

**Floral Park – Bellerose  
Union Free School District  
Internal Audit Report on Detailed Testing –  
Capital Assets and Inventory  
November 13, 2023**

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## INTERNAL AUDIT REPORT ON DETAILED TESTING

To the Board of Education and Audit Committee  
Floral Park – Bellerose Union Free School District  
Floral Park, New York

We have prepared this report as the result of our detailed testing as further described, which were agreed to by Floral Park – Bellerose Union Free School District (District), on the capital assets and inventory areas during the period January 1, 2022 through June 30, 2023.

The District's management is responsible for administering these areas.

This engagement for detailed testing was performed in accordance with consulting standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the District's capital assets and inventory areas. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than the specified parties.

*Cullen & Danowski, LLP*  
November 13, 2023

**FLORAL PARK – BELLEROSE UNION FREE SCHOOL DISTRICT**  
**Internal Audit Report on Detailed Testing –**  
**Capital Assets and Inventory**  
For the Period Ended June 30, 2023

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**Introduction:**

This report is organized as follows:

- Background information
- Summary of the engagement
- Procedures performed during our detailed testwork
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

**Corrective Action Plan:**

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan (CAP), approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the CAP along with the respective Internal Audit Report via the NYSED Portal.

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**CAPITAL ASSETS AND INVENTORY**

**Background:**

We performed a review of the District's capital assets and inventory procedures that included interviews, reviews of documentation, various testwork and physical inspections at the school buildings. The recording and management of the capital assets and inventory is a challenging area for all school districts. Good internal controls require processes to ensure that:

- All capital assets and specific inventory (e.g., laptops, hand held devices, etc.) acquired are identified.
- Items are tagged with a sequentially numbered tag to assist with, and simplify, identification.
- Items are recorded accurately into an asset and/or inventory database(s).
- Periodic physical inventories are performed to verify the accuracy of the items in the asset and/or inventory database(s).

Implementing procedures to ensure all of the above is challenging as noted above. The District is aware of the need for improvement to enhance its procedures related to tagging, tracking, recording and reporting capital assets and inventory. There are designated employees responsible for updating the capital assets and inventory databases, which are generally handled based on the classification as follows:

**Capital Assets**

Per *Board Policy #5620 – Fixed Asset Inventories, Accounting, and Tracking*, “fixed assets are, generally, long-term, tangible resources intended to be continuously held or used, and may include land, buildings, improvements, machinery, and equipment.” In addition, *Board Policy #5620* states “the Board will establish a dollar threshold as a basis for considering which fixed assets are to be depreciated. This threshold will ensure that at least 80% of the value of these assets is reported. The threshold will not be greater than \$5,000.” The District's capitalization thresholds, as per *Board Policy #5620*, are \$5,000 for buildings, building improvements and site improvements, and \$500 for vehicles, furniture and equipment. The District utilizes a web-based database program called CBIZ to manage the capital assets. The Business Office maintains a CBIZ template (i.e., Excel spreadsheet) that is updated during the fiscal year based on capital asset additions, relocations and disposals and then uploaded after the year-end to update the CBIZ Capital Asset (CBIZ) database accordingly. The CBIZ database includes key information about each asset including the type, brand, serial number, location and tag number and value. The program also assigns the capital assets useful life based on type and calculates the depreciation amounts. CBIZ reports are used to facilitate the annual reporting of capital assets in the District's fiscal year-end financial statements.

**Inventory – IT Items (Chromebooks, iPads, laptops, etc.)**

The IT Department maintains its inventory of IT items in a web based program, School Asset Manager, as well as excel spreadsheets for items that have not yet been added to the School Asset Manager system. This IT database also includes IT-related capital assets to facilitate the tracking and monitoring of all IT related items. There are procedures to tag the IT inventory using sequentially numbered tags that are affixed to the items. The District handles most repairs needed for the devices and there are processes in place to track and account for these activities including the use of loaners that may be provided while a device is being repaired.

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*Other Inventory*

There are other inventory items below the capital assets threshold of \$500 that are used by the Music Department and Facilities Department. Although these items are less than the threshold amount, it is prudent to maintain records of this inventory, particularly when they are considered “walkable” items (i.e., at-risk of being lost, misplaced or stolen). The various departments are responsible for monitoring and managing their inventory to ensure that the District property is tracked and safeguarded. The Music Department maintains their inventory items in spreadsheets. However, the Facilities Department does not maintain a separate inventory of tools or equipment for items either above or below the threshold.

**Summary:**

We noted that the employees with responsibilities related to capital assets and inventory demonstrate a positive attitude towards improving procedures and are knowledgeable about the requirements related to these responsibilities. Our scope of work included reviewing Board policies, interviewing employees, testing of selected capital assets and inventory items from the capital assets and inventory databases, tracing selected capital assets from buildings to the capital assets and inventory databases, reviewing reconciliations of additions per the financial records to the capital assets and inventory databases and accounting for the tag sequence.

