

LaFayette Central School District

Fixed Assets

JUNE 2018



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

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Report Highlights

LaFayette Central School District

Audit Objective

Determine whether fixed assets were recorded and accounted for properly.

Key Findings

- The District did not have a comprehensive policy for identifying and recording fixed assets.
- Eighteen fixed assets valued at \$168,700 were either not recorded on the master inventory list or not properly tagged.
- The District's inventory records of technology assets were inconsistent.

Key Recommendations

- Adopt a comprehensive policy that establishes threshold amounts for controlling inventory and procedures for maintaining fixed assets.
- Ensure all fixed assets with a value that exceeds the established threshold have a tag identifying them as District property.
- Review fixed asset records each year and ensure that they are accurate and up-to-date.

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

Background

The LaFayette Central School District (District) is located in the towns of Fabius, LaFayette, Onondaga and Tully in Onondaga County and the Onondaga Nation Territory. The District is governed by the Board of Education (Board), which comprises seven elected members.

The Board is responsible for general management and control of District operations. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible, along with the Assistant Superintendent for Business (Assistant Superintendent), for the District's day-to-day financial management under the Board's direction.

The District contracts with the Onondaga Cortland Madison Board of Cooperative Educational Services (BOCES) for asset management. During our audit period, the District purchased approximately \$530,000¹ in fixed assets.

Quick Facts

Employees	210
Enrollment	850
2017-18 Budgeted Appropriations*	\$24.6 million

*Includes Onondaga Nation School

Audit Period

July 1, 2016 – December 1, 2017

¹ Purchases do not include items the District leased from BOCES.

Fixed Assets

How Should a District Record and Account for Fixed Assets?

Fixed assets, such as machinery and equipment, represent a significant investment of a school district's resources. District officials are responsible for ensuring that assets are protected from loss and inventory records are current and accurate. Boards should adopt a comprehensive fixed asset policy that sets forth the duties, records and control procedures to safeguard assets. A common method of accounting for fixed assets includes affixing an identification tag or decal to each asset identifying the asset as district property. 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 for improper use. District officials should establish dollar value thresholds for identifying and recording assets for inventory control and financial reporting and procedures to ensure assets are located in their department of record, fixed assets are identified as district property and asset records are current and accurate. If multiple inventory records are maintained, district officials should periodically reconcile them to identify and correct variances.

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

In 2013, the Board established a policy setting a \$5,000 threshold for determining which assets are to be depreciated in the District's accounting records. However, the Board has not established threshold values for tagging and inventorying assets for departmental inventory control purposes, such as computers, electronic devices, tools and lawn equipment.² The Board has designated the Assistant Superintendent to be the person responsible for recording and tracking fixed assets and arranging for an annual inventory and appraisal of District property. However, the Assistant Superintendent told us there have been no annual physical inventories conducted and also acknowledged that asset records are not kept up to date. Without comprehensive 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.

² Although the policy states a \$5,000 minimum for recording assets in the inventory records, we found that assets with lesser values were tagged and included in the District's master inventory list because they pre-dated the 2013 policy change or were included in purchases with other assets that aggregated over \$5,000.

District Inventory Records of Technology Assets Were Inconsistent

The District contracts with the Onondaga Cortland Madison Board of Cooperative Educational Services (BOCES) to provide asset management services for all assets the District purchased. BOCES uses inventory management software to record asset acquisition and disposal activity. Due to the lack of Board policy specifying how assets should be recorded, once a year the District Business Officer provides BOCES information on all purchases above \$5,000 (depreciation threshold per policy) and all assets disposed of during the year. This normally happens at the end of the fiscal year. BOCES uses the information supplied by the District to maintain a master inventory list for the District which contains identifying information (for example, serial number and asset tag numbers) for each asset.

