campuses to record items costing under $5,000 in the PCS and maintain inventory records for them. However, the Manual does state that each piece of State-owned equipment costing below $5,000 should be tagged with a SUNY campus identification decal, and each campus should have a written policy for tagging and safeguarding such items.

At each of the 5 campuses we visited, we selected judgmental samples of 30 to 40 items under $5,000 for testing. To determine whether we could locate items costing under $5,000, we reviewed purchase orders and available inventory records at the five sampled campuses for the period April 2006 through May 2008, and we judgmentally selected items for testing based on risk. With respect to the individual campuses, we found the following:

- At Old Westbury, we found 29 of 30 items upon our initial review. We could not locate a laptop computer. We determined that Old Westbury did have formal tagging procedures; however, they were not being followed since only a few of the items were tagged. Old Westbury officials stated that, as of July 1, 2008, they started to place tags on all equipment costing between $1,500 and $5,000, and they will spot-check these items during their annual inventories that will be conducted in the future;

- At Stony Brook, we found 36 of 39 items upon our initial review. The three missing items were computers. According to Stony Brook officials, two computers were taken off-campus for use at home, and the third computer was surplused. Campus removal authorization and surplus forms were eventually provided to us. However, the surplus form and one of the authorization forms were dated after our visit. All of the items we located were tagged. Further, Stony Brook has tagging procedures for items costing less than $5,000. Stony Brook officials said they plan to develop or use an existing system to record and track items less than $5,000 that are susceptible to loss or theft;

- At Delhi College we found 25 of 33 items upon our initial review. The eight items we could not examine were computers that were off-campus with faculty members, according to Delhi officials. None of the items we located were tagged. Delhi has a tagging policy which instructs departments to contact the Property Control Office if they would like tags to be used for items that have a useful life of two or more years and originally cost less than $5,000. Therefore, it does not require tags, which conflicts with Manual requirements;

- At Syracuse, officials had written procedures for tagging equipment, and we found all 40 of the items selected for review. All 40 items were tagged; and

- At Buffalo, we found all 40 items selected for testing. However, none of the items were tagged, and Buffalo did not have written procedures for tagging, as required.

### Recommendations

3. Formally remind campuses of the requirement that equipment must be tagged with a campus identification decal.

4. Verify that all campuses have written tagging procedures that are consistent with the requirements of the Manual.

5. Formally request the campuses to periodically spot-check selected equipment items under $5,000 to verify their existence and condition.

## *Use of Information Technology*

Given the number of equipment items that SUNY has (about 60,000) and their reported cost (almost $2.6 billion), it is important that adequate controls be established over this significant investment of public funds. During the course of our review, we noted that several SUNY campuses used barcode decals to identify campus-owned equipment. To perform physical inventory tests, campus staff used hand-held optical scanners to record the presence of equipment. The barcode decals are read by a scanner which transmits the information to a data recorder. According to SUNY officials, about ten campuses were using barcode technology at the time of our review.

As previously noted, several of the campuses we visited did not conduct comprehensive annual physical inventories of their equipment. In certain instances, a lack of staffing resources contributed to the inability to perform equipment inventories. We believe that the use of contemporary information technology, including barcode decals and optical scanners, can improve the efficiency and effectiveness of campus efforts to perform equipment inventories. Moreover, the use of such technology could be of particular assistance to campuses with staff resource limitations, which might otherwise not perform equipment inventories, as required. Consequently, we concluded that SUNY System Administration officials should formally assess the use of technology, such as barcode decals and scanners, and provide guidance to campuses, as appropriate, regarding their potential use and benefit.

### Recommendation

6. Assess the viability of information technology, such as barcodes and optical scanners, to improve the efficiency and effectiveness of equipment inventory control efforts. As appropriate, advise the campuses of the potential use and benefit of such technologies, and provide technical assistance as requested.

## *Compliance with Theft and Missing Items Reporting Requirements*

To help monitor the theft and loss of State assets, the Office of the State Comptroller's (OSC) New York State Accounting System User Procedures Manual (Manual) requires campuses to report thefts and losses of equipment in excess of $1,000 to appropriate SUNY authorities and to OSC. To comply with this requirement, the standard practice of the SUNY campuses (that complied with Manual) was to file quarterly Theft/Missing Items Reports (Reports) with SUNY and OSC, if an incident occurred within a particular quarter.

