



Cassadaga Valley Central School District Claims Processing and Inventories

Report of Examination

Period Covered:

July 1, 2004 - October 3, 2005

2006M-16



ALAN G. HEVESI

Table of Contents

	Page
AUTHORITY LETTER	3
EXECUTIVE SUMMARY	5
INTRODUCTION	7
Background	7
Objective	8
Scope and Methodology	8
Comments of District Officials and Corrective Action	8
CLAIMS PROCESSING	9
Recommendations	10
INVENTORIES	12
Recommendations	14
APPENDIX A Response From District Officials	15
APPENDIX B OSC Comments to Response From District Officials	20
APPENDIX C Audit Methodology and Standards	21
APPENDIX D How to Obtain Additional Copies of the Report	23
APPENDIX E Local Regional Office Listing	24

State of New York Office of the State Comptroller

Division of Local Government Services and Economic Development

May 2006

Dear School District Officials:

One of the Office of the State Comptroller's top priorities is to identify areas where school districts can improve their operations and provide guidance and services that will assist school district officials in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage school district officials to reduce costs, improve service delivery and to account for and protect their school districts' assets.

The reports issued by this Office are an important component in accomplishing these objectives. These reports are expected to be a resource and are designed to identify current and emerging fiscally related problems and provide recommendations for improvement. The following is our report on the Cassadaga Valley Central School District — Claims Processing and Inventories.

This audit was conducted pursuant to the State Comptroller's authority as set forth in Article 5, Section 1 of the State Constitution, and Article 3 of the General Municipal Law. The report contains opportunities for improvement for consideration by the Board of Education.

If we can be of assistance to you or if you have any questions concerning this report, please feel free to contact the local regional office for your county listed at the back of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government Services
and Economic Development*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Cassadaga Valley Central School District (District) is governed by the Board of Education (Board) which is comprised of five members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board. Some administrators perform multiple tasks for the District. The Superintendent authorizes District purchases by serving as its purchasing agent. The high school principal serves as the claims auditor, reviewing and approving the District's claims for payment. The business administrator serves as the treasurer.

The District maintains certain consumable inventories at various locations to supply its day-to-day operations. Gasoline and food supplies comprise two significant inventories in the District. A 4,000 gallon gasoline storage tank is located outside of the bus garage and officials turn on the pumps only during regular business hours. In addition, each of the District's three cafeterias (one at each of two elementary schools and one at the high school) has inventories of food that are used to make student meals.

Scope and Objective

The objective of our audit was to evaluate internal controls over the District's claims processing function, and gasoline and frozen meat inventories, to ensure that District assets were properly safeguarded. Our audit addressed the following questions for the period July 1, 2004 to October 3, 2005:

- Are internal controls over the claims processing function appropriately designed and operating effectively?
- Are internal controls over District gasoline and frozen meat inventories appropriately designed and operating effectively?

Audit Results

The claims processing function is not designed well because the Board did not adequately segregate the duties of the claims auditor from the business and purchasing functions. For example, the high school principal, who also is one of the acting superintendents, serves as the claims auditor. In addition

to his duties initiating certain purchases and approving claims as the high school principal, he told us that he could act as the District's purchasing agent in the Superintendent's absence. Because he has so many duties, he often is in the position of auditing claims that he initiated or approved in his other capacities. Our review of 59 claims disclosed deficiencies in departmental approval, purchasing agent authorization and itemization.

Neither the cafeteria coordinator, nor the transportation supervisor maintained perpetual inventory records for gasoline and frozen meat (or other food) supplies. The lack of such records made it impractical for us to establish accountability over gasoline and frozen meat supplies during our audit period. However, our limited tests found that officials either did not maintain accurate and complete usage records, or could not account for some gasoline and frozen meat supplies.

Comments of District Officials

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Introduction

Background

The Cassadaga Valley Central School District (District), located in Chautauqua County, covers an area of approximately 140 square miles. The District is governed by the Board of Education (Board) which is comprised of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

During the 2004-05 fiscal year, the District had an enrollment of 1,370 students in three schools. During the 2004-05 fiscal year, the District had approximately 230 employees and operating expenditures of approximately \$17 million. The major revenue sources for the District are real property taxes and State aid, and the major expenditures are employee salaries and related fringe benefits.

