

Orleans/Niagara Board of Cooperative Educational Services

Capital Assets

2023M-103 | December 2023

Contents

Report Highlights 1

Capital Asset Records 2

 What Are Complete and Accurate Capital Asset Records? 2

 Capital Asset Records Were Not Complete or Accurate. 3

 What Do We Recommend? 6

Appendix A – Response From BOCES Officials 8

Appendix B – OSC Comment on BOCES’ Response 10

Appendix C – Audit Methodology and Standards 11

Appendix D – Resources and Services. 13

Report Highlights

Orleans/Niagara Board of Cooperative Educational Services

Audit Objective

Determine whether the Orleans/Niagara Board of Cooperative Educational Services (BOCES) capital asset records were complete and accurate.

Key Findings

BOCES' capital asset records were not complete or accurate to ensure that assets were accounted for and protected from loss, theft, misuse and obsolescence. We selected 94 capital assets purchased for \$247,918 and identified one or more exceptions for 49 capital assets purchased for \$115,351 (two capital assets, with a purchase price of \$4,437, had more than one exception). Specifically:

- 27, purchased for \$33,349, were not recorded in the capital asset records.
- 13, purchased for \$22,099, were recorded with either an incorrect or missing location.
- Nine, purchased for \$59,571, were recorded without a model or serial number.
- A wheel balancer and a portable video magnifier, purchased for a total of \$4,769, could not be located.

These discrepancies occurred because staff did not always follow BOCES' capital asset inventory policy. BOCES officials did not verify whether capital asset purchases were recorded in the records. They also did not investigate discrepancies and update the capital asset records when exceptions were found in the June 2022 fiscal year-end physical inventory.

Key Recommendations

- Verify recently purchased assets were recorded in the capital asset records.
- Perform an annual physical inventory, investigate the discrepancies and update the capital asset records.

BOCES officials generally agreed with our recommendations and indicated that they planned to initiate corrective action. Appendix B includes our comment on an issue raised in the BOCES' response.

Background

BOCES provides educational and support services to 13 component school districts in Orleans and Niagara Counties and other participating school districts.

BOCES is governed by a 13-member Board of Education (Board). Members are elected by the boards of the component school districts. The Board is responsible for the general management and oversight of financial and educational affairs. The District Superintendent (Superintendent) is the chief executive officer responsible, along with other administrative staff, for day-to-day management under the Board's direction.

BOCES uses an asset management software system to compile its capital asset records. The Director of Business Services (Director) is responsible for overseeing the business office, including capital asset inventory management. Within the business office, an accounts payable clerk is responsible for using the software to maintain the capital asset records.

Quick Facts

Capital Assets Acquired from July 1, 2019 – November 9, 2022

Original Cost	\$1.2 million
Count	1,281
Capital Asset Sample Original Cost	\$247,918
Value of Capital Assets Exceptions	\$115,351

Audit Period

July 1, 2019 – March 24, 2023

Capital Asset Records

Capital assets have a useful life of more than one year.¹ They can include everything from buildings and land, parking lots, machinery, vehicles and furniture to computer equipment and software.² Consequently, they represent a significant investment of BOCES' resources.

BOCES' process for maintaining the capital assets records is generally as follows: the responsible building clerk notifies the inventory clerk and the accounts payable clerk when BOCES receives a new capital asset. The inventory clerk affixes an inventory tag (including a tag number and barcode) to the moveable capital asset and emails the purchase order number, serial number and inventory tag number to the accounts payable clerk, who records it in the capital asset records. The computer technicians notify the inventory clerk when technology capital assets are ready to be tagged. The inventory clerk provides a tag to the computer technicians to affix. The computer technicians also email the purchase order number, manufacturer, model and location to the accounts payable clerk, who records it in the asset management system.

What Are Complete and Accurate Capital Asset Records?

Complete and accurate capital asset records contain a record of all purchased and donated capital assets and, at minimum, a description of each capital asset including the make, model and serial number; BOCES-assigned identification number; the name of the individual to whom the asset is assigned, if applicable; the physical location of the asset; and relevant purchase or lease information including the acquisition date and purchase price. It is important for officials to maintain complete and accurate capital asset records so that all capital assets are accounted for.

