DIVISION OF LOCAL GOVERNMENT
& SCHOOL ACCOUNTABILITY

Island Park Union Free School District

Information Technology Asset Management

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-270

Thomas P. DiNapoli

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State of New York
Office of the State Comptroller

**Division of Local Government
and School Accountability**

March 2017

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Island Park Union Free School District, entitled Information Technology Asset Management. This audit was conducted 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.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

State of New York
Office of the State Comptroller
EXECUTIVE SUMMARY

The Island Park Union Free School District (District) is governed by the Board of Education (Board), which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction. The District's budgeted appropriations for the 2014-15 fiscal year were approximately $37 million.

Scope and Objective

The objective of our audit was to determine if the District established adequate controls over its information technology (IT) assets for the period July 1, 2014 through December 31, 2015. Our audit addressed the following related questions:

- Is the District's inventory system designed to safeguard IT assets from loss, theft or misuse?

- Is the District's IT inventory record complete, accurate and reliable?

Audit Results

District officials can do more to ensure IT assets are safeguarded against loss, theft or misuse. District officials have not sufficiently segregated inventory control responsibilities and do not conduct an annual physical inventory count. In addition, District officials do not immediately identify or tag IT assets as District property upon receipt or immediately enter them into the inventory records.

They also did not have sufficient records to account for IT assets the District purchased from Nassau BOCES. Consequently, the District paid a vendor $561,226 for 223 desktop computers, 165 iPads, 28 iMacs and one Mac Pro purchased during 2013-14; however, the District did not have any records to indicate it received all of the assets. After obtaining the vendors' shipment records, we found that three desktop computers, two iPads, one iMac and one Mac Pro totaling $8,980 that were purportedly delivered to the District were not reflected in the District's inventory records and there was no record that one desktop, one iPad and one iMac totaling $3,470 that were paid for were delivered. The records also indicate the vendor shipped two desktops totaling $1,538 that had the same serial number.

Further, we tried to locate 199 IT assets totaling $105,110 that should have been in nine rooms according to the inventory records. However, 117 of those assets — totaling $59,620 — including 60 iPads that, although assigned to specific rooms, are mobile devices that move from room to room — were not located in those rooms. Also, 41 assets totaling $18,080 were located in the rooms tested but

the inventory records indicated they were in other rooms. Finally, 159 assets in the rooms tested were not reflected in the vendor's inventory records, but they were recorded in the IT specialist's electronic spreadsheet. As a result, there is a risk that District assets may be lost, stolen or misused without being noticed.

Comments of District Officials

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, District officials said they will use our suggested improvement feedback. Appendix B includes our comments on the issues raised in the District's response letter.

Introduction

Background

The Island Park Union Free School District (District) is located in the Village of Island Park in Nassau County. The District is governed by the Board of Education (Board), which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction.

The School Business Official (SBO) is responsible for the District's asset management and maintaining an accurate inventory list. An Information Technology (IT) Specialist is also involved with the inventory and management of IT equipment.

The District operates two schools with approximately 700 students and 190 full-time employees. The District's budgeted appropriations for the 2014-15 fiscal year were $37 million, which were funded primarily with real property taxes, State aid, appropriated fund balance and reserves.

Objective

The objective of our audit was to determine if the District established adequate controls over its IT assets. Our audit addressed the following related questions:

- Is the District's inventory system designed to safeguard IT assets from loss, theft or misuse?

- Is the District's IT inventory record complete, accurate and reliable?

Scope and Methodology

We examined the District's IT asset management for the period July 1, 2014 through December 31, 2015.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report. 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.

Comments of
District Officials and
Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, District officials said they will use our suggested improvement feedback. Appendix B includes our comments on the issues raised in the District's response letter.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, 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, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next 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. The Board should make the CAP available for public review in the District Clerk's office.

Information Technology Asset Management

The evolution of technology in the classroom has prompted large increases in school districts' IT hardware investments. Maintaining accurate records of IT assets allows school district officials to know what equipment a district has, where the equipment is located and how much the equipment cost. The accuracy of this information, or lack thereof, affects the quality of decisions made by boards and superintendents. An IT management system should identify and track an IT asset through its life cycle, including acquisition, identification, use and disposal. In addition, the system should be designed so that one person does not have too much control over an IT asset's life cycle.

District asset management records are maintained by an IT Specialist in an electronic spreadsheet. He regularly updates the file by recording new IT assets, IT asset location changes and when an IT asset is disposed of. He forwards the electronic spreadsheet to the SBO once a year. She is responsible for asset management and maintaining the inventory record. She uses the electronic spreadsheet to update the District's inventory record. The inventory record is provided by an independent contractor who provides an inventory report. The report identifies, among other things, each asset that is inventoried; the acquisition date, purchase price and replacement cost; and its physical location. The report also is used for insurance purposes.

District officials have established an inventory policy that requires all equipment with a cost of $500 or more to be accounted for and entered into the District's inventory system. However, the asset policy does not ensure that inventory records are managed by someone independent from purchasing assets, maintaining their custody or disposing of them. While the Superintendent approves all purchases and she or the SBO approves disposals, the IT Specialist can request a purchase and the disposal of an asset. As a result, District procedures do not adequately protect the assets from the risk of being lost, stolen or misused without being detected.

Asset Management

District officials should adequately segregate inventory control responsibilities so that the inventory records are managed by someone independent from the functions of authorizing purchases, initiating purchasing and initiating disposals of assets or maintaining custody. Annual inventory counts should be conducted to alert District officials when items are missing so that records may be updated and adjusted. Also, IT assets should be immediately tagged upon receipt and entered into the District's inventory control system.

The District's inventory control responsibilities are not adequately segregated because the IT Specialist has significant control over IT assets for their life cycle. The IT Specialist maintains inventory records and has the following responsibilities:

- Acquisition — Generally, a teacher or other District personnel will ask for items to be purchased; however, the IT Specialist can also ask for IT assets to be purchased. In all instances, a purchase request must be approved by the school Superintendent or other designated official before a clerk typist orders the equipment. The IT Specialist takes possession of equipment when it arrives.

- Identification — Activities that uniquely identify and validate the physical presence of assets.

- Utilization — Tracking day-to-day activities to answer questions, such as: What is it? Where is it? And, who has it? Also, securing assets that have been received but not deployed.

- Disposal — Recommending removal and coordinating the removal of IT assets from the District and District records.