Some administrators perform multiple tasks for the District. The Superintendent authorizes District purchases by serving as its purchasing agent. The high school principal, who also is one of the acting superintendents, serves as the claims auditor, reviewing and approving the District's claims for payment. In addition, the business administrator is responsible for the recording and reporting of the District's financial activity, as well as serving as treasurer.

The District maintains certain consumable inventories at various locations to supply its day-to-day operations. Gasoline and food supplies comprise two significant inventories in the District. A 4,000 gallon gasoline storage tank is located outside of the bus garage and employees turn on the pumps only during regular business hours. During the 2004-05 fiscal year, the District purchased more than 5,600 gallons of gasoline (up from about 3,000 gallons during 2003-04) costing about \$8,600. In addition, each of the District's three cafeterias (one at each of two elementary schools and one at the high school) has inventories of food that are used to make student meals. During 2004-05, food expenditures totaled about \$186,000, and the District acquired surplus food from the Federal government valued at \$35,000. Frozen meat supplies comprised about 32 percent of the surplus food acquired.

Objective

The objective of our audit was to evaluate internal controls over the District's claims processing function and gasoline and frozen meat inventories to ensure that District assets were properly safeguarded. We focused our audit on the following questions:

- Are internal controls over the claims processing function appropriately designed and operating effectively?
- Are internal controls over District gasoline and frozen meat inventories appropriately designed and operating effectively?

Scope and Methodology

During this audit, we examined internal controls over claims processing and gasoline and frozen meat inventories for the period July 1, 2004 to October 3, 2005.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, the Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days. For guidance in preparing your plan of action, you may refer to applicable sections in the publication issued by the Office of the State Comptroller entitled *Local Government Management Guide*. We encourage the Board to make this plan available for public review in the District Clerk's office.

Claims Processing

An internal control system, which is established by management and implemented by District officials, is the integration of activities, plans, attitudes, policies and efforts of the people in an organization to provide reasonable assurance that the organization will achieve its goals and objectives. The foundation of any effective control environment is competent managers with integrity who attentively monitor operations. Having a good control environment helps ensure that all employees follow District policies and procedures.

In general, the objectives of internal controls over claims processing are to ensure that every claim contains enough supporting documentation to determine that it complies with District policies, and that the amounts claimed represent actual and necessary District expenses. When internal controls are not designed appropriately or operating effectively, it increases the risk that employee errors and irregularities may occur and not be detected and corrected. Properly segregating duties is another key element in the internal control system. District officials should set up the duties so that no single individual controls all phases of a financial transaction.

A claims auditor serves a critical District function since the individual assumes the Board's powers and duties with respect to auditing claims. The person ensures that all vendor claims are proper and legal before authorizing payment. As such, the claims auditor should not be the Superintendent or other official responsible for business management, and the person should be independent of the District's purchasing and accounting functions. In addition, a claims auditor should have a clear understanding of the Board's expectations and his or her responsibilities. Written job descriptions, Board policies and/or regulations provide detailed instructions and expectations for a claims auditor. Further, except for a few statutory exceptions, the treasurer should pay vendors only after receiving a warrant of the claims approved by the claims auditor.

We found that the claims auditor's duties are not adequately segregated from the business operations and purchasing functions. The high school principal, who also is one of the acting superintendents, serves as the claims auditor. In addition to his duties initiating certain purchases and approving claims as the high school principal, he told us that he

could act as the District's purchasing agent in the Superintendent's absence. Because he has so many duties, he often is in the position of auditing claims that he initiated or approved in his other capacities. We also found that the claims auditor did not prepare a warrant for the treasurer's use that documented the vendor claims that he had approved for payment.

Due to the internal control weaknesses noted, we examined 59 District claims, aggregating over \$50,000, that the claims auditor approved for payment to determine if they were properly authorized, itemized, documented, and a proper District expenditure. Although many claims were handled properly, our audit revealed the following:

- Ten claims lacked departmental approval. Six of the claims represented payments to District officials and employees. In addition, the business administrator gave departmental approval to two other claims initiated by the high school principal. Because the high school principal also serves as the claims auditor, the audit function lacked the needed independence from the process that initiated the claims.
- District policy required the purchasing agent to approve 31 of the 59 vendor claims examined before District officials could incur the expense. However, seven claims needing such approval lacked documentation that the purchasing agent had authorized the purchase or reimbursement.
- Seven claims lacked proper itemization and/or documentation. For example, claims totaling \$1,263 and \$120, for a field trip and dinner, respectively, provided no information as to who and/or how many people attended.