Business office officials must develop and maintain a record for all capital assets with a purchase price of \$500 or more and certain technology items that are less than \$500 (laptops, tablets, etc.), as required by BOCES' inventory policy and written inventory procedures. They also require an inventory tag and barcode to be affixed to the asset. In addition to maintaining a record of assets purchased, officials should include gifts and donated assets in BOCES' capital asset records, as recommended by the New York State Education Department.

The accounts payable clerk must run a quarterly report and verify whether recently purchased assets were recorded in the capital asset records, in accordance with BOCES' procedures. In addition, BOCES officials must conduct

¹ BOCES' policy uses the term "fixed" to describe assets with a useful life of more than one year. For the purposes of this report, we use the term "capital" as defined by Governmental Accounting Standards Board Statement 34.

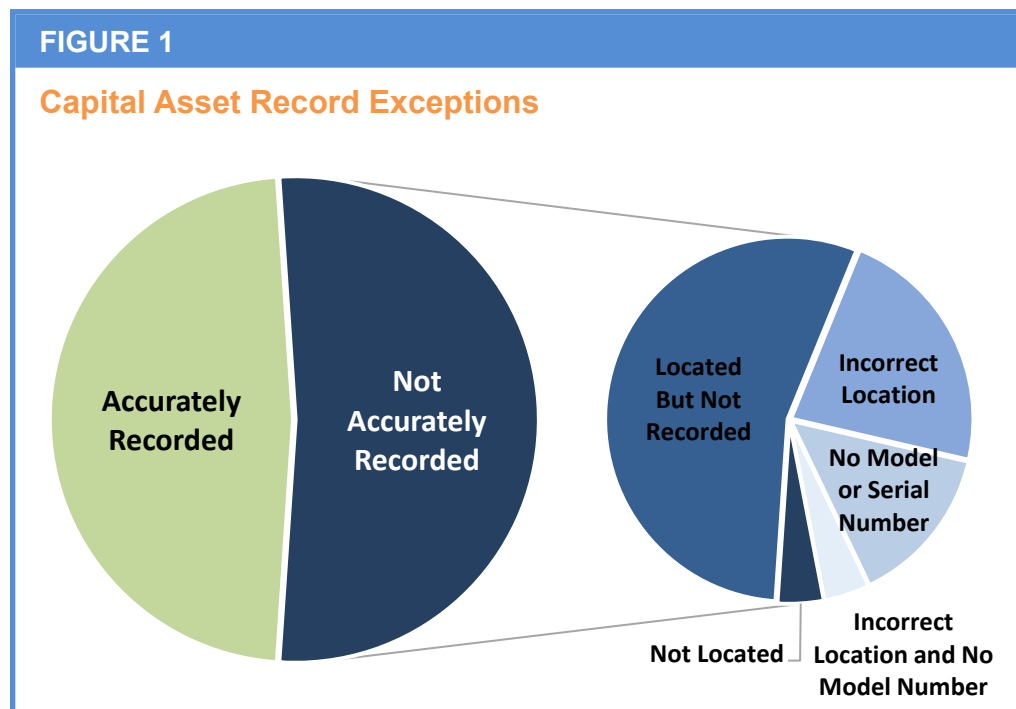
² Refer to OSC's *Local Government Management Guide: Capital Assets* [capital-assets.pdf](https://osc.ny.gov/capital-assets.pdf) (osc.ny.gov).

periodic physical inventories of capital assets to verify the completeness and accuracy of the inventory records, as required by the inventory policy. Officials should compare the results to detailed capital asset records and investigate any resulting discrepancies. Also, officials should periodically examine devices to confirm the assets are properly tagged and in BOCES' possession; assess their condition; and verify accurate location information in the capital asset records.