As a result, the IT Specialist could remove IT assets from the District without detection.

Annual Inventory Counts — To prevent loss or theft, policies should be established that address how computers and tablets are to be accounted for and when and how annual inventory counts should be conducted. These counts should be documented. Physical inventory counts are important because they alert District officials when items are missing, so that records can be updated and adjusted and follow-up actions taken.

The SBO updates the District's inventory record once a year, after obtaining an IT asset report from the IT Specialist. This report details the assets acquired, disposed of, deployed or moved during the year. It also details the inventory tag number and to whom the equipment was assigned or its location. Although the practice is to update the records annually, the records were not updated for purchases in 2013-14. District officials said the prior SBO failed to update the inventory report prior to leaving District employment. During this year, the District made at least three purchases from the Nassau Board of Cooperative Educational Services (BOCES) for various IT equipment totaling $561,226. In addition, District officials stated they do not conduct physical inventory counts; instead, the IT Specialist periodically performs spot checks but he does not document them. However, the District employs a vendor to perform a physical inventory

count about every five years. The most recent physical inventory count was conducted in June 2014. However, the vendor's 2014 and 2015 inventory reports did not reflect the 2013-14 IT assets obtained from BOCES even though the District received the IT assets before the June 2014 physical inventory count. As a result, the District has no assurance that the computers and tablets it has purchased over the years can be accounted for and have not been stolen, lost or improperly disposed of.

Asset Tagging and Data Entry — District officials are responsible for establishing an inventory policy to ensure IT equipment is immediately tagged and entered into one consolidated inventory list or report upon receipt and that records are maintained to demonstrate all assets paid for have been accounted for.

District officials have established an inventory policy that requires all equipment costing $500 or more to be accounted for and entered in the inventory system. While the policy requires assets to be tagged, it does not state when they should be tagged and entered in the District's records. Although officials said IT assets are immediately tagged as District property and entered in the IT Specialist's IT asset report, we found the District does not immediately identify or tag IT equipment as District property or immediately enter the assets in the inventory records. The IT Specialist secures the equipment in a locked closet until it is deployed. At that time, he will tag the equipment and record the asset in his IT asset record. For example, in November 2015, the District purchased and received ten desktop computers. However, as of March 2016, eight desktops that cost $5,728 had not been recorded because they were still secured in a locked closet and not yet deployed. Also, according to the inventory record, 40 desktop computers were acquired on January 1, 2013. However, we used the computer serial numbers to determine when the computer warranties were activated, meaning when the computers were likely sold. We found the computer warranties were activated in 2010. We clarified with the SBO what the acquisition date actually meant and why the District disposed of 40 computers that according to District records were only 1.5 years old. She contacted the vendor who produced the inventory report and learned that when vendor personnel conducted a 2014 physical inventory count for the District, they found District inventory records did not contain the 40 computers. The vendor tagged the computers and arbitrarily assigned the January 1, 2013 acquisition date. Therefore, while the 40 computers were received and deployed, none of them were tagged as District property or entered into the inventory records when they were received.

In addition, the District does not maintain sufficient records to account for all IT assets paid for as received. For example, the District paid BOCES $561,226 for 223 desktops, 165 iPads, 28 iMacs and one Mac Pro. However the District did not have any records to indicate it received

the assets. We asked District officials to work with BOCES to obtain a detailed shipment list (BOCES deployment worksheet) that identified the IT assets and their corresponding serial numbers for each item. We compared the BOCES shipment records to the District's IT asset record and found:

- Three desktops, two iPads, one iMac and one Mac Pro totaling $8,980 that were purportedly delivered are not reflected in the records. Therefore, we cannot determine if the items are in the District's possession. Officials believe they have these assets and that the inventory record contains data entry errors. However, we cannot confirm this.

- One desktop, one iPad and one iMac totaling $3,470 were not included on the deployment worksheet to indicate they were delivered. District officials said BOCES retained the items to install software and the items were delivered at a later date. However, no records existed to support a separate shipment of these three assets. As a result, the District officials may have paid BOCES $3,470 for assets they did not receive.

- Two desktops totaling $1,538 were included on the deployment work sheet that had the same serial number. Because District officials did not document what was actually received, we do not know if two desktop computers were shipped or if the deployment record has a duplicate entry. District officials said when they receive IT equipment from BOCES, it does not provide them with equipment serial numbers. As a result, the school cannot compare serial numbers to confirm items that should have been shipped and received.

District officials do not immediately tag and enter assets into an inventory system or maintain sufficient records. As a result, they do not know if all assets paid for have been received or if those assets received have been lost, stolen or misused without being noticed.

Asset Inventory Records   An effective asset management system will ensure all items are present and in the locations designated on the inventory report. While District practice requires asset transfers to be documented in the transfer log and the inventory system, the District's Inventory Policy does not require the use of the transfer log. We identified 199 IT assets with a replacement value[1] of $105,110 that should have been located in nine rooms. We visited the nine rooms and found:

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[1] A District vendor assigns a replacement cost to each inventoried asset. The cost represents what the District would likely pay to replace the item due to loss. The replacement costs are used to determine insurance coverage.

- One hundred and seventeen assets with a replacement value totaling $59,620 were not located in the rooms tested. District officials found 74[2] of these items totaling $31,420 in other locations. Officials said the items were transferred but there was no documentation of the transfers in the transfer log or the inventory system. District officials did not locate the remaining 43 items with a replacement value of $28,200 consisting of 40 desktops and three laser printers. Officials said these items were disposed of and provided the IT Specialist's spreadsheet that documented equipment he said was transferred to BOCES for disposal. However, the District could not provide documentation to support BOCES took possession of the items and disposed of the property. The disposal documentation BOCES provides to the district does not detail what equipment is removed from District property.

- Forty-one assets with a replacement value totaling $18,080 were located in rooms we tested but should have been in other rooms according to the inventory record. Officials said, based on instructional need, items are often moved during the summer months, but there was no documentation in the transfer log or the inventory system.

- One hundred and fifty-nine assets were located in the rooms tested but were not included in the inventory record. However, the items were correctly reported in the IT Specialist's IT asset report.

