



Phoenix Central School District

IT Asset Management

S9-22-20 | February 2023

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Report Highlights

Phoenix Central School District

Audit Objective

Determine whether Phoenix Central School District (District) officials appropriately tracked, inventoried and safeguarded information technology (IT) assets acquired or in use during the audit period.

Key Findings

District officials did not appropriately track or inventory IT assets or maintain complete IT inventory records. As a result, officials cannot assure taxpayers that money invested in IT assets has been appropriately spent.

We selected 55 IT assets to confirm their location and that they were inventoried, and 10 additional IT assets to confirm they were inventoried. We found 5 percent of the sampled assets were not properly accounted for. Specifically:

- Three IT assets, a printer costing \$1,155, a smart television and an interactive display (unknown costs) were not inventoried.

In addition, annual inventories were not conducted, and officials did not adopt a comprehensive written policy for establishing and maintaining IT equipment inventory.

Key Recommendations

- Ensure District inventory records are complete and accurate.
- Perform annual and complete physical inventories and compare results to inventory records.

District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The District serves the Towns of Clay and Lysander in Onondaga County, and the Towns of Granby, Hastings, Palermo, Schroepfel and Volney in Oswego County.

An elected nine-member Board of Education (Board) is responsible for the general management of the District.

The Superintendent serves at the Board's direction and is responsible for day-to-day management.

The Director for Data and Instructional Technology (Director) is responsible for overseeing the IT Department, including IT asset inventory management.

Quick Facts

District	
Enrollment	1,704
Staff	325
Approximate Cost of IT Assets Purchased or Leased in Our Audit Period	\$2.1 million

Audit Period

July 1, 2019 – March 31, 2022.
We expanded our audit period through June 13, 2022 to observe inventory at the District.

IT Asset Management

School districts purchase a wide variety of IT equipment, such as interactive displays and desktop computers, as well as highly portable items, such as monitors, laptops and tablets. These assets can make up a significant portion of a district's IT asset inventory, in both value and number. School district officials are responsible for providing oversight to ensure that assets are protected from loss, inventory records are current, and assets can be easily located.

With the onset of the COVID-19 pandemic, school districts acquired a significant number of IT assets to transition to remote and hybrid learning. This influx of new and often highly portable IT assets highlighted the importance of tracking and inventorying practices to ensure that taxpayer funds are appropriately spent and safeguarded.

How Should District Officials Inventory and Safeguard IT Assets?

A school board should adopt a comprehensive written policy that sets forth guidelines and procedures for establishing and maintaining IT asset inventory. Although some IT assets could be considered fixed assets, IT assets' portability and access to a district's network and/or confidential data poses a distinct risk of loss or misuse. Given this risk, school district officials should establish a separate, well-defined policy that includes guidance for school district officials to maintain detailed, up-to-date inventory records for all IT assets including:

- Adding new equipment to the inventory,
- Notifying the IT Department when equipment is reassigned, lost or stolen,
- Documenting and updating the inventory for equipment disposal, and
- Annually reviewing the physical inventory.

Inventory records should include a description of each item including the make, model and serial number; the name of the individual to whom the device is assigned, if applicable; the physical location of the asset; and relevant purchase or lease information including the initial cost, depreciation and acquisition date.

In addition, school district officials should verify the accuracy of IT asset inventory records through annual physical inventory counts. Devices should be periodically examined to assess their condition and to verify accurate location information in the inventory records. Maintaining complete and up-to-date IT asset inventory records also helps a school board develop and implement an effective IT equipment replacement plan. To safeguard IT assets from loss, theft or misuse, IT assets should be in a locked and secured area with environmental controls such as smoke detectors, fire alarms and extinguishers, and protection from water damage.

Officials Did Not Appropriately Inventory IT Assets

Although the Board-adopted Inventories and Accounting of Fixed Assets Policy (Fixed Assets Policy) and the Capital Asset Management Policy (Capital Asset Policy)¹ provide direction for officials to track and inventory assets, the Board did not adopt a comprehensive written policy specifically for IT equipment inventory.

The Capital Asset Policy states that all technology equipment should be inventoried while the Fixed Assets Policy only references fixed assets. However, both policies define a fixed asset as having a useful life of one year or more and physical characteristics which are not appreciably affected by use or consumption. Therefore, most IT assets would be subject to the requirements of both policies. Further, each policy assigns responsibility for inventorying assets to a different District official; the Fixed Assets Policy states that the “Superintendent or his/her designee shall be responsible for maintaining a continuous and accurate inventory of equipment”, while the Capital Asset Policy states that the Business Administrator will be responsible. Conflicting policies governing a process or procedures for tracking and inventorying assets may lead to officials inadvertently not complying with all aspects of the policies.