These deficiencies in claims processing could lead to errors and irregularities occurring and not being detected and corrected in a timely manner.

Recommendations

1. The Board should consider appointing someone other than the high school principal and acting superintendent to the position of claims auditor. When considering eligible candidates, the Board should not appoint a member of the Board, the clerk or treasurer, the Superintendent or anyone responsible for business management, the person designated as purchasing agent, or anyone directly involved in the accounting and purchasing functions.

2. The claims auditor should provide a signed warrant to the treasurer documenting that only the vendors' claims that he has approved are authorized for payment.
3. The Board should establish written policy guidance for the claims auditor. The policy should ensure that the claims audit function determines that every claim contains adequate itemization and documentation to determine that it is a proper business charge, approved by the department as actually being received, and complies with District policies, including having the prior authorization of the purchasing agent. The Board then should monitor the activities of the claims auditor to ensure that he complies with the guidance.

Inventories

Good control procedures and accurate records over consumable inventories such as gasoline and frozen meat are important elements of an internal control system. District officials must ensure that consumable inventories are protected from loss, their value is maintained and they are used effectively. District officials can accomplish these objectives by adopting policies, maintaining complete and accurate perpetual inventory and usage records, conducting periodic inventories, establishing other safeguards (e.g., limiting physical access) and performing analytical reviews of records.

Perpetual inventory records provide documentation of the amount of gasoline or frozen meat that the District should have on hand at any given point in time. Periodically, physical inventories should be conducted and the results compared to the perpetual inventory records. Any discrepancies should be investigated and resolved. This is a necessary safeguard to ensure that District assets are being appropriately safeguarded from loss or misuse.

Periodic analytical reviews of consumable inventory records help to disclose unusual items or trends requiring further investigation. Any items that do not fit an expected pattern, seem out of place, are missing, or do not comply with known authorizations should be investigated and resolved.

District officials did not maintain perpetual inventory records for gasoline and frozen meat supplies or any other food related items they purchased for the District. However, we limited our review of inventory controls to gasoline and frozen meat supplies. The cafeteria coordinator told us that she was unaware of the need to maintain perpetual inventory records. The transportation supervisor indicated that cost (i.e., for computerized software) was a significant obstacle to implementing a perpetual inventory system for gasoline and that he does not have sufficient time to manually track the necessary information. In addition, District officials did not perform analytical reviews of consumable inventory records. While the cost of a computerized system is a factor to consider, District officials could also determine that a manual system would be sufficient to meet the District's needs. Any additional time needed to establish and maintain the system is an effective use of District resources. Such a

system would ensure that District assets are properly accounted for and safeguarded.

The failure to maintain perpetual inventory records results in a lack of accountability over consumable inventories since no running balances exist for what should be on-hand at the District. As a result, the District faces an increased risk that errors and irregularities could occur and go undetected.

Due to a lack of perpetual inventory records, it is impractical for us to establish accountability over gasoline and frozen meat supplies during our audit period. However, we performed some inquiries and limited tests of the District's gasoline and frozen meat usage records and found the following:

- Frozen Meat Production Sheets – The District maintains three cafeterias, one at each of two elementary schools and one at the high school. Each cafeteria manager records food usage on daily production sheets, as well as recording food and supplies when received. The cafeteria coordinator supervises the cafeteria managers and administers the lunch program.

District officials told us that certain items used by cafeteria employees in smaller than one-unit (e.g., a box) quantities were not recorded on the daily production sheets. For example, when District employees did not want to purchase selections from the regular student menu, cafeteria employees would make them alternate meals. Often, cafeteria employees did not record the small quantities used for such meals on the daily production sheets.

- Transportation Mileage Sheets – During the 2004-05 school year, the District used six gasoline-powered vehicles, three within the transportation department and three within the buildings and grounds department. When an employee pumps gasoline into a transportation department vehicle, he or she is supposed to obtain a mileage sheet for the vehicle and record the date and amount of fuel pumped, as well as the vehicle's mileage between fills. However, our review of the 2004-05 mileage sheets disclosed gaps totaling 1,378 miles in the mileages recorded for the three transportation department vehicles. In addition, although employees tracked vehicle mileages for the three buildings and grounds vehicles, they did not record the date and amount of gasoline pumped into

those vehicles. The transportation supervisor indicated that he does not perform any analysis of miles per gallon or maintain a perpetual inventory and therefore did not notice the gaps in mileage or the lack of fueling records.