District officials said that because the District is a small school district, equipment is ordered on an as needed basis and that they should notice if items were purchased but not received or present within the District. The SBO said that she will review the inventory list from the IT Specialist in conjunction with purchase orders to ensure his inventory list includes all items the District has ordered. She also explained that the IT Specialist rarely requests items for purchase. However, without additional controls, the District may not be certain all items are accounted for, and IT assets that have been lost, stolen or inaccurately accounted for may not be identified.

District officials have not segregated inventory control responsibilities. While the District employs a vendor to perform a physical inventory count about every five years, District employees do not conduct annual physical counts of computers and tablets and do not immediately identify or tag IT assets and enter them into the inventory records upon

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[2] Includes 60 iPads that are stored on mobile carts. Although they are assigned to a specific room in the District inventory records, the iPads are mobile devices that are regularly moved from room to room.

receipt. As a result, the District has no assurance that the computers and tablets it has purchased over the years have not been lost, stolen or misused without being detected.

Recommendations

The Board should:

1. Adequately segregate IT asset control functions so that no one person has control over assets for their life cycle.

2. Implement a policy that requires District officials to:

   • Conduct annual physical inventory counts, update inventory records and take appropriate action for missing equipment;

   • Immediately tag IT assets and record them in the inventory system;

   • Maintain sufficient records to account for all IT assets;

   • Confirm that IT assets purchased are received before paying for the IT assets; and

   • Document asset transfers in the transfer log and inventory system.

3. Require the District's inventory record to include assets identified during the audit that were not detailed in the District's records and require appropriate actions to be taken on assets that could not located.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

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SUPERINTENDENT OF SCHOOLS

January 20, 2017

Ms. Ann C. Singer, Chief Examiner
Office of the State Comptroller
44 Hawley Street, Suite 1702
Binghamton, NY 13901-4417

RE: Island Park UFSD/ Report of Examination 2016M-270 (draft)
Period Covered: July 1, 2014 – December 31, 2015

Dear Ms. Singer:

The Island Park Union Free School District is in receipt of the Draft Audit Report, "Information Technology Asset Management," for the period referenced above. We appreciate the review conducted by the Comptroller's Office examiners, and will utilize their feedback as to suggested improvements. However, we believe that there are numerous problems with the report, inclusive of, but not limited to, inaccuracies and misleading conclusions, which damage the credibility of your review.

We find the report to be misleading and inaccurate as a result of the examiners' lack of knowledge concerning Information Technology programs in schools, shared services with BOCES, and a lack of thoroughness in questioning the appropriate individuals with both IT knowledge and longevity with the district. As a result, some information was not considered and many of the findings presented in the report are inaccurate. In addition, we believe the report is unduly harsh and does not credit the District for the remarkable job it did in maintaining its records and protecting its assets following Super-storm Sandy on October 29, 2012. Not one piece of equipment was lost or unaccounted for despite the fact that the Lincoln Orens Middle School was evacuated for two weeks and the Francis X Hegarty Elementary School as well as the Administration Offices were evacuated and re-located for ten months. It is important to note that the audit criticism rendered does not result in a material weakness in the internal control structure for the Information Technology Asset Management.

See
Note 1
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Audit Results:

We believe it is important to clarify the inventory recordkeeping of the District. It is comprised of three different inventories. The report regularly refers to "the District's inventory records" but is not referring to all three and does not identify the specific inventory record (report) referenced. There are three distinct inventory records (reports) maintained by the District; these are (1) District-wide Real-Time School-Year IT Inventory, (2) District-wide Real-Time School-Year Business Office Asset

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Inventory of Technology and Non-Technology Items, and (3) District-wide Vendor-Prepared (CBIZ) Five-Year Asset Inventory of IT and Non-Technology Items. All three inventory records (reports) are created and maintained as follows:

1) District-wide Real-Time School-Year IT Inventory. The original inventory record was created by the Superintendent when she was the Assistant Superintendent sixteen years ago. She updated it and maintained it for thirteen years in ███████ For the past three years, it has been updated and maintained by the IT Specialist in the same format. It is updated in real-time to reflect additions, deletions and transfers of technology equipment as they occur. However, every year at the end of October (after all new equipment has been received and installed in the school classrooms and offices), the IT Specialist and Electronic Technician, work together and conduct an inventory of all IT items; the District-wide Real-Time School-Year IT Inventory is revised accordingly; this includes counts of items.

> See
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> See
> Note 3
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2) District-wide Real-Time School-Year Business Office Asset Inventory of Technology and Non-Technology Items. The Business Office clerk maintains this inventory in ███████. She does this in conjunction with the school secretaries who receive and sign for items as they are received by the school offices. The Business Office clerk updates this inventory record to reflect additions, deletions and transfers of non-technology related equipment as she receives them or others receive them.

> See
> Note 4
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3) District-wide Vendor-Prepared (CBIZ) Asset Inventory of IT and Non-Technology Items. Island Park UFSD is a member of NYSIR, an insurance reciprocal owned and operated by 354 school districts and BOCES across New York State. As a member, NYSIR pays for the Island Park UFSD's comprehensive property valuation of all assets every five years. Thus, as a subscriber to NYSIR, the district receives a no-cost appraisal by CBIZ of all technology and non-technology items, including counts, every five years. At the end of the appraisal and count of the inventory items, CBIZ provides the district with the inventory in an ███████ spreadsheet. Throughout the four school years that follow, the School Business Official updates the inventory based on forms with lists of items purchased and received by the secretaries and IT specialist. The SBO updates this file annually in July. Afterwards, the SBO transmits the updated file to CBIZ. CBIZ then prepares requisite reports for accounting and insurance purposes on behalf of the district.

Below are citations from the report and district comments related to the several of the subheadings.