According to the Capital Asset Policy, the inventory records, where possible, should contain:

- Date of acquisition,
- Description,
- Cost or value,
- Location,
- Responsible official,
- Estimated useful life, and
- Date and method of disposition.

Furthermore, the Capital Asset Policy requires certain attributes to be recorded that do not necessarily aid in tracking and inventorying IT assets but are important for other operational needs. For example, cost, acquisition date or estimated useful life do not aid in tracking an asset but are useful for determining overall cost or age of assets, which in turn, could ensure appropriate insurance coverages are maintained and assist in planning for replacement of assets reaching the end of their useful life. Although the District’s accounting records have the costs, acquisition date and vendor information for IT assets, this information is not easily compiled for inclusion in the District’s IT asset inventory records and cannot easily aid in planning for future IT asset investments. Therefore, the cost and age of all IT assets currently in use by the District was undetermined at the conclusion of our fieldwork.

¹ Policy 6640, adopted on September 22, 2014, and Policy 6681, adopted on June 12, 2006.

Inventory Records – The Director and his staff maintain a master inventory list that includes IT assets. We reviewed the inventory list and found that it contained adequate information to sufficiently track and/or identify the District’s IT assets. However, in our physical test of 55 IT assets and an additional test of 10 IT assets identified during our walk-through and inspection of the District, we identified 12 assets that were not included or incorrectly listed in the inventory records. Specifically:

- Three assets, which included a printer (\$1,155), a smart television (unknown cost) and an interactive display (unknown cost), were not listed on the District’s master inventory record.
- Nine IT assets costing approximately \$8,300 were recorded with an incorrect location.

When we brought these issues to the attention of the Director and his staff, they promptly updated their inventory records.

Additionally, although the inventory list contained adequate information to sufficiently track and/or identify the District’s IT assets, this was due, in part, to IT Department staff tracking serial numbers and asset tag numbers to identify assets even though the Capital Asset Policy did not require it. However, the IT Department staff did not include all the information on the inventory that the Capital Asset Policy did require, including IT assets’ acquisition date, cost or value, estimated useful life, and date and method of disposition (Figure 1).

Figure 1: Board-Required Inventory List Attributes

Master IT Inventory List						
Acquisition Date	Description	Cost or Value	Location	Responsible Official	Estimated Useful Life	Date & Disposal Method
X	✓	X	✓	✓	X	X

The Director told us he was aware of the Capital Asset Policy and that while he and his staff try to document as much information as possible for each IT asset, they missed certain required information. The Director indicated he plans to correct this by adding the missing required information to the inventory list.

Annual Inventories – The Director told us both the Oswego County Board of Cooperative Educational Services (BOCES) and the Onondaga, Cayuga, Madison BOCES periodically perform a physical inventory on their respective equipment leased to the District.² However, he could not provide confirmation of

² The District purchases and/or leases IT assets through Oswego County BOCES and the Onondaga, Cayuga, Madison BOCES. See Appendix B for information on the BOCES assets in our testing.

how often these inventories are completed, or any evidence to support the last time they were performed. Further, the Director told us the IT Department typically performs their own inventory checks but has not done so over the last two years because of the additional demands the COVID-19 pandemic placed on staff. However, during this period, the District made significant investments in IT assets and resources for the District to shift to a hybrid and remote learning environment. As a result, the need to properly account for IT investments required sufficient controls to track these IT assets.

Safeguarding Assets – District officials located all 55 IT assets that we selected to physically confirm were in the District’s possession. We also observed that storage locations for the IT assets were adequately secured.

The Director did not maintain detailed up-to-date inventory records or conduct annual inventories of District-purchased assets. Apart from the previously mentioned BOCES inventories, to which there was no documentation to support, the Business Administrator did not arrange for an annual inventory of District IT assets. As a result, District officials cannot be assured that IT assets are adequately accounted for and would be detected if lost, stolen, or misused. Further, complete, accurate, and up-to-date inventory records help District officials ensure that IT assets are properly insured, tracked through their life cycle and replaced as necessary. Finally, when inventory records are incomplete, and assets are not properly accounted for, District officials cannot ensure taxpayers that money invested in IT assets has been appropriately spent or safeguarded.

What Do We Recommend?

The Board should:

1. Adopt a specific comprehensive written policy to appropriately track and inventory IT equipment. This policy should include guidance and processes for:
 - Maintaining detailed, up-to-date inventory records for all IT equipment,
 - Adding new equipment to the inventory,
 - Notifying the IT Department when equipment is reassigned, lost or stolen,
 - Documenting and updating the inventory for equipment disposal, and
 - Annually reviewing the physical inventory.