We surveyed SUNY's 34 State-operated and statutory campuses and reviewed the Reports submitted by these campuses to OSC for the period, January 1, 2006 through September 30, 2007, (a period of seven quarters) to determine if they complied with the

requirements of the Manual. Based upon our review, we found the following:

- 2 campuses submitted the Reports for each quarter during the period;

- 15 campuses submitted Reports for one to six quarters;

- 9 campuses advised us that they did not have any lost or stolen property to report during the period; and

- 8 campuses advised us that they did have lost or stolen equipment during the period, but these campuses did not submit any Reports of the losses to OSC, as required.

If the campuses do not prepare and submit the required Reports, campus officials and oversight authorities may not have sufficient information to accurately assess the extent of equipment theft and loss problems that exist. Without such assessments, significant problems could persist, and officials would have limited ability to develop and implement policies which protect equipment inventories in the most efficient and effective manner.

### Recommendation

7. Formally remind the campuses to comply with the Manual's requirements for reporting lost and stolen property.

## AUDIT SCOPE AND METHODOLOGY

The objectives of our audit were to determine whether selected SUNY campuses have established adequate controls over moveable equipment items, and whether they are reporting lost or missing equipment items, as required the New York State Accounting System User Procedures Manual Volume XI Section 7.0200, which governs the reporting of lost or stolen equipment to OSC. Our audit period was from January 1, 2006 through February 28, 2008.

To accomplish these objectives, we reviewed applicable policies and procedures and met with SUNY administration and campus officials to gain an understanding of the policies and procedures in place to control equipment inventories. We reviewed equipment inventory procedures and samples from the PCS equipment inventory at five campuses. We also reviewed purchase vouchers for equipment at four campuses: Stony Brook, Buffalo, Old Westbury and Delhi.

To determine the accuracy and completeness of inventory records and the presence of equipment on campus we surveyed SUNY's 34 State-operated and statutory campuses. We selected five of these campuses to visit based on factors such as campus size and type of school as well as potential vulnerabilities based on the results of the survey. We judgmentally selected two samples on each of the five campuses selected. The first sample at each campus was selected from the inventory records provided by PCS of items costing more than $5,000. The second sample at each campus was for equipment costing less than $5,000. The second sample was selected from equipment inventory lists if they existed or purchase vouchers where an inventory list did not exist.

We conducted our performance audit in accordance with 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 objectives. We believe that the evidence obtained provides a reasonable basis for our

findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

## AUTHORITY

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

## REPORTING REQUIREMENTS

We provided draft copies of this report to SUNY officials for their review and formal comments. We considered their comments in preparing this report and have included them as Appendix A. SUNY officials generally agreed with our recommendations and indicated the steps they have taken and will be taking to implement them.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Chancellor of SUNY shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

## CONTRIBUTORS TO THE REPORT

Major contributors to this report include Brian Mason, Karen Bogucki, Kathleen Hotaling, Donald Collins, David Pleeter, Kelly Evers-Engel, Laurie Burns, and Sue Gold.

**Exhibit A**
PCS Listing of Equipment by Campus
As of February 28, 2008

| School Name | Items | Amount of Cost |
|---|---|---|
| Albany | 3,412 | $      345,113,572 |
| Alfred State | 486 | 8,086,051 |
| Binghamton | 1,820 | 70,321,522 |
| Brockport | 492 | 9,477,756 |
| Buffalo | 8,512 | 217,061,323 |
| Buffalo State | 849 | 16,751,385 |
| Canton | 234 | 4,571,422 |
| Cobleskill | 784 | 5,902,786 |
| Cortland | 788 | 13,299,878 |
| Delhi | 226 | 3,606,119 |
| Downstate Medical (Brooklyn) | 5,320 | 427,622,133 |
| Empire State | 235 | 3,902,346 |
| Environmental Science/Forestry | 1,025 | 22,258,269 |
| Farmingdale | 589 | 11,123,406 |
| Fredonia | 556 | 10,086,061 |
| Geneseo | 755 | 13,627,287 |
| Maritime | 184 | 3,212,156 |
| Morrisville | 541 | 8,439,262 |
| New Paltz | 601 | 10,826,566 |
| Old Westbury | 405 | 7,920,098 |
| Oneonta | 583 | 9,148,994 |
| Optometry | 192 | 2,505,367 |
| Oswego | 697 | 10,943,737 |
| Plattsburg | 667 | 9,552,608 |
| Potsdam | 484 | 12,532,893 |
| Purchase | 494 | 12,488,459 |
| Stony Brook | 13,598 | 569,116,258 |
| Institute of Technology | 496 | 9,037,281 |
| Upstate Medical (Syracuse) | 8,210 | 665,688,113 |
| Alfred Ceramics (statutory college) | 579 | 17,147,721 |
| Cornell (four statutory colleges) | 5,975 | 114,235,313 |
| **Total** | **59,789** | **$   2,645,606,142** |