Audit Results:

Citation: *"[T]hey have not sufficiently segregated inventory control responsibilities and do not conduct an annual physical inventory count (....) In addition, District officials do not immediately identify or tag IT assets as District property upon receipt or immediately enter them into the inventory records."*

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District Comment: As noted above, the district has three different methods of conducting an annual physical inventory count. Assignments of duties are segregated with the School Business Official, IT Specialist, Electronic Operations Technician, School Secretaries, and CBIZ personnel providing a cross-check of responsibilities meant to safeguard all assets. As yet another cross-check, the District also requested the Internal Auditor (Pappas & Co) focus on Property, Plant and Equipment in its spring 2013 audit. As noted in the Pappas & Company report of June 30, 2014, "the district had a physical inventory conducted by CBIZ (an outside Appraisal Company endorsed by NYS Insurance Reciprocal) and completed it in April 2014." The internal audit report also noted that the district had fully implemented its recommendation in June 2013 to use two forms for further improving the internal controls surrounding the proper reporting of fixed assets" (pp 14 and 15.) Furthermore, they noted that the Capital Asset Transfer Form, was "Implemented" and used to identify a particular asset by inventory number being moved from one location with the District to another (p.15). They concluded, "The District's Business Office now maintains an ███ spreadsheet to track the movement of assets with the tag data and tracks the addition of new assets on the same spreadsheet so this information may be transferred to the CBIZ update sheet at the end of the year" (p. 16). Moreover, to the recommendation in June 2013 that all items purchased should be properly tagged using the District's asset tags and provided by the Asset Appraisal Company [CBIZ], the status noted is "Implemented." Furthermore, Pappas noted, "For the assets tested during 2013-2014 that were inventoried, we did inspect and make note of the asset tag (p. 16)." This confirms that the district has an inventory process in place.

The District's practice is to assign an asset tag to each piece of new equipment as it is received. Nevertheless, the examiners did locate eight computers in a locked storage closet; they were in original packing and not tagged. This was one instance and is not our standard practice as indicated. The room the new computers were assigned to was in the process of having additional electrical work completed to accommodate them. The principals, secretaries, and IT Specialist have been reminded that every item, upon receipt, must be tagged—even if the item is not ready for installation.

Citation: *"They also did not have sufficient records to account for IT assets the District purchased from BOCES. Consequently, the District paid a vendor $561,226 for 223 desktops, 165 iPads, 28 iMacs and one Mac Pro purchased during 2013-14; however, the District did not have any records to indicate it received all of the assets. After obtaining the vendors' shipment records, we found three desktops, two iPads, one iMac and one Mac Pro, totaling $8,980, that were purportedly delivered to the District were not reflected in the District's inventory records and there was no record that one desktop, one iPad and one iMac totaling $3,470 that were paid for were delivered. The records also indicate the vendor shipped two desktops totaling $1,538 that had the same serial number.*

District Comment: The District works with Nassau BOCES cooperatively to purchase most of its technology. Nassau BOCES prepares a Letter of Intent (LOI), which lists every item, its model number, price, etc. This LOI is forwarded to the District administration for review. If approved for purchase, the School Business Official or Superintendent signs the LOI, which is then forwarded to Nassau BOCES for processing. The District is billed on a monthly basis by Nassau BOCES for services/commodities purchased during the month. After Nassau BOCES delivers the items approved in the LOI, they invoice the District for the item via this monthly bill. The LOI number is identified

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on the bill, which allows for the School Business Official to review the charges against the original LOI. After verifying that the item was received, the School Business Official approves the payment of the bill. The report indicates that the District did not have sufficient records to account for IT assets purchased from Nassau BOCES. We believe our review process, before and after the purchase, is adequate for maintaining control of the assets as they are received.

Nassau BOCES did not previously provide the District with a written record of items delivered. As part of the audit process, the examiners asked if we could obtain such information for their review. We were able to obtain a listing from Nassau BOCES, in which they had erroneously placed the same serial number next to two different pieces of equipment. Upon review of the listing against his District-wide Real-Time School-Year IT Inventory, the IT Specialist identified this immediately and corrected the information on the BOCES sheet. All equipment is reviewed and counted upon receipt; if an item was missing, it would have been noticed at the time of delivery. It should also be noted that the examiners did ask for clarification regarding the three desktops, two iPads, one iMac and one Mac Pro referenced in paragraph 2, which was provided. The serial numbers of these items on the BOCES deployment sheet was compared to the District-wide Real-Time School-Year IT Inventory maintained by the IT Specialist; no items were missing from the District-wide Real-Time School-Year IT Inventory.

> See
> Note 9
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Finally, the principals and teachers know the exact count of computers in each lab, classroom, and on the carts. If an item were to go missing, it would be reported immediately. The district has a high-definition camera surveillance system at every exterior door. We would be able to identify the person(s) taking equipment from the building.

Citation: *"Further, we tried to locate 199 IT assets totaling $105,110 that should have been in nine rooms according to the inventory records. However, 117 of those assets totaling $59,620, including 60 iPads that although assigned to a specific room are mobile devices that move from room to room, were not located in those rooms. Also, 41 assets totaling $18,080 were located in the rooms but the inventory records indicated they were in other rooms and 159 assets in those rooms were not reflected in the District's inventory records. As a result, there is a risk that District assets may be lost, stolen or misused without being noticed."*

> See
> Note 10
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District Comment: The report states that there were assets located in classrooms that were not on the inventory record or not located in the rooms indicated on the report. Again, we believe this is due to the examiners' reliance on the CBIZ inventory and not the IT Specialist's inventory. It is important to note that the examiner's report does not state that any items were missing. This is because every single item was accounted for and located on the District's premises for the examiners. Examiners must be educated to understand that school district IT programs are on the move. This means that equipment travels with children who have special needs, with teachers who have specific expertise, and with special programs as they are set up or collapsed. Specifically, program set ups can have varying duration periods based on Response to Intervention (RTI) and Academic Intervention Services (AIS) prescriptions for students that come and go over the course of the school year as

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students meet programmatic criteria and are placed in them or meet programmatic exit criteria and are placed out of them.

It is our belief that the audit relied heavily on the spreadsheet we produce once annually for the CBIZ, which created findings in the audit which are incorrect. Several statements in this section allude to items either "located in the rooms tested but were not included in the inventory record" or "were located in the rooms we tested but should have been in other rooms according to the inventory record." Again, there is no specification as to which inventory record the examiners were relying upon. It is also noted in the report: "However, the items were correctly reported in the IT Specialist's IT asset report."

> See
> Note 2
> Page 24

Mobile technology (iPads, laptops, etc.) are shared by multiple classrooms on a grade. The asset is given a "homeroom" number in the IT Specialist's inventory record, so that District staff can locate the asset if needed. The examiners' report indicates that items were not in the rooms tested. As explained, the mobile technologies and even labs can move during a given school year. This was explained to the examiners.

