



# Cold Spring Harbor Central School District

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## Capital Assets

2023M-37 | September 2023

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# Report Highlights

## Cold Spring Harbor Central School District

### Audit Objective

Determine whether Cold Spring Harbor Central School District (District) officials properly recorded, tagged and accounted for capital asset purchases.

### Key Findings

District officials did not properly record, tag and account for capital asset purchases. As a result, the District has an increased risk that its assets could be lost, misused or stolen. Deficiencies identified from our audit include:

- The Assistant Superintendent for Business (Assistant Superintendent) did not maintain a perpetual inventory of capital assets that had a minimum value of \$500.
- 67 capital assets totaling \$171,438 were not properly identified or recorded.
- The purchasing department did not prepare and distribute unique identification tags to be attached to capital assets that were purchased during our audit period.

### Key Recommendation

- Attach unique identification tags to all capital assets that cost \$500 or more (including similar items when grouped together) and add the capital assets to a perpetual inventory.

District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

### Background

The Cold Spring Harbor Central School District serves the Town of Huntington in Suffolk County and the Town of Oyster Bay in Nassau County.

The District is governed by a seven member Board of Education (Board) that is responsible for developing and adopting policies to govern District operations. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The Assistant Superintendent is responsible for maintaining the District's capital asset inventory records and affixing or distributing asset tags.

#### Quick Facts

##### Claims with Capital Asset Purchases (During our Audit Period)

Total	226
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Dollar Amount	\$1.3 million
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##### Capital Assets From Claims Reviewed

Total	67
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Dollar Amount	\$171,438
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### Audit Period

July 1, 2020 – October 31, 2022

# Capital Assets

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Capital 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.<sup>1</sup> Consequently, they represent a significant investment of school district (district) resources.

## How Should District Officials Record and Account for Capital Assets?

District officials are responsible for ensuring that inventory records are current and accurate and that assets are protected from loss, misuse and/or theft. To ensure officials have access to reliable, up-to-date capital asset information, a district should maintain a complete, current perpetual inventory of capital assets. Also, officials should ensure that staff maintains physical control and accountability over capital assets.

Officials should maintain detailed perpetual inventory records that district staff continually update when assets are purchased, relocated to new departments or buildings, or disposed of. The records should include a description of each item with its make, model and serial number; district-assigned identification number; location; and the district department or individual assigned custody of the asset. The records also should have purchase information for each capital asset, including the date purchased, amount paid, vendor name and claim number of the purchase.

Officials should identify capital assets as District property. A common method of accounting for capital assets includes affixing an identification tag or decal to each asset to indicate that the asset is district property. Asset tags should have the district's name and unique numbers to identify each asset. Asset tags help district staff differentiate between assets, make assets easier to track and can provide a deterrent for improper use and theft.

Officials should comply with the District's fixed (capital) asset policy, which requires the Assistant Superintendent to prepare and maintain a perpetual inventory record of all capital assets that have a minimum value of \$500 (including similar items that are grouped together) and a useful life of one year or more. According to the policy, "all technology equipment should be inventoried, at the discretion of the director of technology. Fixed asset purchases shall be recorded at initial cost and the record should contain the: date of acquisition, description, location, responsible official and estimated useful life. In addition, the district's perpetual inventory should note unique asset identification numbers for the purposes of tracking the fixed asset while it is in service."

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<sup>1</sup> Refer to OSC's *Local Government Management Guide: Capital Assets* (<https://www.osc.state.ny.us/files/local-government/publications/pdf/capital-assets.pdf>) for further information.

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When a purchase order is processed, the capital asset policy requires the purchasing department to send a copy of the approved purchase order to the individual or department that requisitioned the item (requisitioner) indicating that the asset will need an asset tag. After the asset is received, the policy requires the purchasing department to forward an asset tag with an identification number to the requisitioner to be attached to the item purchased.

Furthermore, a property control manager should conduct a periodic physical inventory of each District department. The inventory does not need to be completed every year for each department. But some of the departments should be done each year, especially those that have portable assets. Therefore, a physical inventory should be conducted for each department over a three- or four-year period.

### **Capital Asset Purchases Were Not Identified and Recorded**

Of the 67 capital assets<sup>2</sup> totaling \$171,438 that we reviewed, none were properly identified or recorded. We reviewed 25 claims, which were related to 28 approved purchase orders with 67 capital assets with a minimum value of \$500, that were purchased during our audit period. We found that the purchase orders did not indicate that the assets needed an asset tag, as required by the District's capital asset policy. Also, District officials did not assign a unique asset identification number to the assets.

