Central Valley Central School District

IT Asset Management

Report of Examination

S9-22-7

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Report Highlights

Audit Objective

Determine whether Central Valley 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, maintain complete IT inventory records or establish adequate controls to safeguard IT assets. As a result, officials cannot ensure taxpayers that money invested in IT assets has been appropriately spent or safeguarded.

We selected 50 IT assets to confirm their location and that they were inventoried, and 10 additional IT assets to confirm they were inventoried. We found 8 percent were not properly accounted for. Specifically:

- Two Chromebooks with a combined estimated cost of $430 based on recent purchases could not be located.
- One Chromebook costing $215 could not be located and was not on inventory records.
- Two laptops, one costing $510 and one with an estimated cost of $1,000, were not inventoried.

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

Key Recommendations

- Maintain complete, accurate and up-to-date inventory records.
- Perform annual inventories.

Background

The District serves the Towns of Columbia, Frankfort, German Flatts, Herkimer, Litchfield, Little Falls and Schuyler in Herkimer County.

The elected seven-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 District contracts with Mohawk Regional information Center (MORIC) for IT services.

The Educational Technology Leader (Technology Leader) is responsible for overseeing the IT Department, including a Telecommunications Specialist and a Network Administrator. All three are MORIC employees. Collectively they are responsible for the District's IT asset inventory management.

Quick Facts	
District	
Enrollment	2,090
Staff	391
Approximate Cost of IT Assets Purchased or Leased in Our Audit Period	$1.2 million

Audit Period

July 1, 2019– March 31, 2022. We expanded our audit period through July 12, 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 is responsible for adopting 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 or Safeguard IT Assets

Although the Board-adopted Accounting of Fixed Assets, Inventory and Tracking Policy[1] (Policy) requirements provide direction for officials to track and inventory assets, the Board did not adopt a comprehensive written policy specifically for IT equipment inventory.

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1 Policy 4504, adopted on February 26, 2014 and last revised November 15, 2017.

According to the Policy, fixed assets with a minimum value established by the District with a useful life of one year or more are inventoried and recorded on an annual basis. Based on this definition, most IT assets would be subject to the Policy's guidance without a comprehensive policy specifically for IT assets.

The Policy states that inventory records, where possible, will contain:

- Date of acquisition,
- Description,
- Cost or value,
- Location,
- Asset type,
- Estimated useful life,

- Replacement cost,
- Current value,
- Salvage value,
- Date and method of disposition, and
- Responsible official.

Although the Board did not define minimum value, the Business Administrator and Treasurer told us the minimum value was $5,000. However, that threshold establishes what assets should be depreciated for accounting purposes, not inventoried. There are no other policies or established procedures for inventorying or tracking IT assets. As a result of officials' interpretation of the depreciation threshold, most, if not all, of the IT assets the District purchases, and that we reviewed, would not have been required to be inventoried by the Policy.

Additionally, the 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 information 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.

Inventory Records – The IT Department maintains five inventory lists to track IT assets: a desktops list, an interactive TVs/smartboards list, a laptops list, a laptops user report list and a mini desktops list. Four of the lists are maintained in an IT asset software to track inventory and one, the laptops user report list, is maintained in a spreadsheet to track staff laptops. We reviewed these five inventory lists and found that they did not always contain adequate information to sufficiently track and/or identify the District's IT assets. Further, the information that was recorded was not always accurate and contained erroneous information or was incomplete. Specifically:

- Make and model were not recorded for all 212 desktops on the desktops list. The Technology Leader told us he did not know it was necessary or recommended to record this information. However, this information was recorded in the other inventory lists.

- Duplicate serial numbers for 21 out of 321 items were found on the laptop users list. The Network Administrator informed us that this was because staff did not remove old entries when devices were reissued.