Our District-wide Real-Time School-Year IT Inventory keeps track of all this. Because we have this, we were able to locate all items for the examiners. It is disingenuous and misleading to for the report to say there is a *risk that District assets may be lost, stolen or misused without being noticed. We have a record of the items and their respective locations and we have a camera surveillance system that would assist us, should an item go missing for any reason.*

> See
> Note 11
> Page 26

Citation: *District officials did not locate the remaining 43 items with a replacement value of $28,200 consisting of 40 desktops and three laser jet printers. Officials said these items were disposed of and provided the IT Specialist's spreadsheet that documented equipment he said was transferred to BOCES for disposal. However, the District could not provide documentation to support MOCEDS took possession of the items and disposed of the property. The disposal documentation MOCES provides to the district does not detail what equipment is removed from District property.*

District Comment: Examiners were provided documentation via email to substantiate the removal of 43 assets that were disposed of by the District. These assets were part of a computer lab that was refreshed during summer 2014 as a result of Super-storm Sandy. With the start of school rapidly approaching and the lack of storage space for the items that required pick-up/disposal, Nassau BOCES collected the disposals and stored them at their warehouse until they were able to secure an asset recovery vendor to retrieve the assets.

> See
> Note 12
> Page 26

Asset Management

Citation: *"District officials should adequately segregate inventory control responsibilities so that the inventory records are managed by someone independent from the functions of initiating purchases and initiating disposals of assets and/or maintaining custody. Annual inventory counts should be conducted to alert District officials when items are missing so that records may be updated and*

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adjusted. Also, IT assets should be immediately tagged upon receipt and entered into the District's inventory control system.

The District's inventory control responsibilities are not adequately segregated because the IT specialist has significant control over IT assets for their life cycle (....) The IT Specialist can also initiate a purchase request (....) As a result, the IT specialist could purchase items for personal use and remove them from the District without detection."

District Comment: The IT Specialist has no authority to make purchases. He can only make a suggestion of a purchase to a principal, School Business Official, or Superintendent. He CANNOT initiate a purchase. He has no permissions in the ▮▮▮▮▮▮ accounting software that would enable him to make a purchase; he cannot enter requisitions, nor does he have the authority to approve purchase orders. He is not on the Nassau BOCES signature list for approving LOIs. The wording in the report is misleading, implying that he has the ability to create a purchase requisition in the accounting system. This should be clarified to indicate that he may verbally request an item for purchase; if approved by the School Business Official and/or the Superintendent, a requisition would be prepared by a typist clerk in the Business Office or an LOI would be requested from Nassau BOCES. The examiners were provided with the list of users set up in the accounting software. They received a report showing the District officials with approval authority for ▮▮▮▮▮▮ and Nassau BOCES. The IT Specialist was not listed on any of these reports. The IT Specialist is not authorized to transact business on the District's behalf.

With respect to the disposal of assets, the IT Specialist may make this request of Nassau BOCES after the request is approved by the School Business Official and/or the Superintendent. Again, this service will then be placed on an LOI, which the School Business Official or Superintendent must sign before arrangements can be made with Nassau BOCES to schedule the asset recovery firm to collect the assets. The IT Specialists maintains Disposal Inventory lists for all items collected by the firm awarded the BOCES bid.

As noted under Audit Findings above (see District Comments), we believe our inventory control process does provide for segregation of duties. At minimum, the Superintendent and School Business Official must approve every purchase made by the District. When purchases are specific to a school building, the Principal must approve the purchase in ▮▮▮▮▮▮ as well. The IT Specialist, who has no authority to initiate a purchase in the accounting software, receives the asset, tags it, and adds it to his spreadsheet. If an item is going to be disposed of, the IT Specialist seeks the approval of the Superintendent or School Business Official to do so; if approved, Nassau BOCES is contacted to set up a date for asset recovery with a firm that has been selected based on the general municipal bidding process. The IT Specialist updates his spreadsheet after the assets have been removed from the premises. The spreadsheet is reviewed periodically throughout the year by the School Business Official. At the end of the fiscal year, all changes to inventory for the fiscal year are incorporated into the spreadsheet sent to CBIZ for production of accounting and insurance reports. No one person has control of the asset from the start to end of the process.

See
Note 13
Page 26

See
Note 14
Page 26

See
Note 13
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As noted above, annually (end of October), the Electronic Operations Technician and IT Specialist conduct a physical inventory count of all Technology in the District. Over a two or three-day period, the Electronic Operations Technician identifies each piece of equipment by serial number and location and reads the identifying information to the IT Specialist; the IT Specialist checks this item against the spreadsheet records. If necessary, updates are made by the IT Specialist in the presence of the Electronic Operations Technician. This process ensures that the District's ███ spreadsheet of the physical inventory count is updated and correct. In addition to this, our insurance company provides a full appraisal of our inventory <u>every</u> five years. The report insinuates that this is not done regularly, and that is not accurate. Additionally, the last physical inventory count conducted by CBIZ was in January 2014 (not June 2014 as indicated in the report). This fact was provided to the examiners when they were on site in the summer of 2016 and again in the December 2016 meeting that took place.

The District's practice is to assign an asset tag to each piece of new equipment as it is received. The examiners did locate eight computers not tagged and locked in a storage closet. This was one instance and is not our practice. The wording in the report does not clarify this; instead, it suggests that the District does not ever identify or tag IT equipment as district property. It also states that we do not enter assets into the inventory records. Neither is the case.

The information listed on page 10 of the examiners' report repeats the same data as addressed in the District Comments in the Audit Results section above.

Citation: "<u>*Annual Inventory Counts*</u> — *To prevent loss or theft, policies should be established that address how computers and tablets are to be accounted for and when and how annual inventory counts should be conducted. These counts should be documented.*"

District Comment: As noted above, the District has three methods for maintaining annual inventory counts. The IT Specialist also maintains a Disposal Inventory. These counts, are, indeed documented as noted by the examiner.

"The SBO updates the District's inventory record once a year, after obtaining an IT asset report from the IT Specialist. This report details the assets acquired, disposed of, deployed or moved during the year. It also details the inventory tag number, whom the equipment was assigned to or a location."