BOCES also updates the master inventory list when the District purchases assets, such as information technology (IT) equipment, cooperatively through BOCES. When equipment is purchased through BOCES, a BOCES asset tag is affixed to the equipment before it is turned over to the District. The master inventory list contains all of the assets that BOCES is aware of, both IT related and general assets. In addition, the District's IT Department maintains a separate inventory list of all IT equipment³ the District purchased, which shows serial numbers and corresponding District asset tags that are affixed to the assets. However, the District does not periodically reconcile the two lists to identify and correct variances.

We compared the inventory of laptop notebook computers (notebooks) on both lists using serial numbers and found the following discrepancies:

- The District's IT inventory list contained 943 notebooks while the master inventory list included only 413 notebooks, a difference of 530.
- The master inventory list had only 144 serial numbers that matched the District's IT inventory list. Therefore, 269 notebooks on the District's list were not on the master list.
- We found 21 instances in which duplicated data was found on the District's IT inventory. In some cases, the same District tag numbers were assigned to two notebooks with different serial numbers. In other cases, the notebooks were listed in the IT inventory records twice at different locations (the records showed duplicate BOCES' tag numbers and serial numbers).

3 The IT Department maintains only technology items such as laptop notebooks, laptops, desktops, printers/scanners and interactive display systems.

The differences in the inventory lists were caused by a variety of factors. For example, the BOCES' master list captured only IT equipment that was purchased through BOCES, while the District's IT inventory list included IT equipment purchased from any source. Also, the BOCES master list was not always updated when the District disposed of equipment. Because both inventory lists contained errors and/or omissions, the District does not have a reliable record of its IT assets.

Fixed Assets Are Not Properly Tracked

Due to the fixed asset control weaknesses discussed, we selected 60 notebooks (15 from each District location) from the District's IT Inventory list and attempted to trace to the physical items. While we eventually were able to locate all 60 notebooks,⁴ nine were not in the building indicated on the District's IT inventory list. District officials told us that the notebooks are relocated as needed, but the records were not always updated.

We also reviewed purchase records and traced six purchases consisting of 43 pieces of equipment,⁵ made during our audit period, totaling \$54,050 to inventory records and then to the actual items. While we were able to locate all the assets, we found the following recordkeeping deficiencies:

- Twelve portable two-way radios valued at \$14,868 did not have asset tags and were not recorded on the District's IT inventory list. However, the Transportation Supervisor maintained a list of serial numbers and the District official assigned to each radio.
- The District's IT inventory list showed that two of 20 newly purchased notebooks (valued at \$209 each) were given the same asset tag number. The notebooks were tagged appropriately, but the asset tag number was incorrectly recorded in the IT inventory list for one of them.

The District also purchased four school buses totaling \$438,651 during our audit period. Two were included in the master inventory list, but two that were purchased in November 2017 had not been added to the master inventory as of February 2018. District officials explained that they only add items to the master inventory list once a fiscal year and that items for 2017-18 have not yet been added.

⁴ The District uses a device management software that manages, tracks and maintains District devices. We used this software to locate the nine notebooks we could not find based on the inventory records.

⁵ 20 notebooks, 12 portable radios, six liquid crystal display projectors, three light-emitting diode monitors, one volleyball system package and one laser engraver

We performed a walkthrough of selected District buildings (transportation department and grounds and facilities department) and selected a sample of 30 items to determine whether they were tagged and on the master inventory list. Nine items were tagged and listed correctly on the master inventory list. Two had two sets of District asset tags, of which one was correctly recorded on the master inventory list. One item was a personal piece of equipment on loan from a District employee (a manual auto lift). The remaining 18 items, valued at \$168,700, were either not on the master inventory list, did not have asset tags or were both missing asset tags and not on the master inventory list (Figure 1).

