

Irvington Union Free School District

Fixed Assets

SEPTEMBER 2022



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

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Report Highlights

Irvington Union Free School District

Audit Objective

Determine whether the Irvington Union Free School District (District) officials properly monitored and accounted for fixed assets.

Key Findings

District officials did not properly monitor and account for 63 percent of the 105 fixed assets reviewed that cost \$595,118. This can be attributed to District officials last conducting a physical inventory in 2018. Specifically, we found:

- Of the 80 assets tested, District officials were unable to verify that seven assets were in the District's possession. These items included a desk, oven, stove, television and television studio equipment.
- 65 assets had missing, or inaccurate information recorded in the fixed asset records.
- Eight assets were disposed of without Board authorization. The assets included kitchen appliances, exercise equipment and a floor cleaning machine.

Key Recommendations

- Maintain complete, accurate and up-to-date fixed asset inventory records.
- Conduct periodic inventory checks and ensure fixed asset disposals comply with the District's fixed asset policy.

District officials disagreed with certain findings in our report. Appendix B includes our comments on issues District officials raised in their response.

Background

The District is located in Westchester County and is governed by an elected seven member Board of Education (Board) which is responsible for the general management and control of operations. The Superintendent is appointed by the Board and is the chief executive officer responsible for day-to-day management, under the Board's direction.

The Assistant Superintendent for Business (Assistant Superintendent) oversees the District's fixed assets. The Treasurer reports to the Assistant Superintendent and is responsible for maintaining the District's fixed asset inventory records.

The District contracts with an outside vendor to perform their fixed asset inventory and valuation services and an IT vendor to maintain IT inventory.

Quick Facts

2021-22 Budgeted Appropriations \$66.4 million

Number and Total Original Cost of Fixed Assets as of January 31, 2022

All Assets	256	\$78.8 million
Assets Reviewed	80	\$847,320
Disposals Reviewed	25	\$3.0 million

Audit Period

June 1, 2020, through January 31, 2022. We extended our audit period back to June 6, 2018 to review fixed asset disposals.

Fixed Assets

Fixed assets are those that have a useful life of more than one year. They can include everything from buildings and land, parking lots, machinery, vehicles and furniture to computer equipment and software. Consequently, they often represent a significant investment of school district resources and are subject to risks of loss, misuse and/or obsolescence.

How Should School District Officials Monitor and Account for Fixed Assets?

A school district board should adopt comprehensive written fixed asset and disposal policies to ensure school district officials properly account for and safeguard assets and properly dispose of obsolete or surplus assets in a safe manner. District officials are responsible for ensuring inventory records are current and accurate, and assets are protected from loss, misuse and/or obsolescence. A board should also adopt policies and procedures designed to ensure maximum financial benefit is obtained for the district when disposing of obsolete or surplus 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 and theft. School district officials should maintain fixed asset 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 asset. Furthermore, detailed property records help establish accountability, allow for the development of additional controls and safeguards, and can impact the various costs (insurance, replacement, etc.) associated with owning assets.

To ensure school district officials have access to reliable and up-to-date fixed asset information, a district should maintain a complete and current perpetual inventory of fixed assets and ensure both physical control and accountability are maintained over fixed assets. Perpetual inventory records are detailed records that are continually updated as assets are purchased or disposed of. Additionally, to maintain the accuracy and completeness of recorded amounts, building custodians or their representatives should conduct periodic inventories of fixed assets.

When an asset is identified as surplus or obsolete, this information should be provided to the governing board to make a determination and approve the asset for disposal. The inventory records should be updated with appropriate disposal information, such as the historical and market values and purchaser. Assets, such as computers, may contain sensitive and confidential information or software that

District officials are responsible for ensuring that inventory records are current and accurate, and assets are protected from loss, misuse and/or obsolescence.

needs to be cleared prior to disposal or transfer of the asset. The governing board should establish a plan that clearly describes the district's security management policies and procedures for the secure disposal of equipment containing electronic information.

The Board-adopted fixed asset policies require assets purchased for more than \$5,000 to be inventoried and recorded annually, and assets purchased for more than \$300 to receive Board approval prior to disposal. District policy also requires the complete removal of District information, or the secure destruction of the resource, when disposing of IT equipment. Further, the Assistant Superintendent is required to arrange for an inventory and appraisal of District fixed assets to be completed every three years.

District Officials Did Not Properly Monitor or Account for Fixed Assets

We reviewed 80 fixed assets¹ with combined purchase prices of \$847,320 to determine whether they were properly recorded in the District's fixed asset inventory and in the District's possession and properly tagged. We found that District officials did not properly monitor or account for all fixed assets. Specifically, the Assistant Superintendent did not always properly record, and dispose of fixed assets. Further, we were unable to determine whether some of the assets were in the District's possession.