<u>Kindly note, the examiners indicate in this statement that the District updates its inventory record once a year along with all requisite detail for each item. There are also item counts in the record. It is then reasonable to conclude that this statement by the examiners contradicts several other statements in the report in which they say the district does not have an annual inventory record or count and does not tag its inventory items.</u> In addition, the sentence relating to "*District officials have never conducted a physical count of computers and tablets...*" (page 11 of their report) directly contradicts what the examiners have reported on page 9 of their report, "*However, the District employs a vendor to perform a physical inventory count about every five years. The most recent physical inventory count was conducted in June 2014.*"

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Citation: *"Although the practice is to update the records annually, the records were not updated for purchases in 2013-14. District officials said the prior SBO failed to update the inventory report prior to leaving District employment."*

District Comment: The District-wide Real-Time 2013-2014 IT Inventory was maintained and all IT items were accounted for in it. The School Business Official terminated his employment with the district in mid-July 2014. A new SBO was hired in mid-December 2014. Knowing that all assets were accounted for in the District-wide Real-Time 2013-2014 IT Inventory, the Superintendent had the new SBO prioritize all aspects of FEMA-related work. In fact, FEMA work was assigned in lieu of the task of updating the District-wide Real-Time 2013-2014 Business Office Asset Inventory for CBIZ. Efforts expended on FEMA work ensured that the District could obtain a reimbursement of $3.2 million for Sandy losses for which money had been borrowed. This seemed the more responsible assignment for the Superintendent to make.

Citation: *"In addition, District officials stated they do not conduct physical inventory counts, instead, the IT specialist periodically performs spot checks but he does not document them."*

District Comment: This is inaccurate. The only two District officials interviewed by the examiner were the SBO and IT Specialist; both deny ever making this statement. It is antithetical to documentation provided by them (independently) to the examiners. The Superintendent, who set up the system and trained both the SBO and IT Specialist was never interviewed. She was also not included at the close-out meeting, nor was she briefed subsequently.

> See
> Notes 3 & 18
> Pages 24 & 27

Citation: *"The most recent physical inventory count was conducted in June 2014. However, the vendor's 2014 and 2015 inventory reports did not reflect the 2013-14 IT assets obtained from BOCES even though the District received the IT assets before the June 2014 physical inventory count. As a result, the District has no assurance that the computers and tablets it has purchased over the years can be accounted for and have not been stolen, lost, or improperly disposed of (...) During this year, the District made at least three purchases from the Nassau Board of Cooperative Educational Services (BOCES) for various IT equipment totaling $561,226."*

District Comment: The most recent physical inventory count (District-wide Vendor-Prepared (CBIZ) Asset Inventory of IT and Non-Technology Items) was conducted by CBIZ in January 2014, not June 2014. The January 2014 CBIZ inventory covered the period 2012-2013. Therefore, equipment totaling $561,226 purchased during the 2013-2014 school year could not be part of the physical inventory conducted by CBIZ for 2012-2013. It was, however, accounted for in the District-wide Real-Time 2013-2014 IT Inventory. Furthermore, it was accounted for in the District's signed LOIs with Nassau BOCES, the bills it received from Nassau BOCES, and the payments it made to Nassau BOCES. As noted above, it was not accounted for in the Real-Time 2013-2014 Business Office Asset Inventory for CBIZ since the District did not have an SBO until December 2014 (see top of this page).

> See
> Notes 3 & 18
> Pages 24 & 27

> See
> Note 19
> Page 27

Citation: *"The District does not maintain sufficient records to account for all IT assets paid for as received. For example, the District paid BOCES $561,226 for 223 desktops, 165 iPads, 28 iMacs and*

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one Mac Pro (....) Three desktops, two iPads, one iMac and one Mac Pro totaling $8,980 that were purportedly delivered are not reflected in the records. Therefore, we cannot determine if the items are in the District's possession. Officials believe they have these assets and that the inventory record contains data entry errors. However, we cannot confirm this."

District Comment: The examiners were able to enumerate the items in this purchase because the district provided records to them. It was explained that the three desktops, two iPads, one iMac and one Mac Pro totaling $8,980 were delivered and identified for the examiners in the District-wide Real-Time 2013-2014 IT Inventory. They were also accounted for in the District's signed LOIs with Nassau BOCES, the bills it received from Nassau BOCES, and the payments it made to Nassau BOCES. They were not, however, reflected in the District-wide Real-Time 2013-2014 Business Office Asset Inventory for CBIZ as explained previously. (See last paragraph of page 6 and top of page 7.)

> See Note 20 Page 28

> See Note 19 Page 27

Citation: *"One desktop, one iPad and one iMac totaling $3,470 were not included on the deployment worksheet to indicate they were delivered. District officials said BOCES retained the items to install software and the items were delivered at a later date. However, no records existed to support a separate shipment of these three assets. As a result, the District officials may have paid BOCES $3,470 for assets they did not receive."*

District Comment: When districts purchase through BOCES and pay for IT services through the relevant COSERs, representative items will be retained for imaging purposes. The imaging of software is performed at the Nassau BOCES site. Thus, the three desktops, two iPads, one iMac, and one Mac Pro totaling $8,980 represent the items retained for imaging. Once the items were imaged, they were brought to the district, tagged, and installed. Next, they were added to the District-wide Real-Time 2013-2014 IT Inventory. In July 2014, they were not entered into the District-wide Real-Time 2013-2014 Business Office Asset Inventory for CBIZ as explained previously. Nevertheless, the District had accounted for them and did not pay BOCES $3,470 for assets it did not receive.

> See Note 9 Page 25

Citation: *"Two desktops totaling $1,538 were included on the deployment work sheet that had the same serial number. Because District officials did not document what was actually received, we do not know if two desktops were shipped or if the deployment record has a duplicate entry. District officials said when they receive IT equipment from BOCES, it does not provide them with equipment serial numbers. As a result, the school cannot compare serial numbers to confirm items that should have been shipped and received."*

District Comment: As stated previously, the District obtained these deployment worksheets from Nassau BOCES while the examiners were conducting their audit in district. Nassau BOCES had erroneously placed the same serial number next to two different pieces of equipment. Upon review of the listing against his District-wide Real-Time School-Year IT Inventory, the IT Specialist identified this immediately and corrected the information on the BOCES sheet.

In conclusion, we appreciate your review and we are committed to making improvements. We are also willing to meet to further discuss the report and the District's responses. As stated and explained, we believe that there are numerous problems with the report that not only damage the credibility of your review but are unnecessarily hurtful to the District.

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Corrective Action Plan

1. <u>Audit Recommendation</u>: Adequately segregate IT asset control functions so that no one person has control over assets for their life cycle.