-
2. Require the Business Administrator to arrange for a physical inventory of all District purchased IT equipment, locate missing and unaccounted-for equipment and update inventory records accordingly.

The Director should:

3. Ensure District inventory records include the detail necessary to adequately track and locate an IT asset and that asset records minimally include the make, model and serial number; the name of the individual to whom the device is assigned, if applicable; the physical location of the asset; and relevant purchase or lease information including the initial cost, depreciation and acquisition date.
4. Review and comply with the applicable District policies.
5. Coordinate with the Business Administrator to complete an annual physical inventory and compare the results to the inventory records. Take appropriate action to follow up on any discrepancies.

Appendix A: Response From District Officials

PHOENIX CENTRAL SCHOOL DISTRICT

District Office

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Christopher J. Byrne
Superintendent of Schools

Karl J. Seckner
Assistant Superintendent
of Finance and Educational Services

Nicole M. Covell
Executive Director of
Instruction and Personnel



January 6, 2023

Office of the New York State Comptroller

██████████
110 State Street
Albany, NY 12236

Dear ██████████

The following serves as our response to the preliminary draft findings of your agency's audit of the Phoenix Central School District, S9-22-20. The audit scope was related to "IT Asset Management" for the period July 1, 2019-March 31, 2022. The audit was expanded to June 13, 2022, to observe inventory at the district. We would first like to extend our sincere appreciation of the staff provided by your office. Their professionalism and experience were viewed as an asset by our district. The process helped us identify opportunities for improvement and provide valuable information in the noted areas.

Below are the recommendations for improvement identified in your report, along with the district's response to each of those recommendations:

The Board should:

1. Adopt a specific comprehensive written policy to appropriately track and inventory IT equipment.

We intend to review the current policies related to fixed IT assets and update them to include language to track and inventory IT equipment appropriately.

2. Require the Business Administrator to arrange for a physical inventory of all district-purchased IT equipment, locate missing and unaccounted-for equipment and update inventory records accordingly.

Part of our transition to the new inventory system ██████████ we have purchased is to inventory all district-purchased IT equipment, locate missing and unaccounted-for equipment and update inventory records accordingly.

The Director should:

3. Ensure District inventory records include the detail necessary to adequately track and locate an IT asset and that asset records minimally include the make, model, and serial number; the name of the individual to whom the device is assigned, if applicable; the physical location of the asset; and relevant purchase or lease information including the initial cost, depreciation and acquisition date.

Department internal processes have been adjusted to include the detail necessary to adequately track and locate an IT asset and that asset records minimally include the make, model, and serial number; the name of the individual to whom the device is assigned, if applicable; the physical location of the asset; and relevant purchase or lease information including the initial cost, depreciation and acquisition date. Moving forward, the IT department will inventory all assets according to these specifications.

4. Review and comply with the applicable District policies.

We intend to comply with all board policies and work with the school board to make certain policies related to IT assets are in concert with the recommendations of this audit.

5. Coordinate with the Business Administrator to complete an annual physical inventory and compare the results to the inventory records. Take appropriate action to follow up on any discrepancies.

The Director and Business Administrator will work on an internal process to complete an annual physical inventory and compare the results to the inventory records. We will take appropriate action to follow up on any discrepancies.

In closing, we would like to reiterate our appreciation of your office's efforts and the audit process's outcome. If you have any questions or require additional information, please feel free to contact me.

Sincerely,

Christopher Byrne
Superintendent

Michael Foley
Director of Data and Instructional Technology

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 selected the District for audit from a list of school districts (excluding NYC schools) with enrollment greater than 300 and not currently in the OSC audit process at the time of selection. We classified school districts into four groups by enrollment and, using a random number generator, selected Districts from these groups. The list was broken out by geographic region for an even representation of school districts across the State for this multi-unit audit.
- We interviewed District officials and reviewed District policies and Board minutes to gain an understanding of IT asset management.
- We reviewed the IT inventory record provided by the Director to determine if it contained sufficient information to identify IT assets.
- We selected a sample of 55 IT assets, 43 representing assets acquired through BOCES, seven representing direct District purchases, and five from a student device report. For 43 assets acquired through BOCES, we obtained invoices and packing slips and selected devices with the highest purchase price. For seven direct District purchases, we obtained a report of all invoices relating to an account to which IT asset purchases are charged. We reviewed purchase orders, invoices, and/or packing slips relating to IT purchases and selected assets over \$175. The five student devices were selected based on at least six-months of school access inactivity.
- We performed a walk-through of District facilities and judgmentally selected 10 assets to determine whether the assets were accurately recorded in the inventory records. During our visual inspection of District IT assets, we assessed the general condition of their locations for the potential risk of damage or loss.

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 on the District's 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

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

Contact

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

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

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