



# Rondout Valley Central School District

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## Fixed Assets

**2023M-36 | August 2023**

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# Report Highlights

## Rondout Valley Central School District

### Audit Objective

Determine whether Rondout Valley Central School District (District) officials properly accounted for and monitored fixed assets.

### Key Findings

District officials did not properly account for and monitor all of the District's fixed assets. As a result, there is an increased risk fixed assets could be lost, stolen or misused.

Of the 80 fixed assets totaling \$856,681 we reviewed, 64 assets totaling \$549,117 were not properly accounted for or monitored. Our testing identified:

- 34 fixed assets with a combined cost of \$255,775 did not have the required asset tags.
- 12 fixed assets with a combined cost of \$213,960 could not be located. For example, these assets included a French horn (\$22,600),<sup>1</sup> snowplow (\$6,310) and an Internet filter (\$4,320).
- 18 fixed assets with a combined cost of \$79,383 were not recorded on the District's inventory list. For example, these assets include a golf cart costing \$12,585.

Seven additional fixed assets with a combined cost of \$8,230 were disposed of without proper approval.

### Key Recommendations

- Maintain accurate inventory records.
- Ensure fixed assets are tagged and are in the locations indicated on the District's inventory list.
- Obtain authorization to dispose of fixed assets before disposing them.

District officials generally agreed with our findings and indicated they plan to initiate corrective action.

### Background

The District serves the Towns of Marbletown, Rochester, Rosendale and Wawarsing in Ulster County.

The elected nine-member Board of Education (Board) is responsible for the general management and control of the financial and educational affairs.

The Superintendent of Schools (Superintendent) 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 School Business Official (Business Official) oversees the District's fixed assets. The Senior Account Clerk (Clerk) reports to the Business Official and is responsible for maintaining the District's fixed assets inventory list, adding new acquisitions and recording disposals.

### Quick Facts

2021-22 Appropriations \$67 million

Number and Total Cost of Fixed Assets as of June 30, 2021		
All Fixed Assets	1,442	\$127 million
Fixed Assets Reviewed	80	\$856,681
Disposals Reviewed	20	\$16,076

### Audit Period

June 30, 2020 – October 26, 2022

<sup>1</sup> District officials stated that the valuations included in their inventory records corresponding to the musical instruments represented several of each instrument; however, we were unable to verify this due to a lack of proper asset tags and incomplete inventory records.

# Fixed Assets

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

## How Should District Officials Account For and Monitor Fixed Assets?

District officials are responsible for ensuring that inventory records are current and accurate, and assets are protected from loss, misuse and/or obsolescence. District officials should account for and safeguard assets, and properly dispose of obsolete or surplus assets in a safe manner (e.g., sanitizing obsolete assets of stored data).

Specifically, the board should adopt policies and procedures establishing dollar value thresholds to identify fixed assets that should be accounted for and monitored. This would include recording the assets in an inventory tracking system and affixing an asset identification tag or decal to walkable assets. 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. Additionally, policies and procedures should be established for disposing of fixed assets.

District officials 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. This helps to ensure district officials have direct access to reliable information on current fixed assets throughout the year. Perpetual inventory records are detailed records that are continually updated as a district purchases, relocates or disposes of fixed 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.<sup>2</sup>

When officials identify an asset as surplus or obsolete, they should obtain board approval to dispose of the asset. District staff should also update inventory records with appropriate disposal information, such as historical and market values, and the purchaser.

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District officials are responsible for ensuring that inventory records are current and accurate, and assets are protected from loss, misuse and/or obsolescence.

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<sup>2</sup> 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>.

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## **District Officials Did Not Properly Account For or Monitor Fixed Assets**

District officials did not properly record and account for fixed assets. The Board adopted written fixed asset and disposal policies. However, none of the policies require that a physical inventory be completed every three to four years. The policies also do not require unannounced physical inventory counts and do not establish a dollar threshold (or minimum cost) for which fixed assets must be inventoried. Instead of establishing a reasonable dollar threshold, the District requires that all equipment be inventoried, and that inventoried equipment be tagged.

Additionally, fixed asset disposals are subject to Board approval. Upon approval, the Business Official is authorized to dispose of obsolete or surplus equipment by reassigning the fixed assets to other locations within the District; centralizing the storage of fixed assets with potential usefulness; and discarding or selling as surplus those fixed assets determined to be worthless or of no further use.

