

Islip Fire District

Capital Assets

FEBRUARY 2021



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

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Report Highlights

Islip Fire District

Audit Objective

Determine whether District officials maintain and monitor accurate inventory records to safeguard District assets.

Key Findings

District officials did not maintain accurate and consistent capital asset records to ensure District assets were monitored and safeguarded.

- District inventory records did not list 45 of 50 selected assets totaling \$36,809.
- District officials were unable to locate seven of 50 assets totaling \$7,360.
- Scuba gear totaling \$119,523 was not adequately monitored or safeguarded.

Key Recommendations

The Board should:

- Adopt a comprehensive capital asset policy or written procedures that set forth the duties, records and control procedures to safeguard assets.
- Actively monitor asset records to ensure they are accurate and up-to-date and that purchases of District assets are actual and necessary.

District officials should:

- Ensure an accurate and up-to-date asset inventory is maintained and District assets have a tag affixed identifying them as District properties.

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

Background

The Islip Fire District (District) serves the Town of Islip in Suffolk County. The District is governed by a five-member Board of Fire Commissioners (Board), which is responsible for the general management and control of operations. The District Manager is responsible 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.

Quick Facts

2017 General Fund Appropriations	\$3,337,344
Fixed Assets Purchased During the Audit Period	\$1,227,117
Active Members	130

Audit Period

January 1, 2016 – July 31, 2017

Capital Assets

How Should a District Record and Account for the Purchase of Capital Assets?

Capital assets are defined as assets that are used in operation that have useful lives of more than one year such as buildings, vehicles, machinery and equipment and are generally acquired to provide essential services to district residents. The inventory of capital assets often represents a district's most significant investment of resources that are subject to risks of loss, misuse and/or obsolescence. To ensure that capital assets are protected from loss, their value is maintained and they are used effectively, the board must adopt a comprehensive capital asset policy that sets forth the duties, records and control procedures to safeguard these assets. This includes establishing guidelines for the acquisition, use, replacement and disposal of vehicles and equipment and to identify the records to be maintained.

A common method of accounting for capital assets includes affixing an identification tag or decal to each asset identifying the asset as district property, such as to locate assets used after a fire involving multiple fire companies. Asset tags should have unique numbers to identify the asset and the district's name on them. Asset tags improve the ability to differentiate between assets, making them easier to track, and can provide a deterrent to improper use. District officials should maintain capital assets records that include a description of each item with its make, model and serial number; the district-assigned identification number; the date purchased, amount paid, vendor name and claim number of the purchase; and the department or individual assigned to have custody of the item. District officials should ensure that a physical inventory is performed periodically. This will help ensure assets are located in their department of record and are properly identified as district property, and that asset records are current and accurate.

It is important for district officials to monitor capital asset purchases to ensure they are for appropriate purposes and amounts. A requisition or purchase order (PO) system helps ensure that purchases of goods and services are properly authorized and preapproved, cost considerations have been evaluated, and adequate funds are available before purchases are made. The individual requesting a purchase submits a purchase requisition to the purchasing agent, who must verify that funds are available before a PO is sent to the vendor for goods or services. The purchase requisition provides preapproval accountability and assurance that the requested items are needed. The PO documents an authorized placement of an order, is a cross-reference to the vendor's invoice and is the source document for district claims (vendor bills) entered into the accounting system and inventory records.

The District Does Not Have a Comprehensive Policy for Identifying and Recording Capital Assets

The Board did not adopt a comprehensive capital asset policy or written procedures that set forth the duties, records and control procedures to safeguard assets. As a result, District staff did not maintain accurate and consistent records to track all capital assets.

The District Manager maintains a database to track and monitor District assets, using labels to identify assets. In addition, the District contracts with a third-party vendor to prepare an annual capital asset appraisal report. The vendor reviews District invoices and records but does not conduct a physical inventory to create the appraisal report.

However, while the District Manager stated that he labels items that are placed into service on District vehicles and equipment and adds these assets to the District's inventory database, assets that are purchased and not placed into service on a vehicle or equipment are not labeled or added to the inventory database (i.e., recreation room furniture, dishwasher and information technology (IT) equipment such as laptops and tablets). In addition, the third-party vendor conducted the last physical inventory of District assets in 2001. Without a comprehensive policy and written procedures for identifying and recording fixed assets, District officials do not have adequate assurance that assets are sufficiently protected from loss, waste or misuse.

