



QUESTAR III
PUTTING STUDENTS FIRST

Fulton City School District:
FY 2022/23 Fixed Assets Audit - Final

www.questar.org



September 18, 2023

Board of Education
Fulton City School District
129 Curtis Street,
Fulton, NY 13069

We have completed the annual testing of controls for the Fulton City School District. One of the requirements of the 2005 School Financial Oversight and Accountability legislation is ongoing testing and evaluation of the district's internal controls. Our engagement was designed to evaluate the adequacy of internal controls over the fixed asset inventory process to ensure they are appropriately designed and operating effectively and efficiently. And, to provide a report with recommended changes for strengthening controls and reducing identified risks.

The purpose of the audit was to review the internal controls that the district has in place to prevent errors, detect fraud and ensure that financial reporting is accurate and that the district assets are safeguarded.

RELIABILITY OF INFORMATION

In performing our engagement, we obtained a sample from the population of fixed assets to test the accuracy and reliability of information provided by district personnel.

As noted, the purpose of our engagement was to assist you in improving the process by which you monitor and manage the risks that face the district. Any findings and recommendations in the attached report are the responsibility of the district to implement, accept the risk as identified, or implement alternative controls that will mitigate the risk to a level that is acceptable by the district. Ultimately, it is your responsibility to assess the adequacy of your risk management system.

DISTRIBUTION OF THE REPORT

This report is intended solely for the information and use of the Board of Education and management of the Fulton City School District and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the individuals in your organization for their cooperation. Over time, it will be necessary to reassess your risks to ensure that they have not changed and to ensure that your risk management system is functioning properly. Through our ongoing involvement with you as a client and our knowledge of your district and its processes, we are in a unique position to assist you with that process. Please contact us at any time should you desire such services.

Sincerely,

Mark Beaudette

Mark Beaudette
Internal Audit Manager
Questar III

Executive Summary

Objectives and Scope

The Fulton City School District asked us to examine the District's fixed asset process. Key objectives included evaluating if the District adheres to the Board of Education's policies applicable to fixed assets.




For the audit we reviewed the accountability records of fixed assets from July 1, 2021, to June 30, 2022. Our fieldwork concluded on April 21, 2023.

Acknowledgements

We would like to thank the staff of the Fulton City School District for their courteous and prompt assistance during our audit.

Conclusion

Three observations were noted and are summarized below. Our recommendations and the District's corrective action plan are detailed in the report.

Reference	Observation	Risk	
1	Issues with pre-existing and new assets accountability; including no process for transferring assets		High
2	Issues with pre-existing technology assets accountability		High
3	Inadequate accountability of asset disposals		Medium

ENTITY NAME	Fulton City School District
REPORT DATE	April 21, 2023
PROCESS REVIEWED	Fixed Assets
PERSONNEL INTERVIEWED	Dominick Lisi, Chief of Finance and Operations Danielle DeBiase, Business Manager Paula Hayden, District Treasurer Dan Sherman, Director of Technology Various Technology staff
SCOPE OF WORK	<ul style="list-style-type: none"> Reviewed the District's Board of Education policies related to Fixed Assets and the Procurement processes; Reviewed the accountability and purchasing records of seven fixed assets purchased from July 1, 2021, through June 30, 2022; Performed a physical inventory from a sample of 20 pre-existing items recorded in the fixed asset inventory database; and, Performed a physical inventory from a sample of 40 pre-existing technology related items recorded in the MORIC's inventory database.
SCOPE RESTRICTIONS	None noted.
ADDITIONAL INFORMATION	The District was rendered a full, physical inventory by CBIZ on April 5, 2023, two weeks before the commencement of our audit. The asset inventory reports were not available at the time of the audit; therefore, we utilized an active spreadsheet listing, which serves as the District's asset management, to perform testing.
AUDIT OBJECTIVES	<ul style="list-style-type: none"> Evaluate the fixed inventory process and applicable internal controls to ensure they are operating effectively and efficiently; Evaluate the District's process for tracking, accounting, and reporting the fixed assets inventory; and, Ensure records are properly maintained and safeguarded.
KEY PROGRAM CONTROLS	<p>The District has created the following key program controls designed to meet business obligations, provide accountability, and promote operational effectiveness & efficiency:</p> <ul style="list-style-type: none"> The District has adopted policies 6745: Accounting of Fixed Assets; 6740: Purchasing Procedures; 6900: Disposal of District property which provide guidance over the District purchasing, accounting, and tracking of fixed asset inventory;