Inaccurate and incomplete usage records also result in a lack of accountability over consumable inventories and an increased risk that errors and irregularities might occur and go undetected.

Recommendations

4. District officials should establish and maintain perpetual inventory records for gasoline, food (including frozen meat) and other food related items. Once established, officials should reconcile the perpetual inventory records periodically to a physical inventory and follow-up on any material differences.
5. The cafeteria coordinator and transportation supervisor should takes steps to ensure that employees maintain complete and accurate production sheets and mileage sheets, respectively.
6. The business administrator, or the District's internal auditor under the guidance of the Board's audit committee, should perform periodic analytical reviews of the consumable inventory records maintained.

APPENDIX A
RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

Cassadaga Valley Central School

Route 60, PO Box 540
Sinclairville, New York 14782-0540
716-962-5155, FAX 716-962-5976
cwweb.wnyric.org

Superintendent
JOHN C. BROWN

Business Administrator
DEBRA McAVOY

High School
JUD FOY
962-8581

Middle School
RICHARD SIEGEL
962-8581

Sinclairville Elementary
KATHLEEN CARLSON
962-5195

Cassadaga Elementary
ROBERTA TRAKS
595-3070

Special Education
DONNALEE SHIELDS
962-4012

Buildings & Grounds
THOMAS ZANGHI
962-8581

Transportation
JASON FARNHAM
962-5185

April 13, 2006

Office of the State Comptroller
Buffalo Regional Office
295 Main Street, Room 1050
Buffalo NY 14203

The Board of Education and Administration of the Cassadaga Valley Central School District are generally pleased with the results of our Comptroller's Office audit. In light of the overall scope of the audit and the amount of data analyzed, we are particularly pleased that no effect or wrongdoing was found by the auditors.

We appreciate the opportunity to be one of the first group of districts chosen statewide by for the Comptroller's Audit and the first in Chautauqua County. Although the process involved a ten-week period of actual field work and was time consuming for district staff, it was a rewarding experience to be assured that we are:

- Working effectively to maintain accurate financial records.
- Making sound financial decisions.
- Functioning as good steward's for the taxpayers of our school district.

The comments made by the auditors during our exit conference indicated that we are indeed doing a good job; however, the purpose of the report is not to make any positive comments about how the district operates; only to outline the shortfalls and to give recommendations for improvement. The district recognizes this and realizes that the underlying tone of the report is only to address these shortfalls and to make recommendations. We truly believe that it is unfortunate that the focus of this report is only to convey negative comments and not convey the positive policies and procedures our district already has in place. In addition, the report does nothing to convey the hard-working, honest, ethical attitudes of district employees.

See
Note 1
Page 20

RESPONSE TO RECOMMENDATIONS:

As we discussed during our exit conference, the internal claims auditor is not the assistant superintendent, but the acting superintendent and it was agreed that this terminology would be changed throughout the report.

The first comment regarding the inadequate segregation of duties of the internal claims auditor from business and purchasing functions is unfounded according to the Board of Education, Superintendent and Business Administrator. As is common with many small school districts, some administrators do perform multiple tasks for the district. The business administrator serves as district treasurer, which is again very common in small school districts.

See
Note 2
Page 20

However, there is no designation by the Board of Education for the internal claims auditor to have any responsibility for business or purchasing functions. As per our discussion at the exit conference with the State auditors, the internal claims auditor also occasionally serves as the acting superintendent. The position of internal claims auditor is currently held by the high school principal; and as such, and as stated above he does occasionally function as an acting superintendent, along with several other district administrators, in the superintendents' absence (as he indicated in an interview with State auditing staff). This is not any kind of official designation for fiduciary responsibilities; it is a management designation in the event of an emergency situation in the superintendent's absence. In addition, the internal claims auditor or any other district employee has not been authorized to sign a purchase order in the absence of the purchasing agent. No purchase order inspected by the auditors was signed by any person other than the superintendent/purchasing agent.

The district will follow the audit report recommendations and reassign the duties of the internal claims auditor to another staff member and this designation will be made at the July reorganizational meeting.

