



Pearl River School District

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December 13, 2022

Office of the New York State Comptroller
Local Government and School Accountability Division
Newburgh Regional Office
Ms. Dara Disko-McCagg, Chief Examiner
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Ms. Disko-McCagg,

Attached please find the Pearl River UFSD's Corrective Action Plan for the OSC Fixed Asset Report of Examination #2022M-126.

It was a pleasure working with the OSC Audit team.

Please let me know if you have any questions on the attached.

Thank you.

Regards,

Ann Marie Tromer

Pearl River UFSD
Fixed Asset Report of Examination 2022M-126
Corrective Action Plan

Audit Recommendation #1

The Board should appoint a property control manager as provided for in Board policy.

Implementation Plan of Action#1

The Board will appoint a property control manager for 2022-23 at the Board of Education meeting on December 13, 2022. A property control manager will then be appointed at the annual reorganization meeting.

Implementation Date #1

Tuesday, December 13, 2022 and thereafter, at each Annual Reorganization Meeting.

Person Responsible for Implementation #1

Board of Education

Audit Recommendation #2

The Board should amend its fixed asset policy to require that a comprehensive physical inventory be conducted every three to four years.

Implementation Plan of Action#2

The following section has been added to Policy 6610 Inventories/Capitalization:

Physical Inventory

- A comprehensive, district-wide physical inventory will be conducted every five years.
- In addition, the Property Control Manager will conduct an unannounced physical inventory in one to two buildings per year, such that all buildings will have a physical inventory within a three-to-four-year period.

Implementation Date #2

This policy change was approved by the Board of Education on Tuesday, November 29, 2022.

Person Responsible for Implementation #2

Board of Education

Audit Recommendation #3

District officials should ensure an accurate and up-to-date fixed asset inventory is maintained, including newly acquired fixed assets, and that all fixed assets can be located.

Implementation Plan of Action#3

The Business Office has implemented step by step procedures that will ensure an accurate and up-to-date fixed asset inventory is maintained, including newly acquired fixed assets, and that all fixed assets can be located.

Implementation Date #3

The procedures were completed and put into place on November 21, 2022.

Person Responsible for Implementation #3

The BOE appointed Property Control Manager.

Audit Recommendation #4

District officials should ensure all fixed assets above the established thresholds have a tag affixed identifying them as District property.

Implementation Plan of Action #4

Perform a physical inventory and tag all physical assets. In addition, Fixed Asset Procedures will be put in place to ensure the tagging of all newly purchased fixed assets items is completed in a timely manner.

Implementation Date #4

The districtwide physical inventory where by all assets were tagged and inventoried was completed in May 2022. The Fixed Asset Procedures were put into place effective November 21, 2022.

Person Responsible for Implementation #4

Assistant Superintendent for Business contracted with CBIZ, Inc. to perform a complete physical inventory in May of 2022. The Property Control Manager is responsible for following the new Fixed Asset Procedures which will ensure all newly purchased fixed assets items are tagged in a timely manner.

Audit Recommendation #5

District officials should annually conduct unannounced physical inventories of one or more departments.

Implementation Plan of Action #5

Similar to Corrective Action Plan #2 above, the District Policy has been updated and requires the Property Control Manager to conduct an unannounced physical inventory in one to two buildings per year, such that all buildings will have a physical inventory within a three-to-four-year period.

Implementation Date #5

This work will be done each summer, starting with the Summer of 2023.

Person Responsible for Implementation #5

District appointed Property Control Manager.

Audit Recommendation #6

District officials should conduct a comprehensive physical inventory every three to four years instead of the current five-year cycle.

Implementation Plan of Action #6

Due to Budget constraints, the District will not be changing the current five-year cycle for a comprehensive physical inventory. However, the District has updated the policy to require an unannounced physical inventory in one to two buildings per year, such that all buildings will have a physical inventory within a three-to-four-year period. With this extra step added to the new Procedures put into place, the District is confident that all Fixed Assets will be properly accounted for.

