

Hyde Park Central School District

Fixed Assets

AUGUST 2019



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

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Report Highlights

Hyde Park Central School District

Audit Objective

Determine whether District officials ensured that fixed assets were properly recorded, accounted for and disposed of.

Key Findings

- The District does not have a comprehensive policy for identifying and recording fixed assets.
- District officials improperly appointed the purchasing agent as the Property Control Manager, resulting in an inadequate segregation of duties.
- Fixed assets were not tagged as District property for seven items valued at \$42,669, out of 30 assets that we tested totaling \$300,614.
- Assets disposed of were not removed from the master inventory list.

Key Recommendations

- The Board should adopt a comprehensive policy that includes threshold amounts for controlling inventory and procedures for maintaining fixed asset records.
- District officials should ensure all fixed assets with values that exceed the threshold carry a tag identifying them as District property.
- District officials should review fixed asset records each year and ensure they are accurate and up to date.

District officials generally agreed with our recommendations and indicated they will take corrective action.

Background

The Hyde Park Central School District (District) is located in Hyde Park, Dutchess County. The Board of Education (Board) is responsible for managing the District's operations. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible, along with other staff, for the District's day-to-day management under the Board's direction.

The District contracts with an outside vendor to maintain its fixed asset inventory.

Quick Facts

| | |
|--|--------------|
| Employees | 779 |
| Enrollment | 3,527 |
| 2017-18 Budgeted Appropriations | \$92 million |
| Fixed Assets Purchased During the Audit Period | \$5,190,248 |
| Fixed Assets Tested | \$300,614 |

Audit Period

July 1, 2017 – September 20, 2018

Fixed Assets

How Should the District Record and Account For Fixed Assets?

Fixed assets, such as machinery and equipment, represent a significant investment of a school district's resources. District officials are responsible for ensuring that assets are protected from loss and that inventory records are current and accurate. Boards should adopt a comprehensive fixed asset policy that defines the duties, records and control procedures to safeguard assets. District officials should establish dollar value thresholds for identifying and recording assets for inventory control and financial reporting, and develop procedures to ensure assets are located in their department of record and identified as district property and that all asset records are current and accurate. If multiple inventory records are maintained, district officials should periodically reconcile them to identify and correct variances.

Finally, the governing board should designate someone separate from authorizing purchases, recordkeeping and asset accountability functions as a property control manager. This person should be responsible for tracking the district's capital assets, ensuring the accuracy and usefulness of the asset records and establishing detailed procedures for capital asset protection. These procedures should be written and distributed to those involved in asset control and inventory. The property control manager is responsible for conducting the initial and subsequent physical inventory counts and maintaining an inventory list that includes current inventory, additions and disposals.

The District Does Not Have a Comprehensive Policy for Identifying and Recording Fixed Assets

In 2018, the Board policy set a \$2,000 threshold for determining which assets are to be depreciated in the District's accounting records. However, the Board has not established threshold values for tagging and inventorying assets for departmental inventory control purposes, such as computers, electronic devices, tools and lawn equipment. The Board has designated the Purchasing Agent to be the person responsible for recording and tracking fixed assets and arranging for an annual inventory and appraisal of District property. However, the Purchasing Agent told us there have been no annual physical inventories conducted and that asset records are not kept up to date. Without comprehensive written procedures for identifying and recording fixed assets, District officials lack assurance that assets are sufficiently protected from loss, waste or misuse.

Duties Are Not Properly Segregated

It is important that key financial duties are segregated so that the work of one employee is routinely verified in the course of another employee's regular duties. If it is not practical to adequately segregate financial duties, District management

must establish compensating controls. Such controls could consist of reviews of activity and transactions by supervisory personnel.

The Board improperly designated the Purchasing Agent to serve as the Property Control Manager because the same person is responsible for approving transactions, maintaining accountability, and recordkeeping for all fixed assets. Allowing one individual to control these key financial activities increases the risk of error or misuse of District assets.

Assets Are Not Properly Tagged

Identification tags or decals are an effective method of identifying an asset as district property, showing the district's name and a unique identification (ID) number. Asset tags help to differentiate between assets, making them easier to track, and can be a deterrent for improper use.

We selected 15 assets valued at \$31,129 from the District's inventory records (the master fixed asset list and departmental inventory) and 15 assets valued at \$269,485 from the 2017-18 fiscal year cash disbursement data to determine whether they were in the District's possession.

We were unable to locate seven assets valued at \$12,471 which were not in their documented location (for example, a tablet computer assigned to a classroom at the elementary school and a golf cart assigned to the athletic department). An IT department employee said it is not uncommon for tablets and other computer equipment to be misplaced because there are no procedures to track when equipment is moved or reassigned to another individual. District officials could not confirm that the golf cart recorded on the inventory records was still in the District's possession but believed it may have been in a repair shop at the time of our inquiry.

We also found that seven assets valued at \$42,669 did not have an inventory tag attached. District officials told us that in some cases assets such as projectors and televisions are purchased from a vendor that also provides the installation services, and there are no procedures in place to ensure the assets are properly tagged in those circumstances. The lack of asset tags increases the risk that assets could be lost or misplaced without detection.

Further, three assets valued at \$10,373 had tag numbers that did not agree with District records. These included tablet computers valued at \$9,460. District officials told us there are no procedures in place to ensure that assets are tagged using a standard assigned tag number.