Capital Asset Records Were Insufficient to Adequately Monitor and Safeguard Assets

Due to the lack of a Board policy specifying how assets should be recorded, we reviewed the District's capital asset records and determined they were insufficient to monitor and safeguard assets. The District's asset records did not include the date of purchase, the amount paid, vendor name and claim number of the purchase. Without this information, District officials were unable to determine whether all purchased items were entered into the asset records, weakening their ability to monitor and safeguard assets from theft or misuse.

We selected 50 assets valued at \$51,809 to determine whether they were tagged and included in the District's inventory records. We also performed a walkthrough to determine whether they were in the District's possession. We found the following discrepancies (some items contained multiple discrepancies):

- There were 45 assets totaling \$36,809 that were not listed in the District's inventory records and did not contain asset identification tags. For example, the District purchased six scuba diving masks totaling \$7,680 that were not included in the inventory records and were not tagged with an asset

...District staff did not maintain accurate and consistent records to track all capital assets.

identification tag. The invoice for the six masks did not list serial numbers or specific identifying items to determine the identity of each mask.

- District officials were unable to locate or present for our observation seven assets totaling \$7,360 to determine whether the asset was in District possession. This included four laptops valued at \$2,480, two of which were purchased by a Commissioner on a District credit card, and two tablets valued at \$1,860 that were also purchased on District credit cards. According to District officials, the laptops are assigned to volunteers that perform duties for the fire department while not on District property, and the tablets were assigned to Commissioners to perform official duties and, therefore, not on District property.

Because of these weaknesses, we compared nine additional invoices for scuba diving gear purchases to the District's inventory records. From February 2015 through May 2017, the District purchased 759 dive equipment items totaling \$119,523. We found that all nine invoices for the gear were printed from an email and not original invoices. In addition, there was no indication, such as a signed voucher or receiving slip, that the District received the items listed on eight invoices totaling \$88,995. Further, the claim did not include a purchase requisition, and the claimant's certification on the PO was not signed or dated, making it unclear who brought rise to the claim and when. The invoices indicate that the gear was purchased by a Commissioner rather than the District's purchasing agent. The same Commissioner audited and approved the claims for payment.

The District's inventory records list 46 items of dive equipment. Because the District's inventory records contain vague descriptions, with no purchase date and dollar amount, we were unable to determine whether the 46 items listed were part of the 759 items purchased from 2015 through 2017 or if they were earlier purchases. In addition, 203 dive equipment items totaling \$30,528 were purchased in May 2017; 93 of those items, totaling \$20,425 had been previously purchased in the two-year period. There were no documentation or records to indicate the condition of the previously purchased dive equipment, or the approval and reason for the additional gear.

When purchases do not go through the proper purchasing procedures, officials have no assurance that they were necessary, received, approved and procured at the best price. When assets are not properly tagged and entered into inventory, they are more susceptible to loss or theft. When assets cannot be located, District officials do not have assurance that all property can be accounted for and only used for District purposes.

What Do We Recommend?

The Board should:

1. Adopt a comprehensive capital asset policy and written procedures that set forth the duties, records and control procedures to safeguard assets.
2. Actively monitor asset records to ensure they are accurate and up-to-date.
3. Ensure the purchases of District assets are completed through the District's PO process, and in the most cost effective manner.

District officials should:

4. Ensure an accurate and up-to-date asset inventory is maintained, including sufficient detail, such as cost, date of purchase and serial number, and location to account for and monitor District assets.
5. Ensure District assets have a tag affixed identifying them as District properties and retain receiving documents.
6. Locate the missing inventory identified in this report.

Appendix A: Response From District Officials

Islip Fire District

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3904

BOARD OF FIRE COMMISSIONERS

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James T. Keller - Treasurer
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Islip Fire District Capital Assets Report of Examination Report Number 2020M-003

RESPONSE AND CORRECTIVE ACTION PLAN (CAP) DECEMBER 2020

Key Finding 1: District Officials did not maintain accurate and consistent capital asset records to ensure District assets were monitored and safeguarded.

Key Finding 2: District Officials were unable to locate 7 of 50 assets.

Key Finding 3: SCUBA Gear was not adequately monitored or safeguarded.