Implementation Date #6

This work will be done each summer, starting with the Summer of 2023.

Person Responsible for Implementation #6

Performed by the District appointed Property Control Manager and reviewed by the Assistant Superintendent for Business.

Audit Recommendation #7

Ensure that fixed asset disposals are properly authorized and processed as required by Board policy.

Implementation Plan of Action #7

All asset disposals will be approved by the Board of Education at a Board meeting. Building Principals will be required to submit a memo to the Assistant Superintendent for Business who will include the asset disposal information at the next Board of Education meeting for approval. Information will be recorded in the Fixed Asset Spreadsheet and reviewed by auditors each year.

Implementation Date #7

The process was immediately put into place on January 3, 2023.

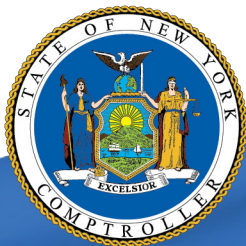
Person Responsible for Implementation #7

Assistant Superintendent for Business.

Pearl River Union Free School District

Fixed Assets

NOVEMBER 2022



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

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Report Highlights

Pearl River Union Free School District

Audit Objective

Determine whether Pearl River Union Free School District (District) officials properly monitored and accounted for fixed assets.

Key Findings

District officials did not properly monitor and account for 70 percent of fixed assets reviewed totaling \$546,527. This can be attributed to District officials not following Board-adopted fixed asset policies. We found that (some assets had multiple exceptions):

- 21 fixed assets with a combined cost of \$55,832 were not recorded on the inventory list.
- District officials were unable to locate 26 fixed assets with a combined cost of \$57,516.
- 31 fixed assets with a combined cost of \$88,931 did not have the required asset tags.
- 35 fixed assets with a combined cost of \$491,259 were disposed of without proper approval.

Key Recommendations

Ensure that:

- The inventory list is accurate and up-to-date.
- All fixed assets on the inventory list are immediately tagged and are in known locations.
- Disposals are properly authorized.

District officials generally agreed with our findings and indicated they plan to initiate corrective action. Appendix B includes our comment on an issue District officials raised in their response.

Background

The District serves the Town of Orangetown in Rockland County. The District is governed by an elected Board of Education (Board) composed of five Board members.

The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for the day-to-day management under the Board's direction.

The District Treasurer (Treasurer) is responsible for maintaining the District's capital assets inventory list, adding new acquisitions and recording disposals under the direction of the Assistant Superintendent for Business (Assistant Superintendent).

Quick Facts

2021-22 Appropriations	\$73,976,753
As of June 30, 2021	
Number of Fixed Assets	1,073
Total Fixed Assets Replacement Cost	\$150,899,150
Fixed Assets Reviewed	96
Value of Fixed Assets Reviewed	\$679,706

Audit Period

July 1, 2020 - April 12, 2022. We extended our audit period back to June 30, 2020 to test disposals.

Fixed Assets

Fixed assets 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. Consequently, they represent a significant investment of school district resources and are subject to risks of loss, misuse and/or obsolescence.

How Should School District Officials Monitor and Account for Fixed Assets?

A school district board should adopt comprehensive written fixed asset and disposal policies to ensure school district officials properly account for and safeguard assets, and properly dispose of obsolete or surplus assets in a safe manner. Officials are responsible for ensuring that assets are protected from loss, inventory records are current and assets can be easily located.

Procedures should include establishing dollar value thresholds to identify assets that should be recorded and tagged with an asset identification tag or decal. 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.