THE STATE UNIVERSITY *of* NEW YORK

*James R. Van Voorst*
*Interim Vice Chancellor*
*for Finance and Business*

State University Plaza
Albany, New York
12246

518 443 5105
fax - 518 433 5483

jim.vanvoorst@suny.edu
www.suny.edu

December 24, 2008

Mr. Steven E. Sossei
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, New York 12236

Dear Mr. Sossei:

In accordance with Section 170 of the Executive Law, we are providing our comments on the draft audit report on the State University of New York Equipment Controls and Compliance with Reporting Requirements (2008-S-46). The University generally concurs with the recommendations contained in the draft report and is appreciative of the effort expended in the conduct of the audit. Further, we appreciate the Office of the State Comptroller's acknowledgement that the inventory controls at the five campuses they visited were generally adequate.

**Recommendation 1:** Advise all campuses to comply with the requirement for an annual equipment inventory as prescribed by the Manual.

**University Response :** System Administration is in the process of changing the PCS manual regarding physical inventory requirements to state that a complete physical inventory should be taken, and the results reconciled with the equipment records, at least once every two years. This is consistent with federal government's *Office of Management and Budget Circular A-110*, regulations. In addition, as required by the Office of the State Comptroller, campuses will be required to conduct a physical inventory of a portion of the equipment at least annually. As part of this process, campuses will be asked to incorporate this change in their campus procedures.

**Recommendation 2:** Formally remind campuses to update the PCS timely to accurately reflect the status of equipment listed on the system. Particular attention should be given to equipment that is surplused or is moved to another location on the campus.

**University Response:** The PCS manual requires campuses to update their property control records in a timely manner and provides guidance for equipment items not located or transferred to other locations. System Administration will send a formal reminder to the campuses and emphasize adherence to the PCS manual requirements and guidance.

**Recommendation 3:** Formally remind campuses of the requirement that equipment must be tagged with a campus identification decal.

**University Response:** The PCS manual requires that all equipment items must be tagged with a campus ownership tag or an asset decal. System Administration will formally remind campuses of this requirement.

**Recommendation 4:** Verify that all campuses have written tagging procedures that are consistent with the requirements of the manual.

**University Response:** System Administration has provided guidance regarding proper tagging procedures, which, consistent with the PCS manual, requires campuses to have written inventory procedures. Compliance with this requirement will be verified during internal control reviews over property control.

**Recommendation 5:** Formally request the campuses to periodically spot-check selected equipment items under $5,000 to verify their existence and condition.

**University Response:** System Administration will update the PCS manual to request campuses to periodically spot-check selected equipment items under $5,000 to verify their existence and condition.

**Recommendation 6:** Assess the viability of information technology, such as barcodes and optical scanners, to improve the efficiency and effectiveness of equipment inventory control efforts. As appropriate, advise the campuses of the potential use and benefit of such technologies, and provide technical assistance as requested.
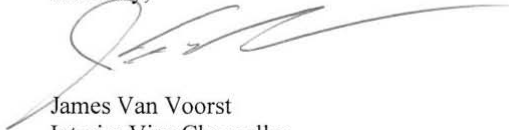
**University Response:** The University is in the process of researching a new fixed asset module. As part of this effort, the use of barcode scanners to improve the efficiency and effectiveness of inventory control and accountability over equipment items is being considered.

**Recommendation 7:** Formally remind the campuses to comply with the manual's requirements for reporting lost and stolen property.

**University Response:** System Administration has updated the PCS manual to outline the reporting requirements for lost and stolen property and will formally remind campuses of this requirement.

Sincerely,

James Van Voorst
Interim Vice Chancellor
for Finance and Administration

Copy: Dr. Clark
Mr. McGrath