

Delaware-Chenango-Madison- Otsego Board of Cooperative Educational Services

Fixed Assets

APRIL 2022



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

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Report Highlights

Delaware-Chenango-Madison-Otsego Board of Cooperative Educational Services

Audit Objective

Determine whether Delaware-Chenango-Madison-Otsego (DCMO) Board of Cooperative Educational Services (BOCES) officials properly monitored and accounted for fixed assets.

Key Findings

BOCES officials did not properly monitor and account for fixed assets. Thirty-two (64 percent) of the assets tested and valued at \$64,300 were not properly accounted for. We found:

- 28 assets (computers, electrostatic sprayers, nursing beds and other assets) with combined purchase prices of approximately \$47,500 did not have required asset tags, were not on the inventory or information technology (IT) inventory asset lists and/or had incorrect or no location noted on the inventory list.
- A color copier and refrigerator with a combined purchase price of more than \$7,200 could not be located. Another two assets (a phone server and a computer) valued at \$9,600 were listed in BOCES inventory as active and could not be found. These assets were declared surplus and officials believe were disposed.
- No periodic inventory checks were performed, and officials do not know the last time they performed one.

Key Recommendations

- Maintain accurate and up-to-date inventory records.
- Ensure compliance with BOCES fixed asset and disposal policies including performing periodic inventory checks.

BOCES officials generally agreed with our recommendations and indicated they would take corrective action.

Background

DCMO BOCES primarily provides educational services to 16 component school districts and is governed by a seven-member Board of Education (Board) elected by the boards of the component school districts.

The Board is responsible for the general management and control of financial and educational affairs. The District Superintendent (Superintendent) is the chief executive officer responsible, along with other administrative staff, for the day-to-day management and regional planning and coordination.

The Records Management Office (RMO), under the supervision of the Director of Finance, is responsible for maintaining a continuing inventory of BOCES assets.

Quick Facts

Assets	
Number of Assets	3,358
Value of Assets	\$73.7 million
Assets Reviewed	
Number of Assets	50
Value of Assets	\$101,200
Assets Not Properly Inventoried	32
Value of Assets	\$64,300

Audit Period

July 1, 2020 – October 31, 2021

We expanded our audit period through December 13, 2021 to observe inventory at the BOCES facilities.

Fixed Assets

How Should BOCES Officials Monitor and Account for 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. As a result, they represent a significant investment of resources. A board should adopt comprehensive, written fixed asset and disposal policies and procedures to ensure assets are properly accounted for and safeguarded, and obsolete or surplus assets are properly disposed of. Officials are responsible for ensuring that assets are protected from loss, inventory records are current, and assets can be easily located and are properly disposed of.

Procedures should include establishing dollar value thresholds for identifying, recording and tagging assets and performing periodic inventory checks. Asset tags with unique numbers improve the ability to differentiate between assets, making them easier to track, and can provide a deterrent for improper use and should be applied immediately upon receiving assets. All information technology (IT) assets should be inventoried regardless of value.

Department managers should also schedule and conduct periodic physical inventories to ensure that all assets listed as being under their control are still located within their department. In addition, officials should conduct an unannounced physical inventory in at least one department per year, ensuring that all departments are covered over three or four years.¹

The BOCES Board adopted comprehensive, written fixed asset and disposal policies and procedures that require RMO to inventory and tag all fixed assets with a purchase price of \$500 or more. RMO is also required to periodically send lists of department assets to each department for them to confirm.

Officials Did Not Properly Account for Some Fixed Assets

BOCES uses inventory management software to compile the inventory list. Within RMO, there was only one employee responsible for using the software to maintain the inventory records. Therefore, when that employee was unavailable, no one was available to update the inventory records. The IT Coordinator tracks all the IT assets in an online spreadsheet.

We reviewed 50 assets, with combined purchase prices totaling approximately \$101,200, to determine whether they were in BOCES' possession, properly tagged and included on the inventory list and the IT inventory asset list (if required). We found that RMO had not properly accounted for 32 assets (64

Department managers should also schedule and conduct periodic physical inventories. ...

...[T]here was only one employee responsible for using the software to maintain the inventory records.

¹ Refer to our publication, *Capital Assets*, www.osc.state.ny.us/files/local-government/publications/pdf/capital-assets.pdf

percent) of the assets tested. These assets have values totaling \$64,300, as follows:

- 28 assets, with combined purchase prices totaling approximately \$47,500, did not have required asset tags, were not on the inventory or IT inventory asset lists and/or had incorrect or no location noted on the inventory list. These assets included electrostatic sprayers, nursing beds, computers and various other assets. Officials were unaware that these assets did not have asset tags and told us the tags likely had fallen off, or the person who received the assets had never applied the tags.
- Two assets (a phone server and a computer), valued at almost \$9,600, were still listed as active assets on the inventory list, but had been declared surplus by the Board and had been disposed of.
- Two assets on the inventory list, with a combined purchase price totaling \$7,200, could not be located or accounted for. These assets included a color copier (\$5,775) and a refrigerator cooler (\$1,425). Officials told us they believed these items had been disposed of but could not provide supporting documentation to show that the assets had been approved for disposal.