Capital Asset Records Were Not Complete or Accurate

BOCES' capital asset records were not complete or accurate. We selected 94 capital assets such as computers, vehicles, machinery, furniture and other assets, with a combined total purchase price of \$247,918, and determined 49 capital assets³ (52 percent), with a total combined purchase price of \$115,351, were either:

- Not recorded,
- Recorded with inaccurate location information,
- Did not have the model or serial number recorded, or
- Recorded but not located (Figure 1).



³ Two of the capital assets, with a purchase price of \$4,437, had more than one exception.

Assets Not Recorded – Twenty-seven capital assets, with purchase prices totaling \$33,349, were not recorded in the capital asset records. For example, one set of virtual reality classroom headsets (\$4,071) and two tablets (\$588) purchased for the teacher center were not recorded. A computer technician responsible for requesting an inventory tag for these capital assets told us that he did not request an inventory tag for the virtual reality classroom set because it was shipped to the teacher center directly. The two tablets were assigned a tag number, but the computer technician was not able to explain why the tablets were not recorded by the accounts payable clerk. The technician was unable to support that he notified the accounts payable clerk of the tag numbers she needed to record. However, had the accounts payable clerk run the quarterly reports to verify whether purchased assets were recorded, these unrecorded assets would have been identified and subsequently added to the capital asset records.

One computer, with a purchase price of \$320, was purchased for the Niagara County Jail (Jail) in 2019 but was not recorded in the capital asset records. When we located this computer, we found nine additional computers from the same purchase order that also were not recorded. In addition, these computers were never used, even though they were purchased more than three years prior. The Superintendent and the Director told us that the computers were not recorded because they were intended to be used at the Jail and were not purchased using BOCES funds. Two computer numerical control⁴ milling machines donated by a vendor also were not recorded in the capital asset records. The Director told us that they did not record donated assets because they did not pay for them. However, all capital assets, regardless of how they were acquired – purchase or donation – should be recorded in the capital asset records.

Assets with Inaccurate Location Information – Thirteen capital assets, purchased for \$22,099, were recorded, but the location was either incorrect or not recorded. These included:

- Two interactive displays (\$7,149),
- Three laptops (\$3,716),
- One pedicure chair (\$2,999),
- One tablet charging cart (\$2,600),
- Two printers (\$2,229),
- One security camera (\$1,998),
- One visitor management system (\$820) and
- Two tablets (\$588).

Thirteen capital assets, purchased for \$22,099, were recorded, but the location was either incorrect or not recorded.

⁴ Computer numerical control is a manufacturing method that automates the control, movement and precision of machine tools through the use of preprogrammed computer software, which is embedded inside the tools. It is commonly used in manufacturing for machining metal and plastic parts.

The inventory clerk told us that sometimes he was not notified when assets were moved to a new location; therefore, he did not notify the accounts payable clerk to update the capital asset records.

Assets with No Model or Serial Number – Nine capital assets, purchased for \$59,571, were recorded but did not have either the model or the serial number. These included:

- One skid-steer loader (\$31,322),
- One freezer (\$7,050),
- Three computers (\$6,788),
- One convection oven (\$6,475),
- One portable magnifier (\$3,500),
- One welding machine (\$2,439) and
- One screening system (\$1,998).

Without this information recorded in the inventory records, those responsible for performing physical inventory and ensuring the accuracy of inventory records might have a difficult time verifying the location of specific assets. Furthermore, if these assets were lost or stolen, this information would be essential for filing an insurance claim or reporting the theft.

Assets Not Located – We could not locate two assets, purchased for \$4,769, including a wheel balancer (purchased in July 2011 for \$3,548) and a portable video magnifier (purchased in December 2017 for \$1,221). The Director told us that these were older capital assets which could have been disposed of. There was no documentation, such as a Board resolution or an inventory disposal form, to support that BOCES officials disposed of these capital assets in accordance with the inventory procedure, which requires officials to obtain Board approval prior to disposing of assets.