In regard to the internal control weaknesses found:

- Ten claims lacking departmental approval: The major problem in this process was the purchasing agent was not approving claim forms and vendor payment forms; this entire process has been reorganized and all forms have now been revised. Prior to the audit, all purchase orders and conference request forms were approved by the purchasing agent (superintendent), but he did not sign individual claim forms after the employee attended the conference since he already approved the expenditure. These forms were approved by the business administrator and the internal claims auditor. The process was changed during the 2005-06 fiscal year and upon the recommendations of the auditors; the purchasing agent now signs all purchase orders, claim forms, employee reimbursement forms, and mileage reimbursement forms. In the event a purchase request is initiated by the high school principal, the proper sign-offs are in place. In all cases, any purchases are approved by the building principal or supervisor, business administrator, purchasing agent, and internal claims auditor. Extensive procedures are in place for making sure all signatures are complete. This has become a very time consuming process, however, we are now in compliance.
- Seven claims lacking documentation of the purchasing agent's signature (addressed above)
- Seven claims lacking proper itemization or documentation: Our procedures have been revised for any claims for field trips or conference travel; purchase requests are now required for any field trip specifically documenting the number of students attending and the admission price; the district will revise the policy for conference travel in the next few months (to be addressed in the board's action plan).

Recommendations in the Report:

Internal Claims Auditor

Comptroller Recommendation #1: The Board should consider appointing someone other than the high school principal and acting superintendent to the office of internal claims auditor. When considering eligible candidates, the Board should not appoint a member of the Board, the clerk or treasurer, the superintendent or anyone responsible for business management, the person designated as purchasing agent or anyone directly involved in the accounting and purchasing function.

Response: A change will be made in this appointment at the July reorganizational meeting. The person appointed will not be the high school principal or any person serving as acting superintendent, the person will not be a member of the board, the clerk or the treasurer, the superintendent or anyone with responsibility for business management, will not be designated as the purchasing agent, and will not be involved in the accounting or purchasing functions.

Comptroller Recommendation #2: *The internal claims auditor should provide a signed warrant to the treasurer documenting that the vendor's claims have been approved for payment.*

Response: internal procedures have been modified and the internal claims auditor and treasurer are both reviewing the warrant report along with the check stubs. The treasurer is validating check stubs with check copies and documentation.

Comptroller Recommendation #3: *The Board should establish written policy guidance for the internal claims auditor. The policy should ensure that the claims audit function determines that every claim contains adequate itemization and documentation to determine that it is a proper business charge approved by the department as actually being received, and complies with District policies, including having the prior authorization of the purchasing agent. The Board then should monitor the activities of the internal claims auditor to ensure that he complies with the guidance.*

Response: The board will develop this policy and have it drafted to provide guidelines for the new internal claims auditor (to be addressed in the board's action plan).

Inventories

Comptroller Recommendation #4: *The District officials should establish and maintain perpetual inventory records for gasoline, food (including frozen meat) and other related items. Once established, officials should reconcile perpetual inventory records periodically to a physical inventory and follow-up on any material differences.*

Response: In regard to gasoline inventory, the district has been obtaining quotes for a gasoline computerized dispensing system which will maintain a computerized log of gasoline and diesel usage by vehicle. The transportation department supervisor will also stick the tank as the auditors recommended and keep a log. The cost of this system to district taxpayers will be just under \$10,000. The planned implementation of this system will be in time for the 2006-07 school year.

The comment was also made in the report that a 4,000 gallon gasoline storage tank is turned on during regular business hours. Since the audit, the tanks are now being padlocked and opened only by the transportation department supervisor (or his designee in his absence) with logs being maintained as fuel is pumped into district-owned vehicles.

The district will explore purchasing or developing a computerized inventory system for monitoring cafeteria inventory. This has not been completed to date, but we are exploring our options (this will be included in the board's action plan).

We believe that these perpetual inventory systems are important, however, it will require both staff time and financial resources to support the systems.

Comptroller Recommendation #5: *The cafeteria coordinator and transportation supervisor should take steps to ensure that employees maintain complete and accurate production sheets and mileage sheets, respectively.*

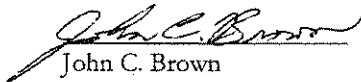
Response: The cafeteria coordinator will review production sheets and ensure the completeness and accuracy of such sheets. In addition, a system has been in place to maintain mileage sheets on all district vehicles. The exception the auditors found was with operations and maintenance vehicles. Mileage sheets are now being maintained for all district-owned vehicles.