	<ul style="list-style-type: none"> • The District classifies fixed assets at \$5,000 and that has a useful life of one year or more, which are assigned a bar coded asset tag that identifies property of “Fulton CSD” and are accounted for in a system that is operated by CBIZ; • The District utilizes a Disposal of District Property form to seek and document approval from applicable Department Heads and the Board of Education prior to disposal of fixed assets; • The District utilizes Help Desk and Incident IQ, asset management software to track and account for all technological devices. Additionally, the Technology Department is responsible for performing annual inventory of all such devices residing in all the buildings; and, • The Business Office processes the payments for all departmental purchases, only after receiving evidence of purchase approval and receipt of merchandise.
OBSERVATIONS AND RECOMMENDATIONS	<p><u>Observation 1:</u> During our testing of newer and pre-existing assets, we noted the following issues:</p> <p style="text-align: center;">Testing of Existing Assets:</p> <p>We evaluated the adequacy of accountability details related to the fixed assets listed in the District's current database. From a sample of 20 taggable and mobile fixed assets, we observed the following occurrences that may be due to insufficient reviews, infrequent inventory checks performed by the District, and an absence of internal standard procedures surrounding the Fixed Assets process:</p> <ul style="list-style-type: none"> • 20 instances where the location details related to the fixed asset are not indicated in the District's current fixed assets database. Upon further review, we noted that the entire listing of the District's fixed assets is missing the location details of all the fixed assets. Therefore, we were unable to perform testing of the whereabouts of these selected assets; and, • Six instances where a tag number was not assigned to the fixed asset. In two of these instances, we noted that one tag number was assigned to a bulk quantity of asset items. <p>Additionally, the District staff do not use asset transfer forms when items are being moved from one location to another location. The form, when properly completed, would allow the asset coordinator to update the database with current and accurate information.</p> <p style="text-align: center;">Testing of Recently Purchased Fixed Assets throughout the District:</p> <p>From the population of seven assets purchased during 7/1/22 - 6/30/23, we evaluated the completion of purchasing and fixed asset accounting procedures as appropriate. We observed the following occurrences that may have been due to an absence of internal standard procedures surrounding the Fixed Assets process:</p>

- Seven instances where an asset tag was not affixed on the newly purchased fixed asset; and,
- Seven instances where the asset was not added into the Fixed Asset Database to account for details such as its assigned location, serial number, tag number, manufacturer, description and so on.

Recommendation: The District should consider the implementation of fixed asset software that will successfully curate and satisfy all capacities of the Fixed Assets function. In developing the new database, the District should consider the following steps to aid in the complete accounting and safeguarding of their fixed assets:

- *The District's fixed asset accounts should be complete, accurate and up to date. The District should ensure all newly acquired assets are assigned and affixed an asset tag, bar code sticker when placed into service. The fixed asset database should be updated to reflect the changes as they occur on a routine basis. We recommend that the District appoint designated technicians in each building to be responsible for the receipt and tagging of fixed assets. This process should entail the use of a Fixed Asset Form which will document asset details such as location, tag number, serial number, manufacturer, model and other such descriptions as necessary. The form should be distributed from the Business Office, where the tags live, to the respective building at the time of asset acquisition. The Building Technicians should complete the form appropriately and redistribute it to the Business Office where the Fixed Asset Coordinator can transmit the data from the form to the database accordingly. Finally, forms should be retained in files as a means of additional record keeping.*
- *To maintain the accuracy and completeness of recorded amounts, departmental supervisors or their representatives should conduct periodic follow-up inventories of all fixed assets. These counts are best completed at a time during the fiscal year when they will not interrupt normal operations. Where there is rapid turnover of inventory items, periodic inventories should be performed more frequently. The results of these inventories should be compared to detailed inventory records and the results submitted to the asset coordinator. This need not be done every year for each department but should be done in some of the departments each year. Over a three or four-year period, physical inventories should be performed for all departments.*
- *Each time assets are moved from one location, the responsible department should complete an asset transfer form to be sent to the asset coordinator for updating the database. The form should include the asset tag number, description, from location, new location, and date of transfer or disposal.*

Observation 2: The District is currently transitioning from the Help Desk asset management database to Incident IQ, a more coordinated, user-friendly asset management software to track and monitor all the technology related assets. We selected a sample of 40 from a population of 30,000 technology related assets maintained in the Help Desk's asset management software to

physically determine if the asset items reside in the same location and are affixed with the tag # as indicated in the database. Upon testing, we noted the following occurrences that may be due to insufficient inventory checks and infrequent updates to the system:

- We were unable to find 17 of the devices even with staff assistance.
- Four instances where the device could not be located in any part of its assigned building because, according to District staff, the asset was either obsoleted, removed, replaced or recycled. The asset was therefore never removed or otherwise updated in the Asset Management Database accordingly.
- Four instances where the asset was observed in a location that was different from the one assigned in the Asset Management database.
- One instance where an asset with a similar description to the one recorded in the database was identified; however, with no tag affixed, we were unable to positively determine whether it was the asset that we selected for testing.