Figure 1: Fixed Assets Not On Master Inventory List and/or Missing Asset Tags

Number of Assets	Asset Tagged	Asset On Inventory List	Estimated Dollar Value of Asset
5	Yes	No	\$146,000
6	No	Yes	\$16,550
7	No	No	\$6,150
18 Total Items			\$168,700

District officials told us one of the items, a floor scrubber, with an asset tag that was not on the master inventory list was purchased within the current fiscal year. Because the District only adds items to the master inventory at year end, officials have not yet added it to the inventory list. The remaining four pieces of equipment with asset tags not on the master inventory were a tractor, two mowers and a utility vehicle. The District leases this equipment with the intention to buy from a dealership. District officials told us the payments the District makes for these items do not appear on the report the District creates to add items to the master inventory list and, therefore, they were excluded. For accounting purposes, as soon as title and ownership pass to the District, the fixed asset should be added to its inventory.

We also 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 and, when applicable, the District’s insurance policy. We identified 21 items that were disposed of, including eight pieces of exercise equipment, six garage tools, three school buses, two lawn mowers and two appliances. We found the following discrepancies:

- Seven items had not been removed from the master inventory list. Similar to adding items purchased to the list, District officials informed us that items are only reported to BOCES for removal at the end of the school year.

-
- Two of the items not removed were school buses that were approved for surplus in September 2017 and sold at auction in October and December 2017. These buses were still covered under the District's auto insurance policy with annual premiums totaling approximately \$900 as of February 2018. District officials did not know why the buses were still included on their insurance policy but removed them when we brought the matter to their attention.

Although we did not find any indication of fraud, without accurate and up-to-date fixed asset records, District officials cannot ensure that District assets are protected against loss or unauthorized use and that the District is not incurring unnecessary insurance costs.

What Do We Recommend?

The Board should:

1. Adopt a comprehensive written fixed asset policy that includes a threshold for recording and tagging fixed assets, inventory control and procedures for maintaining asset records.

District officials should:

2. Ensure that annual physical inventories are performed as required by the District's policy and investigate any differences from the District's inventory records.
3. Ensure all fixed assets with values above the established thresholds have a tag affixed identifying them as District property.
4. Ensure the fixed asset records are complete, accurate and updated in a timely manner.
5. Review and compare the master IT inventory list with the District's IT inventory list to ensure the District has a complete and accurate inventory of all IT equipment.
6. Ensure disposed assets are promptly removed from the District's insurance policy.

Two buses sold at auction were still covered under the District's insurance policy.

Appendix A: Response From District Officials

LaFayette Central School District

Four Schools, Three Buildings, Two Nations, One Goal: Excellence!

LaFayette Jr./Sr. High School 3122 Route 11 North LaFayette, NY 13084	Big Picture School 3122 Route 11 North LaFayette, NY 13084	C. Grant Grimshaw Elementary 5957 Route 20 West LaFayette, NY 13084	Onondaga Nation School Route 11A RR#1 Box 270 Nedrow, NY 13120
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May 25, 2018

Rebecca Wilcox, Chief Examiner
State Office Building
Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

Re: LaFayette Central School District
Fixed Assets Report of Examination
2018M-073

Ms. Wilcox,

The LaFayette Central School District's business office appreciates the opportunity to work with the Office of the State Comptroller. Please accept this letter as our official response to the audit and as our corrective action plan to the recommendations of the audit. We appreciate the acknowledgement from the audit which states, "we did not find any indication of fraud." Also, we view their role as assisting us in improving our operations. We agree with the recommendations from the audit and will comply with all recommendations. **We feel it is important to note that all assets subjected to the audit were accounted for and no assets were missing.**

We would like to point out the following items from the audit report to clarify the following:

- Prior to July 1, 2017 the District contracted with OCM BOCES via the Tier 2 Shared Network Administrator Service to manage technology services and as of July 1, 2017 the District no longer purchases this service and has hired a full time network administrator and a part-time Technology Coordinator for management of the technology program and its associated assets.
- Some of the items not listed on the district's asset inventory are not owned by the district; rather, the items are leased through BOCES or owned by BOCES. These items included technology

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items noted in the audit report such as notebooks, LCD screens, LED monitors, and a laser engraver.