   <u>District Response/Action</u>: We believe our established process provides adequate segregation. This will be written into a District Policy that the Board of Education and its Audit Committee will approve. We will continue to review and improve our procedures as well as maintain our practice that no one person has control over assets for their life cycle. The District has installed security cameras over every exterior door inside and outside of the buildings district-wide. We believe the cameras serve as a deterrent to theft or misuse of District assets.

2. <u>Audit Recommendation</u>: Implement a policy that requires District officials to:
   Conduct physical inventory counts, update inventory records and take appropriate action for missing equipment.
   - Immediately tag IT assets and record them in the inventory system.
   - Maintain sufficient records to account for all IT assets.
   - Confirm that IT assets purchased are received before paying for the IT assets.
   - Document asset transfers in the transfer log and inventory system.

   <u>District Response/Action</u>: The practices currently in place as well as all suggestions made by the examiners will be written into District Policy that the Board of Education and Audit Committee will approve.

   The District will continue to have the outside vendor (CBIZ) perform the full physical inventory every five years, as well as continue the annual review of assets conducted by the IT Specialist and Electronic Operations Technician. To implement the recommendation of documenting these counts, the IT Specialist and Electronic Operations Technician will notify the School Business Official once the annual review is complete at the end of October, and provide a written record of all assets counted with their current locations. Any discrepancies will be noted in this report.

   The District will ensure that the transfer form for equipment developed at the suggestion of Pappas & Company will be used faithfully. During the summer months as well as September and early October, the Superintendent and School Business Official will "test" that they are being used. The completed forms will also be provided to the School Business Official, to be included in the annual inventory update sent to the outside vendor, CBIZ.

   The District currently requires that a signed invoice and/or receiving copy of a purchase order be presented to Accounts Payable before a payment can be issued to a vendor for any asset. If a packing slip is provided, that is attached as well. For purchases made via Nassau BOCES, we will continue to verify the cost billed on the monthly invoice for equipment ordered via a letter of intent (LOI). Additionally, Nassau BOCES has recently instituted a sign-off, which requires the District to sign off on receipt of goods. We believe these measures will provide confirmation of

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receipt of assets prior to making payment. Nassau BOCES also informed us that effective with the 2016/17 school year, the asset recovery vendor (eWaste, Inc.) will begin to provide the District with a listing of assets they collected at our request for disposal. This listing will include the quantity, item type, serial number and tag number of the asset collected from our premises. This, in conjunction with the list provided by the IT Specialist, will help to ensure the safeguarding of assets and ensure that accurate records of disposed assets are maintained.

3. <u>Audit Recommendation</u>: Require the District's inventory record to include assets identified during the audit that were not detailed in the District's records and require appropriate actions to be taken on assets that could not be located.

   <u>District Response/Action</u>: The preliminary audit findings indicated that some items included on the inventory record of the IT Specialist did not appear on the inventory record maintained by the School Business Official that is sent annually to CBIZ to generate reports for accounting and insurance purposes. Again, it is important to note that <u>no assets were missing; they were listed on the District-wide Real-Time School-Year IT Inventory.</u>

   In order to ensure that these items were captured on the CBIZ inventory, the District contracted with CBIZ to do a full appraisal of all of the District assets in October 2016. We recognize that during the transition of our new SBO, there was a lapse in reporting of assets to CBIZ. Hence, we had the vendor come in and perform a full inventory to make sure we accounted for all of the District's assets; this was also a system cross-check.

   Yours sincerely,

   Rosmarie T. Bovino, Ed.D.
   Superintendent of Schools

APPENDIX B

OSC COMMENTS ON THE DISTRICT'S RESPONSE

Note 1

We believe the audit report accurately reflects the District's inventory control practices. We worked with the employees that school officials told us were responsible for maintaining the IT asset inventory control system. During the audit exit conference, our auditors also met with the Superintendent and SBO. Many of the comments the Superintendent included in her response were discussed. Our auditors explained that the employees' actual practices differed significantly from the Superintendent's expectations. She acknowledged that she did not know the employees were departing from her expectations. The start date for the audit period was July 1, 2014, well after the work cited by the Superintendent managing assets during Superstorm Sandy.

Note 2

The SBO told audit staff that the vendor's report is the official inventory report because it is the most comprehensive and accurate report. Therefore, we primarily used that report. When we had exceptions, we considered the IT Specialist's records, and when they contained updated information, we included it in our audit report. Contrary to the Superintendent's understanding, as noted in the response, the three distinct inventory records are not maintained independently of each other. The IT Specialist maintains an electronic spreadsheet. Once a year, he provides an update report to the SBO, who uses the information to update her electronic record. She then transfers her file to the vendor who provides the comprehensive inventory report. Therefore, all records are driven by the IT Specialist's electronic spreadsheet.

Note 3

During the exit conference, the Superintendent told our auditors that the District conducts annual physical inventory counts supported by the IT Specialist's electronic spreadsheet. However, this is contrary to what other District officials told us. The IT Specialist told our auditors that he does not conduct annual physical inventory counts and was not aware of any physical inventory counts that have been conducted. Although he may spot check some items, these spot checks are not documented. In addition, the SBO told our auditors that the District does not conduct physical inventory counts but that it is was something she hoped to complete in the future. Our auditors also explained why maintaining an electronic spreadsheet is not a physical inventory count because it does not verify that IT assets are still in the District's possession.

Note 4

As noted, the Business Office clerk updates the inventory record for nontechnology related equipment. The audit focus was inventory controls over IT assets.

Note 5

As discussed previously, adding and deleting items from an electronic file is not a physical inventory count because there is no verification that IT assets are still in the District's possession. Periodic physical inventory counts should be reconciled to IT assets records. If assets are found that are not in the asset records, they should be tagged and added. If assets cannot be found, follow-up action should be taken.

Note 6

Although two forms are now used (the IT Specialist's electronic spreadsheet and the asset transfer form), the asset transfer form is completed by the IT Specialist, who also receives and disposes of IT assets, tags them and records them in the electronic spreadsheet. Because this file is used to update the SBO's inventory file that is used to update the comprehensive inventory record, the IT Specialist essentially controls all inventory records.

Note 7

The report does not say the District does not have an inventory process. We believe, as supported by and stated in the audit report, the District can do more to ensure IT assets are safeguarded against loss, theft or misuse.