We selected an additional sample of 15 assets located throughout the District and inspected them for District asset tags. We found that one asset was properly tagged, but the remaining 14 all had multiple discrepancies:

- 14 assets (93 percent) had a tag ID number that did not match the master fixed asset list;
- 10 assets (67 percent) had a tag ID number that did not match the departmental list; and
- 14 assets (93 percent) were not in the physical location designated by the master fixed asset list.

Figure 1 summarizes our findings.

Figure 1: Summary of Asset Testing

| Sample | Total Tested | Assets Tagged | Assets Not Tagged | Assets Not Located | Asset Tag Did Not Match Records |
|----------------|--------------|---------------|-------------------|--------------------|---------------------------------|
| A ^a | 15 | 7 | 1 | 7 | 3 ^d |
| B ^b | 15 | 1 | 0 | 0 | 14 |
| C ^c | 15 | 9 | 6 | 0 | 0 |
| Totals | 45 | 17 | 7 | 7 | 14 |

a We traced select fixed assets from the master fixed asset list to the physical asset.
 b We traced select fixed assets from the physical asset to both the master fixed asset list and the departmental inventory list.
 c We traced select fixed assets from the cash disbursement data to the physical asset.
 d Included in the 7 tagged assets

Officials told us that the inventory vendor visits the District every five years to tag the assets, and the next visit is scheduled for 2019. The process of tagging assets once in five years is inadequate. For example, computer equipment is valuable when new and should be tagged as District property, but after five years it is of little value and does not require tagging.

Although we did not find any indication of fraud, without an accurate and up-to-date asset list officials cannot be sure that assets are protected against loss or unauthorized use. Furthermore, assets that are not tagged and identified as District property have a greater risk of being lost or misplaced. As a result, District officials lack assurance that all District property can be accounted for and the District could potentially incur unnecessary insurance costs.

Assets Are Not Properly Disposed Of

District policy requires that building administrators and support staff supervisors are responsible for identifying obsolete or surplus equipment and supplies within their areas of responsibility each year. Notification should include an asset

disposal request form indicating the department and/or location, all approval signatures, the asset tag number, the reason for disposal and the date of the asset's retirement. The District's Business Official authorizes and the District Clerk compiles the completed disposal forms each month for Board approval.

We tested all 25 assets disposed of during our audit period from the Board meeting minutes to the corresponding disposal forms to determine whether they were properly documented. Although all 25 items contained a Board-authorized disposal request form, 18 items (72 percent) were not removed from the master inventory list.

The Property Control Manager told us that assets were not removed from the master inventory list because either they were not recorded on the master asset list or he could not locate the asset due to the way the items were identified. Because assets disposed of were not properly removed from the master inventory list, District officials and taxpayers lack assurance that District property is properly accounted for.

What Do We Recommend?

The Board should:

1. Adopt a comprehensive written fixed asset policy that includes a threshold for recording and tagging fixed assets, procedures for protecting inventory and procedures for maintaining asset records.
2. Ensure compensating controls are implemented to address the lack of segregation of duties within the fixed asset management process.

District officials should:

3. Ensure that annual physical inventories are performed as required by the District's policy and investigate any differences from the District's inventory records.
4. Ensure all assets are tagged as appropriate.
5. Review fixed asset records each year and ensure that they are accurate and up to date.

Appendix A: Response From District Officials

HYDE PARK CENTRAL SCHOOL DISTRICT

Administration Offices: P.O. Box 2033, Hyde Park, New York 12538-8033
Telephone: (845) 229-4000
www.hpcsd.org


Greer Rychcik, Ed.D.
Superintendent of Schools

Aviva Kafka
Deputy Superintendent
Phone: 845-229-4008

Linda Steinberg
School Business Manager
Phone: 845-229-4009

July 29, 2019

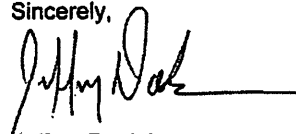

Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553


The Hyde Park Central School District received and reviewed the draft Fixed Assets Report of Examination 2019M-103, which covered the time period July 1, 2017 through September 30, 2018.

On behalf of the Board of Education and the administration of the Hyde Park Central School District we'd like to thank the examiners of the local Comptroller's Office for their professional conduct during the examination. Their comments and recommendations regarding the management of fixed assets were insightful, thorough and welcomed.

The Hyde Park Central School District is in agreement with the draft report and is pleased that the examination revealed no indication of fraud. As required, a corrective action plan will be created by the school district and filed with the Office of the State Comptroller within 90 days of receiving the final report.

Sincerely,



Jeffrey Danielson
School Board President



Greer Rychcik, Ed.D.
Superintendent of Schools

The Hyde Park Central School District empowers our community to strive for excellence and embrace the opportunities of our globally connected world.

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 reviewed District policies to determine whether District officials adequately addressed identified criteria.
- We interviewed appropriate District officials to determine if custody, authorization and recordkeeping duties are performed by someone without access to the fixed assets.
- We judgmentally selected 15 assets from the master fixed asset list and traced to the physical asset. Our selection was based on the risk of the asset's susceptibility to theft (walkability and asset value).
- We randomly selected 15 assets from fixed asset cash disbursements data and traced to the physical asset.
- We judgmentally selected 15 assets from their physical location and traced to the master inventory list. Our selection was based on the location of the fixed asset and its susceptibility to theft (walkability and asset value).
- To determine whether assets were properly disposed of, we traced select fixed assets from the Board meeting minutes to the disposal forms. We then determined through interviews and examiner observations whether the asset was properly removed from the master fixed asset list.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and

filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/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/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

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

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