To ensure school district officials have direct access to reliable information on current fixed assets throughout the year, the district should maintain a complete up-to-date perpetual inventory of fixed assets and ensure both physical control and accountability are maintained over all fixed assets. Perpetual inventory records are detailed records that are continually updated as a district purchases, relocates or disposes of assets. A comprehensive, district-wide physical inventory should also occur in three- or four-year intervals. As one option, the property control manager should conduct an unannounced physical inventory in at least one department per year, which helps ensure that all departments have a physical inventory within a three-to-four-year period.¹

When an asset is identified as surplus or obsolete, school district board members should be informed to allow them to make a formal acknowledgement the asset is surplus or obsolete and approve the asset for disposal. The inventory records should also be updated with appropriate disposal information, such as historical and market values and purchaser.

Fixed Assets Were Not Properly Monitored and Accounted For

The Board adopted written fixed asset policies, which include fixed asset inventory, capitalization and disposal policies. However, policies were not always followed and, as a result, District officials did not properly record and account for fixed assets.

Officials are responsible for ensuring that assets are protected from loss, inventory records are current and assets can be easily located.

¹ Refer to OSC's publication Capital Assets for further information. It can be accessed at: <https://www.osc.state.ny.us/files/local-government/publications/pdf/capital-assets.pdf>

In accordance with Board policy, the Board should appoint a property control manager to track fixed assets and ensure the records' accuracy. The District requires that all equipment with a purchase price of \$1,000 or more and all non-equipment capital assets with a purchase price of \$5,000 or more be inventoried and that inventoried equipment be tagged. Additionally, fixed asset disposals are subject to Board approval. Upon approval, the Assistant Superintendent is authorized to dispose of obsolete or surplus equipment by reassigning the fixed assets to other locations within the District; centralizing the storage of assets with potential usefulness; and discarding or selling as surplus those fixed assets determined to be worthless or of no further use. Building administrators and support staff supervisors are responsible for identifying obsolete or surplus equipment within their area(s) of responsibility.

We reviewed 96 fixed assets with a combined cost of \$679,706² and found that not all were recorded, most were not tagged, and assets were not always in the locations indicated. We also found that some assets were disposed of without Board approval or had an unclear disposal status.

Asset Listing – We found that 21 fixed assets with a combined cost of \$55,832 were not recorded on the inventory list. These included 16 out of 19 new fixed assets obtained during the audit period and five out of 15 fixed assets acquired in fiscal years preceding the audit period that were required to be recorded on the inventory list. This included a smart TV costing \$6,990, a smartboard costing \$2,999 and a refrigerator costing \$2,385.

The Assistant Superintendent and Treasurer stated that the current process is to record fixed assets costing more than the \$5,000 capitalization threshold at the end of the fiscal year for financial statement purposes. Equipment costing between \$1,000 and \$5,000 are not recorded when purchased even though it is required by the Board's inventory policy. They are instead identified and recorded during the District's physical inventory that occurs every five years. Because District officials did not record assets when purchased (as required by Board policy), the fixed assets inventory is incomplete. Without accurate and up-to-date fixed asset records, District officials cannot ensure that District assets are protected against loss or unauthorized use.

Asset Tracking – District officials did not adequately track fixed assets and were unable to locate 26 assets with a combined cost of \$57,516. This included a new communication device purchased in August 2020 costing \$2,616. The remaining

We reviewed 96 fixed assets with a combined cost of \$679,706 and found that not all were recorded, most were not tagged, and assets were not always in the locations indicated.

2 See Appendix C, Audit Methodology and Standards, for details on our sample selection.

FIGURE 1

Floor Machine



25 assets were recorded on the District's inventory list, but none were found at their recorded locations. Examples of these assets included a floor machine, audio mixer and laser printer (Figures 1, 2 and 3).³

Subsequent to our on-site field work, the Assistant Superintendent said they had located two of the assets not found (a smartboard and a floor machine); however, officials could not determine whether they were the assets we selected because none of the assets were tagged. Absent a tag, serial numbers could be used to

identify an asset, if that information was entered into the District record. However, the serial and model numbers were not listed on the inventory list for 11 of the 25 assets.