Asset Verification – We were unable determine whether seven assets (9 percent) with combined purchase prices of \$177,147 were in the District's possession. Specifically, we were unable to determine whether:

- Five of the assets were in the District's possession because the assets located did not have required asset tags, and the inventory records did not contain serial numbers or other unique identifiers to positively identify these assets as the ones selected for review. These assets included:
 - Television studio equipment purchased for \$130,000,
 - A gas stove purchased for \$7,476,
 - A circulating desk purchased for \$7,398,
 - An electric oven purchased for \$7,044, and
 - A television purchased for \$6,250.

Because District officials only perform an inventory every five years and do not maintain a perpetual inventory, the Treasurer and building custodians were unable to provide a valid reason for the discrepancies identified.

¹ Refer to Appendix C for further information on our sample selection.

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- We also could not verify whether two of the assets were in the District's possession because the assets located did not match the serial number on record. These items included a portable aerial lift purchased for \$10,425 and a floor machine purchased for \$8,554 that were shared among the District's different buildings. The building custodians told us they were not aware that they should inform the Treasurer when assets were moved from their assigned location. The Treasurer also told us that he was not aware that inventory records should be updated when assets changed locations.

Inaccurate Records – We found that 65 assets (81 percent) with combined purchase prices of \$622,474 were not properly recorded and had missing or inaccurate information in the inventory listing. We found that:

- 36 assets with combined purchase prices of \$235,350 had an incorrect building or room location indicated on the inventory list. The building custodians and Treasurer told us that the buildings share assets, and they were not aware that inventory records should be updated when assets are moved from their assigned location.
- 13 assets with combined prices of \$123,959 did not have serial numbers that matched the inventory listing. For example, we found a mower purchased for \$30,919 and a network switch purchased for \$6,590 with different serial numbers recorded. The Treasurer and IT vendor could not provide a reason why the recorded serial numbers were different from the serial number on the assets.
- 14 assets with combined purchase prices of \$113,315 did not have serial numbers recorded in the inventory listing. For example, we found three floor scrubbers purchased for \$17,107, a convection steamer purchased for \$14,654 and hot and cold serving counters purchased for \$11,965 that did not have serial numbers recorded in the inventory listing. The Treasurer is responsible for maintaining inventory records but did not update the inventory listing to include the serial numbers for these assets.
- One asset purchased for \$7,199 on October 14, 2021 was incorrectly recorded in the inventory listing with a purchase date of July 7, 2021. The Treasurer told us that the asset was recorded in the inventory listing with the encumbrance date instead of the purchase date.

Disposal Status – We reviewed the documentation for 25 assets with combined purchase prices of \$2,993,581 recorded as disposals on the inventory listing to determine whether they were disposed of in accordance with District policy. We found that:

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- Eight assets with combined purchase prices of \$50,743 were disposed of without Board authorization. These assets included a floor cleaning machine, three kitchen appliances and four pieces of athletic equipment. The Treasurer told us that the floor machine was used for parts and the other seven assets were unusable. The Assistant Superintendent told us that the vendor who conducts their five-year inventory listed any asset not found as a disposal. Although the Assistant Superintendent told us that the District had the option to either correct the report or accept them as a disposal and obtain Board authorization, there is an increased risk that these assets could have been stolen without an investigation. The Assistant Superintendent believed that the previous Treasurer may have missed the Board authorization step.
 - Four of the assets with combined purchase prices of \$70,380 were servers and did not have certificates of destruction or other documentation verifying that the District's electronic information was removed. The Assistant Superintendent informed us that the IT vendor said that they do not have a certificate of disposal for the four servers, and they may have held on to them for backup or repair parts.

District officials did not always follow Board-adopted fixed assets policies for recording, monitoring and tracking fixed assets. Specifically, the Assistant Superintendent did not ensure the required three-year physical inventory of assets was performed. The Assistant Superintendent was not aware of the three-year physical inventory requirement, and thought the inventory was to be completed every five years. Additionally, the Treasurer told us that the District does not maintain an up-to-date perpetual inventory; instead, the District has an asset management vendor update its inventory with new purchases and disposals annually. However, no physical inventory check was performed. As a result, District officials and employees could not verify that all assets examined were in the District's possession.

When inventory records are not current, District officials cannot ensure where fixed assets are located or if assets are in the District's possession, and may rely on inaccurate information for decision making. This weakens the District's ability to monitor and safeguard assets and IT equipment from theft or misuse. Additionally, when the disposal of fixed assets is not authorized by the Board prior to disposal and removed from inventory records, the risk of theft or loss becomes easier to conceal.