We reviewed 80 fixed assets with a combined replacement cost of \$856,681<sup>3</sup> to determine whether they were included in the District's inventory list, in the District's possession and properly tagged. We determined that not all fixed assets were recorded, some fixed assets were not tagged and other fixed assets were not always found in the locations indicated on the District's inventory list. In addition, some fixed assets were disposed of without Board approval or had an unclear disposal status. An example includes a projector listed on the asset list without an asset identification traceable to Board disposal documents.

Asset Listing – District officials did not follow the District's policy of recording all fixed assets. As a result, 18 fixed assets with a combined replacement cost of \$79,383 were not recorded on the asset list (Figure 1).

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3 See Appendix B, Audit Methodology and Standards, for details on our sample selection.

**Figure 1: Assets Not Recorded on Asset List**

Description	Original/ Replacement Cost
Mounted Kitchen Hood Fan/Light/Ventilation	\$18,819
Golf Cart	12,585
Zero Turn Mower	10,000
Stacking Double Oven	7,220
Salt/Sand Spreader/Plow	6,310
Electric Convection Oven	6,230
Refrigerated Serving Unit (Frost Top)	4,189
Square Flip Top Table Set	3,229
Portable LED Timers/Scoreboard Blue	2,459
Basketball Adjustable Height System	1,849
Heavy Duty Flat Top Serving Counter 28'	1,290
Vintage Two-seat Sofa	1,061
Teacher Desk	1,040
Food Protector and Breath Shield	653
21 Feet Players' Bench with Back	652
Box File Shell	626
Desk 36x66x29	600
Kitchen Utility Cart	571
<b>Total</b>	<b>\$79,383</b>

The Business Official stated that the Clerk, under her supervision, is currently responsible for maintaining and updating the District's asset listing. However, she only updates the list if the purchaser informed her that an item was delivered to the District. Without accurate and up-to-date fixed asset records, District officials cannot ensure that District fixed assets are protected against loss or unauthorized use.

Asset Tracking – District officials did not adequately track fixed assets and were unable to locate 12 fixed assets with a combined cost of \$213,960 (Figure 2). These fixed assets were recorded on the District's inventory list, but officials could not locate them.

**Figure 2: Assets That Could Not be Located**

Description	Replacement Cost <sup>a</sup>
Saxophone Alto	\$44,860
Trombone	33,180
Advanced Secure Gateway	29,210
Bassoon	23,920
Clarinet Bass 2 PC	23,670
French Horn	22,600
French Horn	9,150
Large Tractor with Backhoe	7,220
Snowplow	6,310
Refrigerator 2-Door	6,230
Internet Filter	4,320
Planer	3,290
<b>Total</b>	<b>\$213,960</b>
a) District officials stated that the valuations included in their inventory records corresponding to the musical instruments represented several of each instrument; however, we were unable to verify this due to a lack of proper asset tags and incomplete inventory records.	

After we completed our initial field work, the Business Official provided documentation showing that the Board approved the disposal of one fixed asset, an Internet filter. However, this item was not removed from the most recently updated inventory list provided by the Business Official. Because District officials only perform an inventory every five years and did not maintain a perpetual inventory, the Business Official and District staff were unable to provide a valid reason for the discrepancies identified. The Business Official told us the most recent inventory was performed in 2021; prior to that was in 2016.

We also examined the same 80 fixed assets to determine whether they had the required asset tags and found 34 totaling \$255,775 did not have the required asset tags. Specifically:

- 14 acquired during the audit period did not have the required asset tags.
- 12 acquired in 1980<sup>4</sup> or earlier did not have the required asset tags.

<sup>4</sup> We reviewed a sample of 20 older assets (acquired on or before 1980) to determine whether the District was properly tracking older assets.

- Eight did not have the required asset tags. Although two of these assets had tag numbers entered in the inventory listing, they did not have an asset tag. The remaining six did not have an assigned tag number.

During our on-site field work, we found fixed assets having more than one asset tag (Figures 3, 4, and 5).<sup>5</sup> In most instances, the duplicate tag numbers on the assets did not agree with the tag numbers listed in the system. For example, officials created a new asset tag but did not remove the old tag from the asset or the system, so an asset was listed in the system more than once.

District officials stated that they currently do not have a person responsible for overseeing fixed assets after the District's Director of Facilities retired in 2020. Therefore, there was no District official responsible for following up with tagging and tracking fixed assets. When District officials do not follow the District's fixed asset policies and do not maintain up-to-date inventory records, the District has an increased risk that its fixed assets could be lost, stolen or misused.