Although the inventory policy and procedures provided direction for officials to verify the accuracy and completeness of capital asset records, officials did not comply with or implement the procedures necessary for ensuring records were complete and accurate. For example, the accounts payable clerk was not aware of the requirement of running a quarterly report to verify whether recently purchased assets were recorded in the capital asset records. In addition, although the Director sent out capital asset lists to each department to confirm their assets in June 2022, as of December 22, 2022, the capital asset records were not updated for discrepancies found by department staff. The Director told us they have not had time to investigate the discrepancies and update the capital asset records. However, until BOCES officials investigate the discrepancies, they cannot determine whether missing assets were lost, stolen or misplaced.

Furthermore, an actual physical inventory, whereby officials locate and verify the asset's condition, would be a far more effective way than emailing departments to determine whether assets have been lost or stolen, or need to be replaced.

The Director told us that capital assets were not properly recorded because of a combination of miscommunication and the turnover in the accounts payable clerk position. The former accounts payable clerk retired in October 2021 and the current accounts payable clerk started entering capital asset records in February 2022; another clerk was helping enter capital asset records during the transition. We confirmed this transition by reviewing the capital asset management system login dates. However, had BOCES officials conducted a periodic physical inventory as required by the inventory policy, they could have ensured the inventory records were updated and appropriate actions were taken for missing equipment.

Without a complete and accurate inventory of IT equipment, BOCES officials cannot ensure that these devices are adequately accounted for and protected from loss, theft, misuse and obsolescence. In addition, BOCES officials do not have sufficient information to make informed equipment management decisions.

What Do We Recommend?

The Director should:

1. Ensure capital asset records are updated to include the unrecorded assets identified in this report, and continue to attempt to locate the two missing assets and take corrective action – such as reporting losses to the insurance carrier.
2. Perform an annual physical inventory, investigate any discrepancies and work with the accounts payable clerk to update the capital asset records as needed.
3. Establish a process to notify the accounts payable and inventory clerks when capital assets are moved or relocated.
4. Establish a process to enter donated assets into the BOCES' capital asset records.
5. Provide training to the inventory clerk and accounts payable clerk to ensure they understand their roles regarding the capital asset records.

The inventory clerk should:

6. Affix inventory tags to all capital assets with a value of \$500 or more, and notify the accounts payable clerk upon receipt and tagging of these assets.

The accounts payable clerk should:

7. Record all capital assets purchased over \$500, as required by the inventory policy.
8. Run a quarterly report to verify whether recently purchased assets were recorded in the capital asset records, as required by the inventory policy.

Appendix A: Response From BOCES Officials



Clark J. Godshall, Ed.D.
District Superintendent

November 30, 2023

Ms. Melissa A. Myers
Chief of Municipal Audits
Office of the State Comptroller – Buffalo Regional Office
Division of Local Government and School Accountability
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

Unit Name: Orleans/Niagara BOCES

Audit Report Title: Capital Assets

Audit Report Number: 2023M-103

Dear Ms. Myers:

The Office of the New York State Comptroller staff arrived at Orleans/Niagara BOCES (the BOCES) on October 13, 2022 and departed on March 31, 2023. The Comptroller staff conducted multiple months of risk assessment and determined to focus on capital assets. We thank them for their diligence and professionalism with their work.

This correspondence is being submitted in response to the preliminary draft findings of the recently completed examination of the BOCES capital assets audit for the period of July 1, 2019 through March 24, 2023. This preliminary draft was presented to the BOCES and reviewed with the State Comptroller's office on November 8, 2023.

1. Key Findings:

- Auditors selected a total of 94 capital assets to test out of 5,770 with a historical purchase price of \$247,918 and with an estimated depreciated value of \$166,110.
- 27 of the items were not recorded as capital assets with a historical purchase price of \$33,349 and with an estimated depreciated value of \$22,221.
- 13 were located, but not in the assigned room as designated.
- 9 had either a model or serial number recorded, but not both.
- Two items could not be located (historical purchase price of \$4,769).

2. Capital Asset Exceptions:

- In the future, the Director of Business Services will increase recording diligence, including running quarterly reports, which was delayed due to COVID and staff vacancies during the audit period.
- Niagara County Jail - the BOCES operates the incarcerated youth program on behalf of the Lockport City School District (CSD). All physical assets are property of the Lockport CSD and not the BOCES. The following letter from Niagara County Sheriff Filicetti substantiates Lockport CSD's responsibility for the program and assets. It also describes the rationale for the BOCES to retain Lockport CSD's assets until such time that they could gain access to the jail.