In addition, we reviewed the status of 11 assets either approved by the Board for disposal (10 assets) or marked disposed on the inventory list (one asset). We found discrepancies with five assets:

- Two disposed assets (a printer and a multi-process welder) were not marked as such on the inventory list,
- Two assets (a washing machine and a truck) approved for disposal were removed from the inventory list but were still in BOCES' possession, and
- One asset (another truck) approved for disposal was listed without an active status, but was still in BOCES' possession.

Of those assets no longer in BOCES' possession, one asset, a storage shed, marked disposed on the inventory list was disposed of without Board approval. Officials told us this was due to the errant actions of an employee that no longer works for BOCES. We determined the remaining seven assets were properly disposed.

Officials believe that the inaccuracies on the inventory list occurred because there was not another employee trained to use the inventory management software to maintain the inventory list. Without accurate inventory records, officials cannot be assured that assets are accounted for, easily located or properly disposed of.

Officials Did Not Perform Periodic Physical Inventories

Although RMO was required to send out asset lists to departments to confirm their assets periodically, officials told us this had not been done in years and could not provide us with documentation of the last time this occurred. Furthermore, BOCES had a valuation audit in 2016, but the methodology used did not require it to check all assets on the inventory list. Lastly, the policies and procedures do not require any unannounced physical inventories of departments, and none were performed.

Without accurate and up-to-date fixed asset records and periodic inventories, BOCES officials cannot ensure that assets are in BOCES' possession and are protected against loss or unauthorized use.

What Do We Recommend?

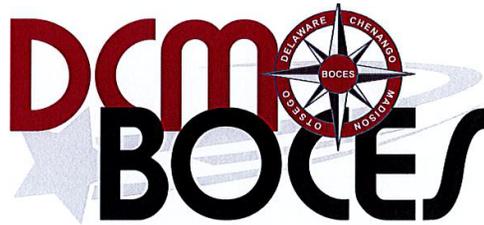
BOCES officials should ensure that:

1. Inventory records, including IT inventory asset lists, are accurate and up to date and all assets can be located.
2. All fixed assets purchased for more than \$500 are appropriately tagged, identifying them as BOCES property.
3. Sufficient personnel are familiar with the inventory management software so there is not complete reliance on a single person.
4. RMO requires departments to follow procedures to confirm their assets.
5. Unannounced periodic physical inventories are conducted.

The Board should:

6. Update the policies and procedures to include the requirement for unannounced physical inventories.
7. Authorize all asset disposals.

Appendix A: Response From BOCES Officials



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March 31, 2022

Ann C. Singer, Chief Examiner
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Unit Name: Delaware-Chenango-Madison-Otsego (DCMO) BOCES
Audit Report Title: Fixed Assets
Audit Report Number: 2021M-207

Dear Chief Examiner Singer,

The DCMO BOCES is in receipt of the NYS Office of the State Comptroller Audit 2021M-207, for the audit period of July 1, 2020 through December 13, 2021 with a focus on fixed assets. DCMO BOCES would like to thank the local field staff and the Comptroller's Office for their professionalism and courteousness while performing this audit during the Covid-19 pandemic.

We agree with the findings of the Audit Report, in fact we requested the OSC to look at our fixed assets as we realized some weakness in our processes. We want to point out that we had some staffing issues, along with pandemic absences, which contributed to the findings. Additionally, the current software program is out of date, and contributed to issues as well.

Corrective Action Plans and Implementation Dates will be forthcoming, as our Board of Education meets on Wednesday, April 6, 2022 to approve the recommendations to the audit findings.

Respectfully Submitted,

Perry T. Dewey, III, District Superintendent
Delaware-Chenango-Madison-Otsego BOCES

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Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed BOCES officials and reviewed policies and procedures and the Board's meeting minutes to gain an understanding of and evaluate the adequacy of fixed asset policies and procedures.
- We used our professional judgment to select 20 fixed assets from a population of 883 assets from purchase orders from July 1, 2020 through July 31, 2021 to determine whether recently purchased assets were added to the inventory list and IT inventory asset list (if applicable), properly tagged, and in BOCES' possession.
- From the 3,224 assets totaling over \$9.6 million on the inventory list that were moveable (not permanent structures like land or buildings), we selected a random sample of 20 assets using computer software and reviewed them to determine whether they were in BOCES' possession and properly tagged.
- While performing a walkthrough of BOCES' facilities, we used our professional judgment to select 10 assets that we estimated were valued at \$500 or more to determine whether the assets were on the inventory list and the IT inventory asset list (if applicable) and properly tagged.
- We interviewed BOCES officials to determine whether physical inventories were conducted, how often and by whom.
- We used our professional judgment to select 10 assets from the Board minutes reported as approved for disposal from July 1, 2020 through October 31, 2021 to determine whether they were removed or marked disposed on the inventory list and properly disposed of.
- We examined the single asset listed on the inventory list marked disposed from July 1, 2020 through October 31, 2021 to determine whether the Board approved its disposal beforehand and properly disposed.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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-a (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 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 CAP should be posted to DCMO BOCES' website for public review.

Appendix C: 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

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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

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www.osc.state.ny.us/local-government/required-reporting

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