- Out of an abundance of caution, the district retained surplus buses on the district insurance policy until the vehicles were turned over to the new owners following a public auction. The insurance carrier retroactively refunded any additional premiums charged.

Corrective Action Plan

As the reader examines our response please note that the corrections necessary to address the findings of the state audit have begun and many can be addressed without making material changes in current processes.

Audit Recommendation:

The Board should adopt a comprehensive written fixed asset policy that includes a threshold for recording and tagging fixed assets, inventory control and procedures for maintaining asset records.

Implementation Plan of Action:

District concurs with the above recommendation and has reviewed and approved Policy 5620, Fixed Asset Inventories, Accounting, and Tracking as of March 29, 2018.

Implementation Date: 3/29/2018

Audit Recommendation:

Ensure that annual physical inventories are performed as required by the District's policy and investigate any differences from the District's Inventory records.

Implementation Plan of Action:

There will be an unannounced inventory review of one building each school year per District's policy. The District will conduct inventories during school breaks as to not disrupt education.

Implementation Date: July 2018

Audit Recommendation:

Ensure all fixed assets with values above the established thresholds have a tag affixed identifying them as District property.

Implementation Plan of Action:

All assets that meet the following criteria shall be coded to an appropriate account, tagged and added to the district inventory by LaFayette Central School District.

- a) The asset has a useful life of more than one year, and

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b) The asset has a historical cost or, if donated, a fair market value of greater than one thousand dollars (\$1,000), or

c) The asset is considered an Exception

An Exception item is one that may have a historical cost or value below one thousand dollars (\$1,000), but, due to the type and nature of the item, asset accountability is required. Exception assets include, but are not limited to, the following:

Cameras & Camera Equipment (greater than \$250)

Two-Way Radio Equipment and Cell Phones

Televisions (greater than \$250)

Lawn Maintenance Equipment

Computer & Computer Equipment (greater than \$200)

Implementation Date: July 2018

Audit Recommendation:

Ensure the fixed asset records are complete, accurate and updated in a timely manner.

Implementation Plan of Action:

The District agrees and will work with its district auditors to ensure accurate reporting.

Implementation Date: July 2018

Audit Recommendation:

Review and compare the master IT inventory list with the District's IT inventory list to ensure the District has a complete and accurate inventory of all IT equipment.

Implementation Plan of Action:

The District has purchased a Helpdesk IT Inventory Program through CitiBOCES to ensure complete and accurate IT inventory list.

Implementation Date: 3/29/2018

Audit Recommendation:

Ensure disposed assets are promptly removed from the District's insurance policy.

Implementation Plan of Action:

The District will ensure that fixed assets are promptly removed from the District's insurance policy and inventory lists.

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Implementation Date: 3/29/2018

Again, we appreciate the efforts of the Office of State Comptroller and the auditors for their recommendations. The District has started to take steps to improve its processes and policies and will continue to review procedures on a regular basis.


Jeremy Befield

Superintendent
Title


Tiffany Turner

Assistant Superintendent for Business
Title

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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 District's fixed asset policy to determine its adequacy.
- We compared the District's IT inventory to the master IT inventory.
- We randomly selected 60 District notebooks (15 from each District location) from the District's IT inventory list and traced the selected notebook to the actual asset.
- We judgmentally selected six purchases of 43 pieces of equipment from the cash disbursement data. We verified the purchases were approved by the purchasing agent and determined whether the assets were in the District's physical possession, properly tagged and listed on the master inventory list. We selected assets by determining those that could be easily sold or converted to personal use.
- We selected all bus purchases the District made during our audit scope period and determined whether they were in the District's physical possession and were listed on the master inventory list.
- We examined Board minutes looking for disposed assets and determined whether they were removed from the master inventory list and the District's insurance policy.
- We judgmentally selected 30 assets during our walkthroughs and inspected them for asset tags. We selected assets by determining those that could be easily sold or converted to personal use. We then determined whether they were included in the District's 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.

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

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/lgli/pdf/cybersecurityguide.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

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www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

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