Although District policy required officials to maintain a perpetual inventory record system, officials did not establish this system. Instead, the current Assistant Superintendent maintained a list of assets (list) that was not created as an inventory control document or updated at the time the capital assets were purchased. The list was prepared to ensure that the District's capital asset information was included in its financial statements.

The list included capital asset purchases of \$2,000 or more that were made between July 1, 2020 and June 30, 2022, which included 11 of the 67 capital assets that we reviewed. However, the list did not have:

- Capital assets that cost between \$500 and \$2,000. For example, the District purchased five communication devices totaling \$5,500 (used by athletics coaches) on June 17, 2022. Although these devices each cost \$1,100, which exceeded the \$500 threshold, they were not included on the list.
- Capital assets purchased after June 30, 2022.
- Names of officials who were responsible for the assets.

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<sup>2</sup> Refer to Appendix B for further information on our sample selection.

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The current Assistant Superintendent, who was hired shortly before the start of our audit, said that the policy was not enforced due to a staffing shortage in the business office. The District did not have a dedicated purchasing clerk and the former Assistant Superintendent's<sup>3</sup> administrative assistant, who assisted with these responsibilities, was on extended leave.

While staff shortages can have an impact on District operations, such as identifying and recording assets, if alternative arrangements are not made, officials cannot ensure the assets are properly accounted for, which increases the risk of theft, loss or misuse of assets. The current Assistant Superintendent told us that she planned to delegate the responsibility of identifying and recording capital asset purchases to a new purchasing clerk who was hired during our fieldwork.

Because District officials did not comply with the capital asset policy, they did not properly record and account for capital assets.

### **Capital Asset Purchases Were Not Tagged**

District officials did not tag all of the District's capital assets. Of the 67 capital assets that we reviewed, we selected 34 totaling \$89,457 to determine whether they were located at the District and tagged.

Although we verified the existence of all 34 capital assets, we found that the purchasing clerk did not attach District identification tags to 20 assets totaling \$72,321. These items included a pickup truck, furniture, musical instruments, two laptops and communications equipment. The other 14 assets we located were all laptops and personal computers that had been tagged by the technology department. The current Assistant Superintendent told us that the assets did not have identification tags due to staffing shortages in the business office. While staff shortages can have an impact on District operations, such as identifying and recording assets, if alternative arrangements are not made, the risk of theft, loss or misuse of assets increases.

The District's Executive Director of Instructional and Administrative Technology (IT Director) told us that all technology equipment (such as laptops, personal computers and monitors) is inventoried by the technology department and given two tags. One tag includes a unique identification number and an additional yellow tag indicates the name of who has custody of the asset and/or location of where the asset has been deployed.

However, the IT Director's inventory records captured only model or serial numbers and the department or individual assigned custody of the assets.

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<sup>3</sup> The current Assistant Superintendent began District employment on July 1, 2022.

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The records did not include a District-assigned identification number, the date purchased, amount paid, vendor name and claim number of the purchase.

Of the 20 assets that we were able to locate, but did not have an asset tag, two were laptops totaling \$4,438 (one belonged to a teacher and the other was located in the District's technology office) for which the IT Director was responsible. The IT Director told us that the missing tags were an oversight, and he tagged both laptops when it was brought to his attention.

The current Assistant Superintendent said that the capital asset policy was not enforced during our audit period due to a staffing shortage in the business office. During our audit period, the District did not have a dedicated purchasing clerk and the former Assistant Superintendent's administrative assistant, who assisted with these responsibilities, was on extended leave.

When officials do not record capital assets in an inventory, tag them with unique number identifiers and centrally track them, the District has an increased risk that its assets could be lost, misused or stolen.

### **Officials Did Not Conduct Periodic Physical Inventories of Capital Assets**

The Board designated the Assistant Superintendent as the District's property control manager. However, the Assistant Superintendent did not conduct physical inventories of capital assets, because the District's policy does not appear to require a physical inventory to be conducted.