We suggest that the District consider implementing the recommendations noted below to further strengthen internal controls and improve operational efficiencies related to capital assets and inventory. We note that these implementations may require additional resources and/or reassignment of duties related to purchasing activities. As noted in the Introduction section above, any enhancement of controls should be done after a careful cost-benefit analysis.

**Procedures:**

Our procedures related to capital assets and inventory, as per the engagement letter dated April 27, 2023, were as follows:

- Review Board policies and District procedures in detail related to the capital assets and inventory controls.
- Interview personnel responsible for tagging, recording, tracking, reporting and disposing of capital assets and inventory and identify the strengths, weaknesses and key controls within the processes.
- Review the capital assets and inventory registers as follows:
  - Select 20 items from the capital assets and inventory databases. Work with the District to locate the items. Physically inspect each of the items.
  - Select 10 capital assets purchased during the period and trace recording into the fixed asset database to ensure that the item was posted timely and accurately.
  - Select 10 inventory items purchased during the period and trace recording into the inventory database to ensure that the item was posted timely and accurately.
  - Select 20 items from District buildings and trace the recording into the capital assets and inventory databases to ensure that the item was posted timely and accurately.
  - Review the most recent reconciliation of fixed asset additions per the financial records to the fixed asset additions in the fixed asset register.

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- Account for tag sequence within the fixed asset register and by physically inspecting unused tags.
- Review supporting documentation for 2 disposals of assets and trace to asset listings.
- Assist the District with beginning to address the following recommendations from the Risk Assessment Update Report dated March 6, 2023.

Purchasing of IT Assets

- Review Board policies, District procedures and written procedures related to purchasing IT assets.
- Interview personnel responsible for ordering, purchasing, receiving, tracking, recording and assigning the IT assets. Identify any potential opportunities to improve these processes.
- Select 10 purchases related to IT assets during the period to ensure that the items are properly recorded, tagged, and assigned.

**Findings:**

Review of Board policies and District procedures and interviews with employees responsible for tagging, recording, tracking, reporting and disposing of capital assets and inventory noted:

- The District has *Board Policy #5620 – Fixed Asset Inventories, Accounting, and Tracking* related to capital assets and inventory. However, the District lacks formal procedures and standard forms related to the tagging, recording, and tracking of capital assets and inventory.
- The District is in the process of defining the protocols related to capital assets and inventory. This includes the capital asset and inventory database; performing a complete physical inventory; and properly managing the recording, tracking and monitoring of the capital assets and inventory. We found that a thorough, comprehensive physical inventory has not been performed for years and the Business Office has been updating the Capital Assets Schedule for financial reporting purposes solely based on annual additions and deletions. Thus, the amounts on the Capital Assets Schedule most likely will need to be revised based on the completion of a thorough, comprehensive physical inventory.
- The District's current capitalization threshold for vehicles, furniture and equipment is \$500 and has not been increased for a number of years. However, we note that many districts of similar size have increased this threshold over the years to account for the increase in the cost of these assets.
- There are formal procedures related to the disposal of capital assets that requires approval by the Board prior to the disposal of the capital assets. However, we found that this process has apparently not always been complied with as there were many instances where we were unable to locate assets listed in the database as noted below.
- There are opportunities for improvement related to the departments and main offices at the schools informing the Business Office and IT Department about capital asset and inventory relocations and disposals, since we were informed that these notifications are not always timely or not communicated at all.
- The interviews with the Facilities Department employees found that the Department does not currently maintain a separate inventory of tools or equipment for items either above or below the threshold.
- The interviews with the Music Department employees found that their spreadsheets listing the inventory were incomplete and outdated based on our review of selected items.

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For the Period Ended June 30, 2023

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Review of the selected 40 items from the capital assets and inventory databases found: *(Note: We expanded the scope to include an additional 20 items to obtain a better understanding of the District's processes and procedures related to capital assets and inventory)*

- There were 16 instances where we were unable to locate an asset that was selected from the capital asset database.
- There were 6 instances where an item matched the description of an asset selected from the capital asset database, but we were unable to locate a tag on the asset. In addition, there was 1 instance where multiple asset tags had been affixed to an asset selected from the capital asset database.
- There was 1 instance where an item matched the description of an asset selected from the capital asset database, but the tag found did not agree with the tag number listed in the capital asset database.

Review of the selected 10 capital assets purchased during the period noted:

- The District purchased a total of \$299,341 depreciable capital assets during the 2021-22 year as per the District's Financial Statements for the fiscal year ended June 30, 2022. However, the District only added 8 of these capital assets, totaling \$25,482, to the capital asset database for the 2021-22 year.

Review of the selected 10 inventory items purchased during the period found:

- There were no exceptions noted during our review of the inventory items purchased by the IT Department and the Music Department.
- We were unable to perform our test procedures related to inventory items purchased by the Facilities Department due to the Facilities Department not currently maintaining a separate inventory of tools or equipment for items either above or below the threshold.