Disposal of Fixed Assets – We reviewed 20 fixed assets costing \$16,076 to determine whether the Board approved of their disposal and whether the Business Official disposed of them in accordance with the Board's policy. Seven of these fixed assets costing \$8,230 were either improperly disposed of in accordance with the Board's policy, had an unclear disposal status (we were unable to tell whether the assets were disposed of, stolen, lost, etc.) or were disposed of without any evidence of approval. Examples included a laptop computer costing \$1,500 and a projector costing \$898.

**FIGURE 3**

**Asset With Multiple Tags**



**FIGURE 4**

**Asset With Multiple Tags**



**FIGURE 5**

**Asset With Multiple Tags**



<sup>5</sup> The photos included in Figures 3, 4 and 5 were taken by Office of the State Comptroller auditors with the District's permission on October 17, 2022 for examples of assets having more than one tag applied.



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Because District 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 fixed assets were disposed of in a manner that is advantageous to the taxpayers.

## **What Do We Recommend?**

The Board should:

1. Establish a fixed asset dollar threshold for tagging and recording assets.
2. Amend the District's 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 listing is maintained, including newly acquired fixed assets, and that all fixed assets are in the locations indicated on the District's inventory list.
4. Ensure all fixed assets above the established dollar 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

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August 3, 2023

Ms. Dara Disko-McCagg  
Chief of Municipal Audits  
Newburgh Regional Office  
33 Airport Center Drive, Suite 102  
New Windsor, NY 12553

Dear Ms. Disko-McCagg:

I am writing on behalf of the Rondout Valley Central School District to formally acknowledge receipt of the audit report from the Office of the New York State Comptroller regarding our fixed asset tracking processes. We have thoroughly reviewed the findings and recommendations presented in the report and would like to express our sincere appreciation for the valuable insight provided.

First and foremost, we recognize the significance of maintaining an accurate and up-to-date fixed asset inventory. The shortcomings identified in the report highlight the importance of implementing robust fixed asset tracking practices to ensure transparency, accountability, and efficiency in managing our assets.

Having carefully considered the recommendations outlined in the report, we accept them as critical steps towards improving our fixed asset tracking systems. The district is committed to addressing the identified issues, and we have begun formulating a comprehensive action plan to implement the necessary changes.

Once again, we extend our gratitude for the thorough assessment conducted by your office, and we look forward to working in collaboration to enhance our fixed asset management processes. A Corrective Action Plan (CAP) responsive to your recommendations is currently being developed and will be submitted within 90 days from the release of the final report.

Sincerely,

Joseph Morgan  
Superintendent

## 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 (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 June 30, 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 20 payments based on dollar amount and vendor type from a population of 79 payments totaling approximately \$1.3 million. We reviewed the claims packages and identified 20 fixed assets costing \$500 or more per unit, totaling \$190,946, and determined 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 20 fixed assets that we estimated to be valued at \$500 or more and highly walkable from different buildings to determine whether they 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.
- From a population of 1,442 fixed assets on the inventory list totaling approximately \$127 million (using actual costs if recently purchased or using replacement costs if the purchase was made during the audit scope), we used our professional judgment to select 20 fixed assets that were highly walkable. We selected a sample of the 10 highest valued fixed assets and selected a sample of 10 additional fixed assets. We reviewed these fixed assets to determine whether they were in the District's possession, recorded properly and properly tagged.
- From a population of 1,442 fixed assets on the inventory list totaling approximately \$127 million (using actual costs if recently purchased or using replacement costs if the purchase was made during the audit scope), we used our professional judgment to select a sample of 20 of the oldest purchased fixed assets and selected different types of fixed assets. We reviewed these fixed assets to determine whether they were in the District's possession, recorded properly and properly tagged.

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- Out of 988 fixed assets listed as disposed between June 30, 2020 and June 30, 2021 on the inventory listed, we used our professional judgment to select a sample of 10 fixed assets to determine whether they were properly disposed of. We selected this sample without any predisposition of the outcome.
  - We reviewed Board meeting minutes and, using our professional judgment, selected a sample of 10 fixed assets that the Board approved for disposal to determine whether they were listed in the inventory list.
  - We also examined two fixed assets that could not be located, and were acquired in 1980 or earlier, to determine whether they were properly disposed of.

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

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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)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://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](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)

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

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

### **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)

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