We also examined 58 fixed assets totaling \$150,836 for tagging and found 31 totaling \$88,931 did not have the required asset tags. Specifically, we found that:

FIGURE 2

Audio Mixer



FIGURE 3

Laser Printer



³ These photos are likenesses of the items, not the actual items.

-
- 18 of the 19 fixed assets acquired during the audit period did not have the required asset tags.
 - Eight out of 24 fixed assets selected from the inventory list had no tags although the inventory list had tag numbers for these assets.
 - Five of the 15 fixed assets observed in different school buildings during walk-throughs did not have the required asset tags.

The Board did not appoint a property control manager, as called for in the District's policy, to oversee all the fixed assets required to be recorded and tagged; the lack of a designated property control manager likely contributed to the deficiencies noted in this report. The Treasurer's responsibility was limited to tracking only capital assets (those costing \$5,000 and more) to ensure that additions and disposals were recorded for financial statement purposes. The Assistant Superintendent stated that tagging was done only at the time the District performed the physical inventory every five years. However, Board policy requires assets costing \$1,000 or more be received at a central location, recorded and tagged.

Further, there are no procedures to track when equipment is moved from one location to another. Because no one was responsible for the listing, tracking and disposing of non-capital fixed assets, issues with fixed assets could not be identified and corrected in a timely manner.

Disposal of Fixed Assets – We also reviewed 37 fixed assets costing \$508,919 to determine whether the Board approved of their disposal, and whether the Assistant Superintendent for Business disposed of them in accordance with the Board's policy. They included 12 fixed assets costing \$450,839 that were listed as disposed of and 25 fixed assets costing \$58,080 with uncertain disposal status that were acquired more than five years ago and could not be located during our testing.

Out of the 12 fixed assets, 10 costing \$433,179 were disposed of without any evidence of approval. Examples include a grandstand bleacher acquired in 1990 costing \$40,773 and two floor steamers acquired in 2008 costing \$18,929. Additionally, for the 25 fixed assets that were acquired more than five years ago and could not be located, there was no evidence of approval for their disposal. Examples of these are a cleaning system costing \$4,420, a wireless mic receiver costing \$2,370 and a smartboard costing \$2,070. Although school building personnel told us that these fixed assets may have been disposed of and replaced, District officials do not know where the assets are and do not know if they were disposed of. However, if the assets were disposed of, they were removed from the District's possession without the required Board approval.

Because officials and staff did not comply with the District's fixed asset policies to maintain up-to-date inventory records, the District had an increased risk that its fixed assets could be lost, stolen or misused. Without adequate records and proper authorization for fixed asset disposals, District officials do not have assurance that District assets were disposed of in a manner that is advantageous to the taxpayers.

What Do We Recommend?

The Board should:

1. Appoint a property control manager as provided for in Board policy.
2. Amend its fixed asset policy to require that a comprehensive physical inventory be conducted every three to four years.

District officials should:

3. Ensure an accurate and up-to-date fixed asset inventory is maintained, including newly acquired fixed assets, and that all fixed assets can be located.
4. Ensure all fixed assets above the established thresholds have a tag affixed identifying them as District property.
5. Annually conduct unannounced physical inventories of one or more departments.
6. Conduct a comprehensive physical inventory every three to four years instead of the current five-year cycle.
7. Ensure that fixed asset disposals are properly authorized and processed as required by Board policy.

Appendix A: Response From District Officials



Pearl River School District

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Marco F. Pochintesta
Superintendent of Schools

October 26, 2022

Office of the New York State Comptroller
Local Government and School Accountability Division
Newburgh Regional Office
Ms. Dara Disko-McCagg, Chief Examiner
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Ms. Disko-McCagg,

The Pearl River Union Free School District has received and reviewed the draft Fixed Asset Report of Examination (2022M-126). On behalf of the Pearl River UFSD Board of Education and District Administration, we appreciate the work and professionalism demonstrated by the OSC audit team. Please accept this letter as the District's response to the draft audit report.

The District affirms that the examination revealed no indication of fraud.