This Document represents the Islip Fire District's combined Response and its Corrective Action Plan (CAP), regarding the above-referenced audit. Since all Key Findings and Recommendations pertain to the same topic, all recommendations will be addressed and implemented through the creation of a single new policy, described herein,

The Board agrees with the Key Findings and Recommendations in this section of the audit. The Board has already undertaken steps to draft a new and comprehensive policy entitled *Identifying, Recording and Managing Capital Assets*. The policy will ensure that capital purchases go through the proper cost-effective purchasing procedures, and that the process that begins with purchase approval, and continues to purchase of the assets, receipt of the assets, inventory of the assets, assignment/disbursement of the assets, and ends with either an annual monitoring review to ensure that the assets remain in place in useable or serviceable condition,

or assets have been surplused in accordance with accepted guidelines. The Board readily accepts recommendations 1-3, and believes that the new policy will document proper procedure and ensure compliance. Regarding Key Finding 3, and specific to the 6 SCUBA dive masks, the issue has been rectified. The masks have been located, identified with inventory control number, and recorded as received and issued to the Fire Department. The creation of a new *Identifying, Recording and Managing Capital Asset Policy* will ensure that future purchases are made in accordance with accepted guidelines.

Audit Recommendation #1: *The Board should adopt a comprehensive capital asset policy or written procedures that set forth duties, records, and control procedures to safeguard assets.*

Implementation Plan of Action: In June 2019, the Board passed a resolution to hire [REDACTED] to perform a Fixed Asset Inventory and Original Cost Report, designed to formally establish a baseline of capital assets. Based on scheduling challenges, that appraisal was conducted in November 2020. The final phase, receiving the written inventory, remains pending at the time of this response.

Implementation Date: The consultant expects to furnish the completed report by the end of calendar year 2020. The new policy will be completed by December 31, 2020 for Board approval at the January 2021 Organizational Meeting.

Persons Responsible for Implementation: The Fire District Manager oversees the work of the contractor, ensure that accurate records are provided, and maintain an asset control management spreadsheet with current and future assets. The Fire District Manager will also oversee all future purchases of capital assets, and coordinate with the Chairman of the Board, Fire District's Treasurer, Deputy Treasurer, and Secretary to ensure that all approvals and purchases have been made in accordance with available funds, proper approvals, and are processed and documented in accordance General Municipal Law (GML) requirements.

Under the Direction of the Board, the Consulting (former) Fire District Secretary will work with the Fire District Secretary and the Board's legal counsel to develop a new *Identifying, Reporting and Managing Capital Assets Policy*.

Audit Recommendation #2: *The Board should actively monitor asset records to ensure that they are accurate and up-to-date.*

Implementation Plan of Action: Using the baseline information prepared by the aforementioned consultant, a comprehensive asset control spreadsheet will be established and maintained, and will include an annual review to ensure its accuracy.

Implementation Date: December 31, 2020

Person Responsible for Implementation: Fire District Manager.

Audit Recommendation #3: *District officials should ensure and accurate and up-to-date asset inventory is maintained and District assets have a tag affixed identifying them as District properties.*

Implementation Plan of Action: A comprehensive asset control spreadsheet will be revised, maintained, and updated as necessary, to include existing equipment, future equipment, and surplus equipment, along with an annual review to ensure its accuracy.

Implementation Date: December 31, 2020

Person Responsible for Implementation: Fire District Manager.

Michael N. Leo
Chairman, Board of Fire Commissioners
Islip Fire District

12/18/2020
Date

LEGGIO	_____	DATE	<u>12-19-2020</u>
McCAFFREY	_____	DATE	<u>12/18/2020</u>
LEO	_____	DATE	<u>12/18/20</u>
HERRMANN	_____	DATE	<u>12/18/20</u>
DINEEN	_____	DATE	<u>12/18/2020</u>

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 report prepared by the asset service provider and interviewed District officials to determine the provider responsibility with respect to fixed assets.
- We reviewed the District's inventory records to determine whether they were adequate to sufficiently trace and monitor the District's assets.
- We used our professional judgment to select 50 assets valued at \$51,809, purchased during 2015 and 2016, which we considered to be a higher risk for loss or misuse. We determined whether they were listed in the District's inventory records and contained asset identification tags. We traced the assets to determine whether they were in the District's possession.
- We reviewed all invoices for dive equipment purchased totaling \$119,523 from 2015 through 2017 to determine whether the purchase of the gear was approved, documented and recorded in the District's inventory records so it could be sufficiently traced and monitored.
- We examined Board minutes for our audit period and supporting documents to identify items that the Board had approved for disposal. We determined whether these items had been removed from the master inventory records.

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.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

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

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/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/local-government/required-reporting

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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