Instead, the Assistant Superintendent relied on an outside firm to conduct physical inventories every five years. The firm performed the last physical inventory for the 2019-20 fiscal year. However, the firm inventoried only items valued at \$2,000 or more, for financial statement capitalization purposes. As a result, a physical inventory was not performed internally every year for each department over a three- to four-year period. Also, the firm's inventories did not include all capital asset items.

When officials do not conduct physical inventories, the District has an increased risk that its assets could be lost, misused or stolen.

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## What Do We Recommend?

The Assistant Superintendent should:

1. Prepare and maintain a complete perpetual inventory of all capital assets that cost \$500 or more (including similar items when grouped together).
2. Ensure that the perpetual inventory includes:
  - Asset identification numbers,
  - Initial costs,
  - Dates of acquisition,
  - Descriptions,
  - Locations,
  - Names of officials who are responsible for the assets, and
  - Useful-life estimates.
3. Conduct periodic physical inventories of capital assets.

The purchasing department should comply with the capital asset policy by:

4. Indicating the need for asset identification on approved purchase orders sent to purchase requisitioners.
5. Sending asset identification tags to capital asset requisitioners.

Capital asset requisitioners should:

6. Attach prenumbered asset tags to capital assets.

# Appendix A: Response From District Officials



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The Francis Roberts Community Center  
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Cold Spring Harbor, NY 11724-9813*

Jill M. Gierasch  
Superintendent of Schools

(631) 367-5931  
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August 8, 2023

Ira McCracken  
Chief Examiner  
NYS Office Building, Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, NY 11788-5533

Dear Mr. McCracken,

The Cold Spring Harbor Central School District has received and reviewed the New York State Comptroller's report titled, "Capital Assets, Report of Examination 2023M-37. It covered the audit period July 1, 2020, through October 31, 2022.

The report covered an audit period that encompassed the global COVID-19 pandemic. This was an extremely challenging time for public schools. While the Cold Spring Harbor Central School District, like most school districts, experienced operational and staffing challenges during the pandemic, we are pleased that all capital assets chosen in your audit were located. There were no assets indicated as missing or misappropriated. The Cold Spring Harbor Central School District considers stewardship of public assets an essential responsibility.

On behalf of the Cold Spring Harbor Central School District Board of Education, I would like to thank the New York State Comptroller's Office for their thorough review of our capital asset processes and procedures. We appreciate your efforts to improve internal controls in our organization. The field audit team was knowledgeable and professional in all their interactions. We welcomed their suggestions and have already implemented changes to improve internal controls. When the final version of the audit is released, we will forward the district's corrective action plan.

Thank you.

Sincerely,

Jill Gierasch  
Superintendent

Alex Whelehan  
Board of Education, President

## Appendix B: Audit Methodology and Standards

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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 to gain an understanding of, and determine the adequacy of, the capital asset purchase process and capital asset policy.
- We reviewed a report of all District purchases from the period July 1, 2020 through October 31, 2022 and isolated the budget codes corresponding to capital asset purchases. We identified a population of 226 claims with capital asset purchases totaling \$1.3 million.
- We used our professional judgment to review 25 claims (28 purchase orders) for capital asset purchases totaling \$192,710. These claims represent 11 percent of the 226 claims for capital asset purchases made during our audit period. We chose to review these 25 claims to capture a wide range of dollar amounts in our sample and because the purchases had been made by various District departments, including the information technology, athletics, music and facilities departments, which make large amounts of capital asset purchases. We identified 67 individual and aggregated capital asset purchases totaling \$171,438 that cost \$500 or more. Of the 67 capital assets, 56 totaling \$118,886 each cost \$500 or more, and 11 totaling \$52,552 exceeded \$500 when aggregated.
- For each capital asset that we reviewed, we examined its corresponding purchase order to determine whether the order indicated the need for an asset identification tag. We also determined whether each asset was assigned a unique identification number and recorded on a perpetual inventory record with its acquisition date and cost, description, location, estimated useful life and the name of an official who was responsible for the asset.
- From our sample of 67 capital assets, we chose to locate 34 (51 percent) totaling \$89,457 to determine whether District officials tagged them, as required by the capital asset policy. We chose to examine these assets because they have a higher likelihood of being lost, misused or stolen.

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.

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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

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://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](http://www.osc.state.ny.us/local-government/publications)

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**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](http://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](http://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](http://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](http://www.osc.state.ny.us/local-government/required-reporting)

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**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](http://www.osc.state.ny.us/local-government/academy)

## Contact

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