We acknowledge that our asset controls did not fully account for all assets acquired, retired, or disposed of within the audit period. Having used a mix of asset management software, including an internal spreadsheet, allowed items to be improperly inventoried, increasing risk of loss. This will be corrected by the appointment of a property manager who will be provided training on the recording and tagging of assets and will be responsible for the management of fixed assets. Part of this management process will be conducting annual unannounced physical inventories in one or more buildings.

We acknowledge that Board Policy #6610, adopted March 2016, was not fully implemented with regards to inventory and asset tagging procedures due to non-designation of a property manager. As noted above, a property manager will be designated and the District will undergo a policy manual update which will reflect updated practices to properly maintain assets.

The District would like to note that a full physical inventory was planned prior to the audit and completed by an outside contractor in May 2022. This service is currently completed every five years by our insurance carrier, with no cost to the District. As part of the policy manual update, the District will consider the audit recommendation to require a comprehensive physical inventory be conducted every three to four years as this has an associated cost that will be required to be budgeted.

See
Note 1
Page 9

We acknowledge that assets were not properly identified as retired or disposed of according to policy. After reviewing the auditor's list of assets that were disposed of, it was noted that many of these items (e.g. Bleacher Grandstand, 5 Tennis Courts - HS, HS Pole Vault Pit, etc.) were demolished and disposed of as part of the 2017 Capital Project work. As noted above, the designation of a property manager will help ensure that the disposition of assets is performed in accordance with District policy.

The District wishes to thank the audit team for their work and appreciate their effort to help identify an area of improvement that we can focus on. We are confident that our forth coming corrective action plan, with the changes noted above, will result in a fully implemented asset management practice.

Sincerely,



Dr. Marco Pochintesta
Superintendent

Appendix B: OSC Comment on the District's Response

Note 1

Our audit procedures were designed to provide reasonable assurance of detecting fraud related to fixed assets; therefore, the District's broad fraud conclusions cannot be drawn. The District had an increased risk that fixed assets could be lost, stolen or misused.

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

- We interviewed District officials and reviewed District policies (inventory, capitalization and disposal), as well as Board minutes and resolutions, to gain an understanding of and evaluate the adequacy of the District's fixed asset policies and procedures and internal controls over fixed assets.
- We evaluated the District's fixed asset inventory list to determine whether it contained enough detail to properly account for the District's fixed assets.
- We examined purchase orders and claims packages from July 1, 2020 through February 28, 2022 that were coded to equipment and capital outlay to identify any new fixed assets acquired by the District. We used our professional judgment to select 10 payments based on dollar amount and vendor type from a population of 133 payments totaling approximately \$2.3 million. We reviewed the claims packages and identified 65 fixed assets costing \$1,000 or more per unit, totaling \$165,023. We then used our professional judgment to select 19 fixed assets totaling \$50,187 that were highly walkable and verified whether these new fixed assets were included in the District's inventory list, in the District's possession and properly tagged.
- While performing a walkthrough of District facilities, we used our professional judgment to select 15 fixed assets that we estimated to be valued at \$1,000 or more and highly walkable from different buildings to determine whether the fixed assets were recorded on the inventory list and properly tagged. We used the replacement cost listed for these fixed assets in the inventory list because no historical costs were listed, and we excluded assets with a replacement cost of less than \$1,000.
- From a population of 1,073 fixed assets on the inventory list, we used our professional judgment to select 50 fixed assets that were highly walkable. We reviewed these fixed assets to determine whether they were in the District's possession, recorded properly and properly tagged.
- We examined all 12 fixed assets listed as disposed on the inventory list between June 30, 2020 and June 30, 2021 to determine whether they were properly disposed of.
- We also examined 25 fixed assets that could not be located, and were acquired in 2017 or earlier, to determine whether they were properly disposed of. These assets were excluded in the total count of assets examined because they consisted of the assets that could not be located as a result of the testing conducted in the other methodology bullets.

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 D: 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

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