Recommendation: The District should ensure that the Inventory IQ system is complete, accurate and up to date. Furthermore, the District should conduct periodic follow-up inventories of all technology equipment inventory to maintain accuracy and completeness of recorded amounts in the database. Complete and accurate tagging and recording reduces the risk associated with misplacement, loss, and theft.

Observation 3: The District has in place a Disposal of District Property Request Form which documents the description, serial number and/ or tag number and location of an asset that is deemed disposable. The form also includes a section where the Manager of Buildings, Grounds and Security is required to indicate whether the disposed item was appraised, sold, scrapped or traded-in, along with its respective dollar value. The form requires final signatures from the Manager of Buildings, Grounds and Security and the Director of Finance.

For the population of three fixed assets that were categorized as disposals during 7/1/22-3/31/23, we observed incomplete Disposal forms whereby there was no indication as to the method of disposal utilized for any of the fixed assets nor the dollar value attained for such disposals; although, the forms were reviewed and signed by both the Manager of BGS and the Director of Finance. According to the District Treasurer, the Business Office retained cash receipts provided by the Scrap Metal yard, during this period, which may correlate to these disposals. However, with no supporting documents attached to the cash receipts and the missing related information from the Disposal Forms, we were unable to positively determine the method of disposal and earned dollar value related to the fixed assets.

Recommendation: The District should ensure that the Disposal forms are completed in the manner intended. A record of the disposal method and dollar value earned for surplus assets will improve the accountability and

	<i>safeguarding of District property. We recommend that items not be released for disposal until the form is complete. Furthermore, a reconciliation between the Disposal form and cash received from salvages should be performed by the Business Office to ensure documentation and accuracy of both the disposal method and attained dollar value. Lastly, copies of the cash receipts and other such disposal documentation should be attached to the respective Disposal forms as a means of preservation.</i>
SUBMITTED BY:	Saskia Khalil – Internal Auditor
DATED:	April 21, 2023



FULTON CITY SCHOOL DISTRICT

Business Office

129 Curtis Street, Fulton, NY 13069

Phone 315•598•7031 Fax 315•598•6351

Danielle DeBiase

Director of Finance

ddebiase@fulton.cnyric.org

September 18, 2023

RE: 2022-2023 Internal Audit, Fixed Assets – Corrective Action Plan

Observation 1: Existing Assets: Reviews, Inventory Checks, Procedures

The District agrees that the fixed asset database should be updated and maintained to ensure it accurately reflects existing fixed assets and their locations. An in-person inventory had been conducted in coordination with the District's insurance provider, however, the results were not available at the time of the audit. As of September 13, 2023, this updated fixed asset listing is available and being maintained by business office staff under the supervision of the Purchasing Agent, Danielle DeBiase.

Effective July 1, 2023, the District has received additional barcode asset tags to assist in the tracking and inventorying of fixed assets. When items are requested for purchase, the Purchasing Agent, Danielle DeBiase, verifies if the items would qualify as fixed assets and coordinates the provision of an asset tag. This asset tag is placed on the fixed asset by a member of the Business Office and the tag number is recorded in the fixed asset database. An asset transfer form will be developed and implemented the Director of IT, Daniel Sherman, and the Director of Finance, Danielle DeBiase, by January 1, 2024 to ensure that the District can accurately locate and monitor fixed assets as they are transferred within the District.

All buildings will conduct an inventory of fixed assets at least annually, to be completed by June 30th of each fiscal year under the supervision of the building principal. Departments will conduct inventories of fixed assets at least annually, under the supervision of the appropriate Director. A checklist of all fixed assets by building and department will be developed and distributed to each ensure that all items are accounted for.

Observation 2: Removal of Disposed Assets, Incident IQ Implementation

The District will continue implementing Incident IQ and the Director of IT, Daniel Sherman, will ensure that all assets are accurately reflected in the new software as of May 1, 2024. As items are purchased, asset tags will be placed on the units. As items are disposed by the Board of Education, the asset information will be updated in Incident IQ by the technology office (under the supervision of the Director of IT, Daniel Sherman) and the business office fixed asset spreadsheet (under the supervision of the Director of Finance, Danielle DeBiase) to ensure that defunct records are not carried year to year. Additionally, the technology department will continue to tag and track assets that may not meet the Board of Education capitalization threshold but are determined to be at high risk of loss.

Observation 3: Disposal of Assets

Effective September 30, 2023 the District's asset disposal form will require that the method of disposal is indicated. Additionally, when items are scrapped or otherwise sold, the business office will require a description of the disposed assets to be included in the deposit/cash receipt records. The associated asset disposal form will be attached to the appropriate cash receipt. This will assist in ensuring that each disposal can be tied to a unique asset disposal form. At the end of each fiscal year, the District will run a report of all asset disposal forms and ensure that appropriate cash receipts have been logged for items that were marked for scrap or sale.