



PELHAM UNION FREE SCHOOL DISTRICT

Corrective Action Plan Related to Independent Accountant's Report on Applying Agreed-Upon Procedures (Asset Inventory Audit) November 18, 2014

The engagement was performed to review the administration of asset inventory and control for the period July 1, 2013 through September 30, 2014.

FINDINGS, RECOMMENDATIONS AND DISTRICT RESPONSE

Summary of Findings

The audit disclosed that the District needs to make improvements to its process for administration of capital assets to strengthen the internal controls over inventory. Although the District was able to locate 59 of the 61 assets selected for testing, we noted items that were not recorded in the system, incorrect tag numbers recorded for assets in the capital assets system, serial numbers not always recorded to identify items, and locations of items were not always recorded. Additionally, we noted that capital assets tags were not issued sequentially and not tracked to ensure that all asset tags were accounted for.

See report for detailed findings.

Recommendations

The auditors recommend that the District consider implementing the following items to strengthen the internal controls over inventory:

1. Develop written procedures for the roles and responsibilities related to capital assets, that address the following:
 - Procedures for tagging new equipment purchases and accurately recording them in the inventory listing including the tag number and serial number of all assets
 - Procedures for when items should be tagged (i.e., procedures for items that may not be convenient or accessible to tag)
 - Process for notifying the individual responsible for the location of the assets, including any moves, disposals, etc.
 - Procedures for updating the information from each school in the capital assets listing, including the review process of the information, how often the information should be updated, and ensuring that all information is received.



2. A District asset tag should be issued for all capital assets that meet the criteria detailed in the District's policy, as well as any items to be tracked in the inventory system. Asset tags should be issued in sequential order by the Business Office. Additionally a review should be performed on a periodic basis to ensure that there are no breaks in sequence and all tags are accounted for. We further recommend a log should be created for items, which for practical reasons have not been tagged by the user department. The tag should be affixed to the applicable PO for non IT items.
3. The District should develop a system of regular physical inventories for a portion of the District's assets so that the perpetual records can be verified. Differences between the physical inventory and the inventory records should be investigated to identify discrepancies and to determine if the processes and procedures related to inventory control have been operating as designed.
4. The District policy requirement of an annual physical inventory should be reviewed. Consideration should be given to an annual inventory of a portion of the inventory, with a complete inventory done at some designated number of years.

District Response

Written Procedures

The District is preparing comprehensive written procedures to address the purchase, tagging, tracking and accounting of capital assets. This project is scheduled to be completed by January 31, 2015. Such procedures will include the specific areas addressed by the auditors and will be distributed to all District personnel with responsibilities in the asset inventory function.

Asset Tag Management

The District has assigned responsibility for tracking asset tags to the Secretary to the Assistant Superintendent for Business (ASB) who has established an electronic worksheet for this purpose. District staff who prepare requisitions will be given a copy of the District procedures related to capital assets and will be tasked with identifying items which require asset tags. Once identified, those staff members will work with the Secretary to the ASB to ensure the item is tagged and recorded in the fixed asset inventory. As a further verification that all items requiring a tag are identified, the District Treasurer has begun reviewing disbursements on a monthly basis to identify items requiring asset tags. Such items are brought to the attention of the Secretary to the ASB to ensure they are tagged and included in the fixed asset inventory records.

The District Treasurer will also review the asset tag worksheet periodically to ensure there are no breaks in sequence and the records are being maintained contemporaneously.

For items which cannot be physically tagged due to practical reasons, the asset tag will be affixed to the related purchase order by the Secretary to the ASB.



Physical Inventory of Assets & Related Policy

The District will develop a system of regular physical inventories for a portion of the District's assets each year. The schedule will ensure that all District locations are inventoried over a five year cycle. The results of such inventories will be reviewed by the Business Office and any discrepancies will be resolved to ensure that the asset records are accurate.

Further, the District's insurance company provides a complete physical asset inventory once every five years. The next such inventory should take place in 2018 and the District will ensure that the results are reported to the District for follow up on any discrepancies noted.

The District's current policy requiring a full asset inventory each year is being reviewed and updated by the Board of Education in order to reflect the new inventory schedule.