Note 8

Although the Superintendent contends it is standard practice for assets to be immediately tagged upon receipt, these computers were received several months prior to our audit, were not tagged and where not reflected in any inventory record. This supports the IT Specialist's process as explained to our auditors, that assets are tagged when they are deployed. In addition, this was not the only instance were equipment was not immediately tagged or entered into the inventory records. We added a clarification to our audit report to indicate that 40 computers were received and deployed but not tagged as District property or entered into the inventory records when they were received.

Note 9

As noted in the audit report, the District paid BOCES for the items detailed in the Letter of Intent (LOI), however, at our request and 23 months after the equipment was delivered, the District obtained the BOCES record of items shipped and received. The BOCES record indicated one less desktop, iPad and iMac were delivered to the District than ordered and paid for. Therefore, the District's review process did not always work. Although two desktop computers on the deployment worksheet had the same serial number, District officials do not know if two desktops were shipped. Although District officials provided written statements indicating the missing items were retained by BOCES for imaging purposes and were delivered to the school at a later date, they did not provide documentation to support their assertion that the missing desktop, iPad and iMac were delivered at a later date.

Note 10

Although the items were not reflected in the inventory records provided by the vendor, they were correctly recorded in the IT Specialist's IT asset report. We have made changes to clarify the audit

report. We disagree with the Superintendent's statement that every single item was accounted for and located on the District's premises. District officials could not locate a total of 46 assets: 40 desktops and three laser printers, and the missing desktop computer, iPad and iMac not included in the BOCES shipping record but purportedly shipped at a later date.

Note 11

Our report acknowledges that District officials located some assets, including 60 iPads that were stored on mobile carts and regularly moved from room to room to meet curriculum needs. Our auditors verbally told District officials they could identify IT assets as mobile or fixed in their inventory records. This distinction could benefit District officials if they begin to perform annual physical inventory counts or if they need to locate a mobile IT asset. Again, we disagree that every single item was accounted for and located; as discussed in Note 10, District officials could not locate 46 assets. Although officials said they disposed of some of these items, they did not provide sufficient evidence to support this assertion.

Also, District officials have not adequately segregated inventory control responsibilities. While a vendor performs a physical inventory count about every five years, District employees do not conduct physical counts of assets or immediately tag assets and enter them into the inventory records upon receipt. While security cameras are installed, they are of limited value because the footage will not display serial numbers or differentiate between equipment such as an individual's personal iPad or an iPad owned by the District. As a result, IT assets are at greater risk of being lost or stolen without detection.

Note 12

The documentation supports the number of pallets collected but does not detail the items that were collected for disposal. As a result, the District does not have assurance that BOCES collected all 43 assets, or that District employees did not dispose of or remove the equipment by other means. For several reasons, including that personal, private and sensitive information may remain on IT equipment, the District should ensure that all IT equipment approved for disposal is properly accounted for and disposed of.

Note 13

According to the IT Specialist and SBO, the IT Specialist, on rare occasions, requests the District to purchase IT assets. Once approved, a District clerk would make the purchase(s). We added language to clarify the audit report.

Note 14

The District's response indicates the IT Specialist maintains the list of items disposed of and collected by BOCES, and the SBO and Superintendent approve a list of IT assets the IT Specialist determines should be disposed of. However, the asset reports the IT Specialist maintained and shared with our auditors were not approved and included the items District officials could not locate. Because the IT Specialist receives and tags assets, can arrange the disposal of assets and maintains the inventory record used to update the other inventory reports, the inventory control responsibilities are not adequately segregated. The IT Specialist has too much control over the life cycle of the assets.

Note 15

The District's statement that the last physical inventory count conducted was in in January 2014 is incorrect. The report in question is dated November 11, 2014 and entitled, "Island Park UFSD, A Property Record Report on Certain Property as of June 30, 2014".

Note 16

Although the record is referred to as an inventory record, adding and deleting items from the record is not the same as a physical inventory count because there is no verification that IT assets are still in the District's possession.

Note 17

After our exit conference with District officials (including the Superintendent), we changed our report to indicate that the District employs a vendor to perform a physical inventory count about every five years and that District employees do not conduct physical inventory counts. We then provided the modified draft to the District so the Superintendent could prepare her response.

Note 18

In addition to the discussions of interviews in Note 1 and Note 3, the SBO was interviewed on February 24, 2016 and the IT Specialist was interviewed on March 15, 2016. Both parties stated that physical inventory counts are not performed. Although the Superintendent continues to contend they were conducted, she has not produced any evidence to support her position.

As explained to the Superintendent during the exit conference, the meeting she refers to was an informal meeting the audit team held with personnel who played a significant role in the audit. The audit team coordinated the meeting with the SBO, who was informed she could invite the IT Specialist and Superintendent. Although the Superintendent did not participate in the meeting, she participated in the formal close out meeting. The audit report details the actual inventory control practices, which differ significantly from the Superintendent's expectations.

The equipment totaling $561,226 was delivered prior to June 30, 2014 and, as stated in Note 15, the inventory was conducted as of June 30, 2014. Although the Superintendent states that the most recent physical inventory count was in January 2014, her response also contends that the District conducts regular physical inventory counts. The SBO's and IT Specialist's statements indicate that physical inventory counts are not performed and the District did not provide any evidence to indicate they were performed. Although the Superintendent's control expectation is that physical inventory counts should be performed each year, no evidence exists to show they were conducted.

Note 19

The LOIs, bills and payments do not identify serial numbers for IT assets. Therefore, while they are integral to the procurement process and identify the number of IT assets purchased and paid for, they are not sufficient records to determine each individual item that is received.

Note 20

Although the District provided records that we used to determine if items purchased were in the inventory records, the District obtained those records from BOCES after our auditors asked the District to obtain them. The records including BOCES shipping documentation and deployment sheets were obtained from BOCES about 23 months after the IT items were received by the District.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials to gain an understanding of the process for maintaining the inventory of District assets.

- We compared documentation as to what IT assets were deployed against documentation as to what IT assets were paid for and in inventory.

- We observed the receiving and storage area to determine if items received were included in the inventory system.

- We tested nine rooms within the District to determine if all assets in those rooms were listed on the District's inventory report and compared what was observed in those rooms to what was listed in the District's inventory report. We used the District's inventory record to judgmentally select eight rooms that had a larger number of IT assets assigned to them, and an additional room was added because District officials believed missing IT assets were in it.

We conducted this performance audit in accordance with GAGAS. 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.

APPENDIX D

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APPENDIX E

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