See
Note 1
Page 10

*District Superintendent & Orleans Career and Technical Education Center • 4232 Shelby Basin Road, Medina, New York 14103
Niagara Career and Technical Education Center & Niagara Academy • 3181 Saunders Settlement Road, Sanborn, New York 14132
Niagara Conference and Technology Center • 4124 Saunders Settlement Road, Sanborn, New York 14132
716-731-6800*

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Lockport, New York 14095-0496



Michael J. Filicetti
Sheriff

Michael P. Dunn
Undersheriff
(716) 438-3370

March 31, 2023

Dr. Clark Godshall, District Superintendent
Orleans-Niagara BOCES
4232 Shelby Basin Road
Medina, NY 14103

Dear Dr. Godshall,

As you know, the Orleans Niagara BOCES operates the Incarcerated Youth Program for the Lockport City School District, as required by law, for those qualifying inmates housed in the Niagara County Correctional Facility.

Instructional programing included utilization of computers at the Niagara County Correctional Facility under strict controlled conditions. During the onset of COVID-19 in early 2020 and the ensuing pandemic, protocols required that instructional staff not be permitted access to the facility. Changes in our infrastructure also delayed computer installation due to wiring requirements. Computers (about 20 units) scheduled for the program were securely retained by you until such time that they can be utilized. Thank you for retaining those units and we will advise you when installation can be accomplished.

See Note 1 Page 10

Sincerely,

Michael J. Filicetti, Sheriff

- In the future, donated capital assets will be recorded in the BOCES inventory.
- Location information – the BOCES operates extensive itinerant programs across 980 square miles. Despite locating the capital assets, sometimes the exact site location had changed due to program needs. In the future, BOCES will increase diligence to specify the location.
- Model and serial numbers – while the BOCES believes the asset description is adequate, the model and serial numbers will be recorded when feasible.
- Assets not located – the two assets that were unable to be located were believed to be disposed of at public auction.

3. Response to Recommendations:

The Orleans/Niagara BOCES Director of Business Services will implement the eight recommendations suggested.

Sincerely,

Clark J. Godshall, Ed.D.
District Superintendent/CEO

Appendix B: OSC Comment on BOCES' Response

Note 1

Since BOCES purchased these laptops and had them in its custody for at least three years, the laptops should have been recorded in the capital asset records.

Appendix C: 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 our audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed BOCES officials and reviewed Board policies and meeting minutes to gain an understanding of the processes used for maintaining capital asset records.
- We selected a sample of 94 capital assets, with a purchase price of \$247,918, and reviewed purchase orders, invoices and packing slips. We located the assets at BOCES to determine whether they were accurately recorded in the capital asset records. We selected this sample using multiple methods:
 - We selected 64 capital assets, with a purchase price of \$187,183, from 62 purchase orders charged to account codes used for capital asset purchases made during the period July 1, 2019 through January 25, 2023. From these purchase orders, we used our professional judgment to select a sample of 40 capital assets that we considered to have a higher risk of being lost or stolen because they were mobile or portable assets easily moved. We also randomly selected 24 capital assets from the purchase orders, using a random number generator.
 - We used our professional judgment to select a sample of 10 capital assets with a purchase price of \$16,545 from the capital asset records. We selected capital assets that had a higher risk of being lost or stolen and were purchased during the period July 1, 2019 through November 9, 2022.
 - We used our professional judgment to select a sample of 10 capital assets with a purchase price of \$18,717 from the fiscal year-end physical inventory reports. We selected capital assets that had a higher risk of being lost or stolen, and were not found during the physical inventory, to determine whether they were properly recorded in the capital asset records.
 - We performed a walkthrough of BOCES facilities and used our professional judgment to select 10 capital assets with a purchase price of \$25,473 based upon capital asset location and asset type. During our visual inspection of BOCES' capital 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 BOCES' website for public review.

Appendix D: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

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Contact

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