

Kingston City School District

Fixed Assets

DECEMBER 2017



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

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Report Highlights

Kingston City School District

Audit Objective

Determine whether fixed assets are properly recorded and accounted for.

Key Findings

- Assets were not tagged as District property.
- New assets were not added to the inventory list.
- The contractor's generated asset list did not correspond to District's Information Technology (IT) department asset list.

Key Recommendations

- Ensure all fixed assets above the established thresholds have a tag affixed identifying them as District property.
- Ensure new assets are added to the inventory software.
- Review and compare the contractor's generated asset list with the IT list to ensure the District has a complete and accurate inventory of computers.

District officials agreed with our recommendations and indicated that they are in the process of initiating corrective action.

Background

The Kingston City School District (District) is located in the City of Kingston and encompasses parts of the Towns of Kingston, Esopus, Hurley, Marbletown, New Paltz, Rosendale, Saugerties, Ulster and Woodstock in Ulster County.

The Board of Education (Board) is responsible for managing the District's operations. The Superintendent of Schools is the chief executive officer and is responsible, along with other staff, for the District's day-to-day management under the Board's direction.

The District contracted with an outside vendor to prepare an inventory listing in May 2016 that identified and tagged all fixed assets valued at \$500 or more. During our audit period the District purchased approximately \$425,000 in fixed assets.

Quick Facts

Employees	1,100
Enrollment	6,200
Inventory Value	\$171 million
2016 – 2017 Budgeted Appropriations	\$161 million

Audit Period

July 1, 2016 – June 30, 2017

Fixed Assets

How Should Fixed Assets Be Recorded and Accounted For?

Fixed assets, such as machinery and equipment, represent a significant investment of District resources. District officials are responsible for ensuring that fixed assets are protected from loss and inventory records are current and accurate. Officials should ensure procedures are in place for tagging and recording new assets. District officials should also ensure they have a complete and accurate inventory of computers.

Fixed Assets Are Not Properly Tracked

Business office personnel are responsible for updating and maintaining inventory records for all assets valued at greater than \$500. An account clerk distributes asset labels and a form to those departments receiving assets over \$500 and each department is responsible for labeling its assets and filing out the form to return to the Business office to add to the inventory software. The IT department maintains its own records to track and monitor IT equipment.

Asset tagging – We selected 46 computers from two locations to see if the assets had District tags on them. Eleven computers (24 percent) did not have District tags. We were not able to identify when these computers were purchased or their value as they were not recently acquired. Officials told us that the contractor was responsible for tagging these computers.

Asset additions – New assets purchased during our audit period totaled approximately \$425,000, which included 62 computers valued at approximately \$54,000. We traced 20 computers valued at \$17,500, and found that they were all tagged but none had been added to the asset list created by the contractor. The forms sent to the receiving departments were not returned to the Business office for the assets to be properly added to the inventory record.

When assets are not properly tagged or added to inventory records timely, they are more susceptible to loss or theft and District officials do not have assurance that all property can be accounted for.

Contractor List Does Not Match IT List

We traced 22¹ computers from the contractor's list, valued at \$39,000 and could not locate two computers valued at \$3,472 in a school building on the IT list. The IT Director thought that the two computers may have been disposed of after the contractor's inventory was completed.

¹ See Appendix B for our selection methodology.

In addition, we examined the 46 previously mentioned computers to determine if their service tag numbers,² and District tag numbers matched both the contractor and the IT lists. Although, all computers had a service tag number only 20 were on the IT list. District officials told us that they think the contractor may have grouped some computers together due to their age.

Without accurate and up-to-date fixed asset records, District officials cannot ensure that District assets are properly accounted for and protected against loss.

What Do We Recommend?

District Officials should:

1. Ensure all fixed assets above the established thresholds have a tag affixed identifying them as District property.
2. Ensure that receiving department personnel complete the new asset forms and return them to the Business office to be added to the inventory software.
3. Review and compare the contractor asset list with the IT list to ensure the District has a complete and accurate inventory of all computers.

2 An identifying tag on the computer placed by the manufacturer when purchased.

Appendix A: Response From District Officials



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Dr. Paul J. Padalino, Superintendent
Nora Scherer, Board of Education President

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December 6, 2017

Ms. Tenneh Blamah
Chief Examiner of Local Government
and School Accountability
Office of the State Comptroller
110 State Street
Albany, New York 12236

Re: Draft Fixed Asset Audit of Kingston City School District: 2017M-214

Ms. Blamah,

The Kingston City School District (“District”) appreciates the work of the audit team from the NYS Office of State Comptroller (“OSC”). This document is the District’s response to the draft fixed asset audit, which was provided to the District on November 8, 2017.

The District has a relatively new asset management system, and procedures in place for tracking our assets. We are working hard to perfect our operation in this area, in the face of personnel changes (since April 2017) on the District and support side.

IT assets are a complicated matter in many NYS public schools, as many assets are owned by the local BOCES (in our case Ulster BOCES) rather than the local school district. In fact, teacher, classroom, and administrative computers are BOCES-owned. Our Information Technology (“IT”) department keeps careful track of every computer in the District, be it District- or BOCES-owned.

While the audit field work was taking place, during the summer of 2017, computers were being rearranged, moved around to support cleaning and construction, re-imaged, replaced – an annual renewal process and hectic period. However, we are pleased that despite the commotion:

- All 46 computers examined for Asset Tagging were located;
- All 20 computers traced to check Asset Additions were located;
- All 22 computers surveyed under Contract List were located – 20 by the auditor, and the other two later by us after we were made aware of the items being sought.

The District is committed to appropriate corrective action to address the OSC recommendations, and have in fact already formulated procedures that we are confident will succeed in enhancing our fixed asset practices. The District will follow up with our Corrective Action Plan within 90 days. Fiscal responsibility is vital to the District and its stakeholders, and we continually seek to improve the quality of our programs while maintaining fiscal discipline.

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Thank you for the insight that your team brought to the District's processes. We appreciate in particular their professionalism, as well as the courtesy and sensitivity shown to our busy business office and IT staffs. If you should require any additional information, please call me at (845) 943-3002.

Sincerely,

Dr. Paul J. Padalino
Superintendent

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, we performed the following audit procedures:

- We interviewed District personnel to obtain an understanding of fixed assets processes and procedures.
- We reviewed the fixed asset policy to determine its adequacy.
- We compared items tested to both the contractor list and to the District IT list to determine if they were on both lists.
- We reviewed the appropriations list and selected the vendor payments that appeared to be fixed assets purchases, then determined the value of new assets purchased.
- We judgmentally selected two middle schools due to the high school being under renovation and the elementary schools having BOCES owned computers, within the District for testing random computers.
- We randomly selected 22 fixed assets valued at \$38,926, from a total of 3,349 with a total cost value of \$171 million, from the contractor list to determine if they were in the District's possession and if they were tagged properly by tracing each asset recorded to their location in the District. We also compared them to the IT list.
- We randomly selected 20 fixed assets from 249 purchased, with a total value of \$424,261, during fiscal year 2016-17 valued at \$17,500 and traced to their locations to determine if their service tag agreed with the invoice and if the District tag agreed with the IT list.

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 Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

http://www.osc.state.ny.us/localgov/regional_directory.pdf

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

<http://www.osc.state.ny.us/localgov/costsavings/index.htm>

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

<http://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

<http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm>

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

<http://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

<http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf>

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

<http://www.osc.state.ny.us/localgov/finreporting/index.htm>

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

<http://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

<http://www.osc.state.ny.us/localgov/training/index.htm>

Contact

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