Additionally, the lists did not contain most of the information required by the District's Policy (Figure 1)

Figure 1: Board-Required Inventory List Attributes						
Inventory Lists	Acquisition Date	Description	Cost or Value	Location	Asset Type	Useful Life
Desktops	X	✓	X	✓	✓	X
Interactive TVs/Boards	X	✓	X	✓	✓	X
Laptops	X	✓	X	✓	✓	X
Laptops User Report	X	✓	X	X	✓	X
Mini Desktops	X	✓	✓	✓	✓	X
	Replacement Cost	Current Value	Salvage Value	Disposal Info	Responsible Official	
Desktops	X	X	X	X	X	
Interactive TVs/Boards	X	X	X	X	X	
Laptops	X	X	X	X	X	
Laptops User Report	X	X	X	X	✓	
Mini Desktops	X	X	X	X	X	

In addition, in our physical test of 50 IT assets, and 10 additional IT assets identified during our walk-through of the District we found three assets, including one Chromebook costing $215 and two laptops (one costing $510 and one with an estimated cost of $1,000), were not recorded in District inventory records.

The Telecommunications Specialist told us one of the laptops (purchased September 2021) did not appear on the inventory lists because it had not yet been deployed for use. According to the Technology Leader, the Chromebook was not returned by a student before leaving the District and was removed from the District's inventory records. The Technology leader did not have an explanation for why the other laptop was not listed in the inventory records.

Annual Inventories – The Technology Leader told us a physical inventory is completed each summer, with the last completed in the summer of 2021, and the results are used to update the District's inventory records. However, he was unable to provide any documentation to support that any annual physical inventories tests performed. Had the IT Department conducted an adequate annual inventory, the errors we found in our testing should have been identified and the inventory records would have been updated to reflect the status of the IT assets.

Safeguarding Assets – Although we found storage locations for District IT assets were adequately secured, District officials could not locate three Chromebooks, including one with a cost of $215 and two with an estimated combined cost of approximately $430 based on recent purchases) of the 50 assets we selected to physically confirm they were in the District's possession.

The Technology Leader told us he did not know where two of the Chromebooks were, and that the other Chromebook was the previously mentioned Chromebook that the Technology Leader told us was not returned by a student and removed from the District's inventory records. Although officials were aware one Chromebook was not returned, the Technology Leader could not provide any evidence of any attempt to recover it.

The Technology Leader did not maintain detailed up-to-date inventory records, a single master inventory list or conduct adequate annual inventories. 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 Technology Leader to perform a physical inventory of all IT equipment, locate missing and unaccounted-for equipment and update inventory records accordingly.

3. Develop a process to retrieve student devices that are not returned at the end of the school year.

The Superintendent, with the assistance of the Technology Leader, should:

4. Develop a single, master inventory list that includes all IT assets regardless of asset type or location.

5. 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.

6. Review and comply with applicable District policies.

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7. Perform a complete, 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

The response from District officials will be placed here.

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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 all of the District's IT Department IT asset records provided by the District to determine if the records contained sufficient information to identify IT assets.

- We selected a sample of 50 IT asset purchases, 45 from District invoices and five from student device reports. For 45 assets, we selected the four of the largest invoice(s) with IT assets over $175 each from each IT vendor in various fiscal years or larger invoices with varied IT asset types, and one purchase from the MORIC. Five student devices were selected based on inactivity since January 2022. We reviewed purchase orders, invoices, and/or packing slips and District inventory records to determine if assets were added to the inventory record and physically located in the District.

- We performed a walkthrough of District facilities and judgmentally selected 10 assets to determine whether the assets were accurately recorded on the inventory record. 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/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas
www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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?title=&body_value=&field_topics_target_id=263206&issued=All

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 nontechnical cybersecurity guide for local government leaders
www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/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?title=&body_value=&field_topics_target_id=263211&issued=All

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

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/local-government

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

STATEWIDE AUDIT – Dina M.L. Thompson, Chief of Municipal Audits
State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417
Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Statewide@osc.ny.gov