What Do We Recommend?

The Board should:

1. Approve the disposal of all fixed assets and IT equipment purchased for \$300 or more prior to disposal as required by Board policy.

The Assistant Superintendent should:

2. Ensure a full inventory and appraisal of District property, equipment and materials are performed every three years as required by Board policy.
3. Ensure the Treasurer provides fixed asset tags to the building custodians, and the fixed assets are tagged prior to use.
4. Ensure the Treasurer maintains accurate and up-to-date fixed asset inventory records, including the cost, date of purchase, serial number and location, to account for and monitor District fixed assets.
5. Ensure the IT vendor obtains a certificate of disposal from the company sanitizing and disposing District IT equipment.

Appendix A: Response From District Officials



IRVINGTON
UNION FREE SCHOOL DISTRICT

Kristopher Harrison, Ed.D.
Superintendent of Schools

September 2, 2022

Office of the New York State Comptroller
Local Government and School Accountability Division
Newburgh Regional Office
Ms. Dara Disko-McCagg, Chief Examiner
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Ms. Disko-McCagg:

The Irvington Union Free School District has received and reviewed the draft Fixed Assets Report of Examination (2022M-89) for the period covering July 1, 2020 through January 31, 2022. On behalf of the Board of Education and the administration of the Irvington UFSD, I thank the examiners from the local Comptroller's Office for their professional conduct during the examination. The District is grateful to participate in the audit process, and any resulting feedback that can offer opportunities to improve its practices and operations are greatly valued. Please accept this letter as the District's response to the draft audit report. A Corrective Action Plan will be prepared at a later date in compliance with applicable timelines.

The District wishes to note that the examination revealed no indication of fraud and no assets were identified as missing. The District's fixed asset inventory maintains an inventory of items over the capital limit of \$5,000, as defined in Board of Education policy, but also includes assets valued over \$250 for insurance and inventory purposes. The total number of assets in this inventory includes 3,358 items. Therefore, the report stating that there are issues with 63% of fixed assets is misleading and inaccurate.

See
Note 1
Page 10

The District accepts that improvement can be achieved in the enhancement of the process of recording items that are disposed of and by ensuring serial numbers, if available, align with the inventory tag number in the District's fixed asset database. The District further acknowledges that it should align policy to practice and employ necessary steps of corrective action. Such policy discussion will include the recommendation to implement a perpetual inventory versus periodic inventory tracking as both methods are noted as permissible in the Local Government Management Guide for Capital Assets.

Not noted by this audit is that the District implemented a new inventory management system, [REDACTED], at the end of the 2020-21 school year and has been converting our asset listing from [REDACTED] to the new platform during the course of the 2021-22 school year. It is of further note that this was an independent initiative undertaken by the District prior to this examination, and the transition to the new system was ongoing as the examination was in process. This software will provide better reporting capabilities, facilitate an easy link to the [REDACTED] that enables GPS-driven technology device location and will allow the District to consolidate its assets into one platform.

See
Note 2
Page 10

With respect to the detailed findings cited, our responses are as follows:

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Asset Verification

Of the seven items listed, all items are in the District's possession and are actively being utilized. The OSC auditor physically identified/saw each of these seven assets. The TV studio equipment was listed as a combined asset when purchased, but in fact includes microphones, receivers, etc. and is used for recording Board of Education meetings. The gas stove and electric convection oven are in use; however, the tag was not visible. The high school circulation desk is a piece of furniture and was clearly seen in use by the auditor. The Sharp TV is mounted in the District Office conference room, but the tag was not visible as it is behind the television against the wall. The Ultraspeed floor burnisher and Genie Lift are both in use, but both serial and tag numbers are worn due to the machines' use. All assets are properly listed in the District's inventory for depreciation and insurance tracking. The District will retag any items where the tag was worn or not visible.

See
Note 3
Page 10

Further, the report also cites the District for not maintaining a perpetual inventory and keeping track of a change in location of an item on a perpetual basis. This is not mandatory inventory methodology, as stated in the Local Government Management Guide. Further, it is noted in the Guide that a periodic inventory system such as the one that Irvington employs is acceptable. The perpetual inventory method is considered impractical within the educational arena, especially for custodial items like floor burnishers and lifts as these items are shared among buildings since it is too expensive to maintain such equipment at each building. The District's inventory is updated annually in June and additions and deletions are sent to █████ for the fixed asset report needed for the financial statements and for insurance purposes. The District will review the suggestion of maintaining a perpetual inventory during its discussions on fixed asset policy revisions. It also should be noted that the District's new █████ inventory system utilizes the perpetual inventory method for technology assets.