Review of the selected 45 items from the District buildings to trace the recording into the capital assets and inventory databases noted: *(Note: We expanded the scope to include an additional 25 items to obtain a better understanding of the District's processes and procedures related to capital assets and inventory)*

- There were 25 instances where an asset found in a District building was not found in the capital asset database.
- There were 3 instances where the location of an asset found in a District building did not agree to the location listed in the capital asset database.
- There was 1 instance where an item found in a District building had two asset tags affixed to it, but only one of the asset tags aligned with the tag number found in the capital asset database.

Review of the most recent reconciliation of capital asset additions per the financial records to the capital asset additions in the capital assets database found:

- The District performs a comparison of the capital asset additions per the nVision financial system to the capital asset additions listed in the financial statements each fiscal year end. Our review of these records for the year ended June 30, 2022, found that this reconciliation was completed with no errors or findings noted as the additions in the nVision equipment codes agreed to the additions listed in the annual financial statements. However, the District had not added a majority of these items into the capital asset database as noted above.

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Review of the accounting for tag sequences within the capital assets database and physically inspecting unused tags noted:

- There are sequentially numbered tags that are maintained by the Business Office related to the capital assets. However, the District lacks procedures to affix these tags to new capital assets as they are purchased and as noted above, many of these items have not been added to the District's capital asset database.

Review of Board policies and District procedures and interviews with personnel responsible for ordering, purchasing, receiving, tracking, recording and assigning the IT capital assets and inventory found:

- The responsibilities at the District regarding the tagging, recording, tracking, reporting and disposing of all IT capital assets and inventory are centralized with the IT Department. In addition, the IT Department uses separate sequentially numbered tags related to IT capital assets and inventory items that are tracked in the Departments School Asset Manager system. However, the Business Office is responsible for adding these items to the District-wide capital asset database.
- There is opportunity for improvement related to the IT capital assets and inventory, since we found that there are IT items currently being tracked through excel spreadsheets and have not yet been added to the School Asset Manager system. The recording, tracking and reporting related to the IT inventory could be enhanced by using an asset/inventory software program, which would enhance operational efficiencies and effectiveness.

Review of the selected 10 purchases related to IT capital assets and inventory during the period noted:

- The District procured a number of IT capital assets through Multi-Year Financing Agreements with BOCES. Although we found that these items had been added to the IT Departments inventory database, we noted that these items were not added to the District's capital assets database.

### **Recommendations:**

We recommend that the District consider implementing the following to further improve internal controls and operational efficiencies related to capital assets and inventory:

1. Continue with efforts to define the protocols related to capital assets and inventory that includes the capital asset and inventory databases to effectively record, track and monitor these items. We recommend that the District perform a thorough, comprehensive physical inventory of all assets and inventory. The results of such inventory should include two lists: (1) a listing of capital assets from the capital asset database that were unable to be found and (2) a listing of capital assets found at locations that were excluded from the capital asset database. The District should utilize these lists to update the capital asset database accordingly and to determine why the discrepancies exist.
2. Assess the information in the Capital Assets Schedule for financial reporting purposes based on the results of the physical inventory of all capital assets to determine if the amounts need to be revised, which is likely due to the number of years since the District completed a thorough physical inventory.
3. Investigate the capital assets and inventory items that were not found in the capital asset database and the capital assets that were not found in their locations as noted in the findings above.
4. Assess *Board Policy #5620 – Fixed Asset Inventories, Accounting, and Tracking* by considering an increase regarding the District's capitalization threshold for vehicles, furniture and equipment from \$500 to a higher amount (e.g., \$5,000, which is the federal grant requirement and is adequate for financial statement purposes). We also recommend that the District ensure there are adequate procedures to track and monitor inventory items that are below the capitalization threshold.



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5. Develop procedures to perform a reconciliation of purchases based on the nVision financial system report listing all equipment related expenditures (i.e., 200 code report) periodically during the year and consider having the various departments assist with reviewing the asset listings of items from their departments to confirm the accuracy and completeness of the database. Another option is to consider including the asset tagging process as part of the purchasing and receiving procedures resulting in the capital assets being tagged when the items are received by the District.
6. Develop procedures to ensure compliance by the departments and main offices at the schools to inform the Business Office and IT Department about capital asset and inventory relocations to update the asset and inventory databases accordingly and timely with the correct locations.
7. Strengthen controls related to the management of the inventory within the Music Department and Facilities Department to ensure that these departments are properly tracking and recording their respective inventory items.
8. Develop procedures to replace worn or missing asset tags as needed to facilitate the physical inventories that are performed at the District related to capital assets.
9. Enhance the management of the IT capital assets and inventory by continuing the process of adding all these items into the web-based program in place of the spreadsheets. In addition, define the type of data to be entered for each asset (e.g., type of item, brand name, serial number, model number, building, room number, employee responsible [when applicable], etc.) which would enhance operational efficiencies and effectiveness.
10. Develop procedures to document the validation of the receipt of products/goods or services purchased through BOCES using financing and include this verification with the records of the respective BOCES documentation. We recommend that the Business Office ensure that the validation records are in place prior to commencing payments to BOCES related to the charges on the monthly invoice.