See
Note 4
Page 10

Inaccurate Records

All 36 assets that had an incorrect building location are in the District's possession. Once again, the District does not record changes in location during the year for shared facility assets.

See
Note 4
Page 10

For the 13 assets where the serial number didn't match the inventory listing and the 14 assets where no serial number was listed, the District will update the Fixed Asset Log with the correct serial number if legible or available, as many of these items are old. Also, some kitchen equipment, such as a serving counter, do not/may not contain a serial number.

For the one asset, purchased in the 2021-22 school year, that was recorded with an incorrect purchase date, the District will ensure the correct receipt date is included in the annual update to █████ as this information had not yet been sent to █████ at the time of the OSC audit and would have been reviewed prior to sending the updated file to █████. The date recorded was the purchase order date rather than the receipt date as a placeholder until the listing was sent to █████.

Disposal Status

It is correct that the District missed the step of seeking Board authorization for disposal of eight particular assets. It is also correct that the four items without certificates of destruction were used for parts; however, the District acknowledges that it should document such actions in the future. This will be addressed in the District's Corrective Action Plan.

Policy

While the District's Inventory Policy 6645 states that a physical inventory shall be arranged every three years, its current practice follows the District's insurer, NYSIR's, recommendation of completing this every five years. The District will present this discussion to its Policy Committee of the Board of Education to determine whether the policy or practice should be amended so they are aligned.

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In closing, the District thanks the OSC Audit team for their comprehensive review of its Fixed Assets. The forthcoming Corrective Action Plan will include efforts to remediate the recommendations in which the District is in agreement as cited above.

Sincerely,

A black rectangular redaction box covering the signature of Kristopher Harrison.

Kristopher Harrison, Ed.D.
Superintendent of Schools

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Appendix B: OSC Comments on the District's Response

Note 1

The report states 63 percent of the 105 fixed assets **reviewed** were not properly monitored or accounted for. This is not misleading or inaccurate.

Note 2

Although the IT inventory management system was implemented at the end of 2020-21 school year, District officials did not use this system to record or track the fixed assets reviewed. Our tests were conducted in March and April 2022.

Note 3

District officials did not tag or maintain complete inventory records, therefore District officials and we could not confirm the assets located were the assets tested.

Note 4

Maintaining a perpetual inventory system helps ensure physical control and accountability over fixed assets. However, if District officials determine that maintaining a perpetual inventory is not practical, then they should, at a minimum, implement compensating controls, such as requiring building representatives to conduct period inventories of fixed assets. We identified 36 assets that were not in the building or room location as indicated by the records. Although some of those assets were custodial or educational items as described by the District, the majority were IT-related hardware that are not designed to be shared amongst buildings.

Appendix C: 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 officials and reviewed District policies, Board minutes and resolutions to gain an understanding of and evaluate the adequacy of fixed asset policies and procedures and internal controls over fixed assets.
- We evaluated the structure of the District's fixed asset records and IT equipment inventory list to determine whether they contained enough detail to properly account for assets.
- We reviewed all 256 items on the inventory listing identified as fixed assets and removed all assets with a replacement cost below \$5,000 and assets that were retired or disposed. From the 132 remaining fixed assets, we judgmentally selected 42 assets that could be susceptible to theft and were not permanent structures, like land or buildings. In addition, we selected all 18 fixed assets with a replacement cost over \$5,000 that were added to the inventory listing in the audit period.
- For our sample of 60 fixed assets, we reviewed the inventory records to determine whether the assets were recorded properly and the records contained the asset's purchase date, cost, tag number, building and room location. We also used the inventory records to locate the assets throughout the District to determine whether they were in the District's possession and properly tagged.
- While performing a walk-through of District buildings, we judgmentally selected 18 fixed assets that we estimated were valued at \$5,000 or more. We determined whether the assets were recorded on the inventory listing with the purchase date, cost, tag number, building and room locations.
- We reviewed the District's purchases and selected the two fixed assets purchased between July 1, 2021 and January 31, 2022. We reviewed these assets to determine whether they were properly recorded in the inventory listing, properly tagged and in the District's possession.
- We reviewed the District's inventory listing and selected all 25 assets listed as disposed between June 6, 2018 and June 30, 2021 to determine whether the Board authorized their disposal before they were disposed of. We also determined whether any were electronic devices and, if so, whether those assets had been properly sanitized before disposal.

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. 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 D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

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

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

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/files/local-government/publications/pdf/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

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

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