Comptroller Recommendation #6: *The business manager, or the District's internal auditor under the guidance of the Board's audit committee, should perform periodical analytical reviews of the consumable inventory records maintained.*

Response: The board and administration will develop procedures to make sure the analytical review process is implemented (also to be included in the board's action plan).

In conclusion, the audit process has been a very worthwhile endeavor for the district; we are always looking for ways to improve our operations and internal control policies. Most of the suggestions the auditors made throughout the process were immediately implemented. It is always a positive experience to review the business practices of an organization and make improvements in operations.

We are also very pleased that the audit report indicates no effect or wrongdoing from the procedures the district had in place. The auditors indicated that opportunities existed and more controls needed to be implemented. These comments have been taken very seriously and many changes have been put in place. The district and the board of education have high praise for the honesty and integrity of our staff members. This report should reinforce the trust that taxpayers and residents of our community have held steadfast for many years.


John C. Brown

Superintendent
Title

April 13, 2006
Date

APPENDIX B

OSC COMMENTS TO RESPONSE FROM DISTRICT OFFICIALS

Note 1:

As described in Appendix B, our audits initially assess internal control risks within a District. As such, many audits tend to focus on identifying areas for improvement. However, if we determine that there are adequate internal controls in place to safeguard assets, we issue positive audit reports detailing those operations with good controls.

Note 2:

District officials are wrong that our finding was “unfounded” about the claims auditor’s duties being inadequately segregated. Education Law, Section 1709 provides that no person shall be eligible for appointment to the office of claims auditor who shall also be a clerical or professional person directly involved in the accounting or purchasing functions of the school district. In addition, the statute prohibits the superintendent and any official responsible for business management from serving in the position. Clearly the principal’s duties and responsibilities would prohibit the Board from having him serve as the claims auditor. Despite the Superintendent’s claim that Cassadaga is a small school district where it is common for administrators to perform multiple tasks, any organization employing 230 employees should be able to train someone other than an individual performing key business functions to serve as the claims auditor.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: cash receipts and disbursements, purchasing, payroll and personal services, and capital assets and consumable inventories.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents such as District policies and procedures manuals, Board of Education minutes and financial records and reports. We obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the District's financial transactions as recorded in its databases. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected claims processing and gasoline and frozen meat inventories for further audit testing.

Within claims processing, we focused our attention on the approval of purchases and the approval for payment for various types of goods and services acquired, including special attention to claims for reimbursement of expenses for officials and employees. We also focused on whether certain claims processing duties were adequately segregated from other financial activities. We interviewed officials, observed transactions and examined the following financial records to determine the effectiveness of internal controls pertaining to these functions and any associated effects of deficiencies in those controls:

- Vendor History Reports
- Requisitions
- Conference Request Forms
- Employee Reimbursement Forms
- Purchase Orders
- Claims
- Checks

Within consumable inventories, we focused our attention on food and vehicle fuel inventories based on the dollar significance and risk associated with each. Within food, we further limited our testing to certain frozen meat items which represented approximately 33 percent of the approximately \$35,000 value of surplus food received during the 2004-05 fiscal year. Within vehicle fuel, we further limited our testing to gasoline.

We examined the following financial records in an effort to determine if frozen meat items and gasoline were properly safeguarded and the possible effect if they were not:

- Vehicle fuel claims for gasoline purchases
- Weekly usage sheets for gasoline powered vehicles which show fuel pumped and mileage
- Cafeteria physical inventories conducted for the District's June 30, 2005 financial statements
- Food delivery slips for frozen meat from June 30, 2005 to September 21, 2005
- Daily production sheets for the three cafeterias from June 30, 2005 to September 21, 2005.

We also performed a physical inventory of frozen meat on September 21, 2005.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). Such standards require that we plan and conduct our audit to assess adequately those District operations within our audit scope. Further, those standards require that we understand the district's management controls and those laws, rules and regulations that are relevant to the District's operations included in our scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in accounting and operating records and applying such other auditing procedures, as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for the findings, conclusions and recommendations contained in this report.

APPENDIX D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX E
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT SERVICES
AND ECONOMIC DEVELOPMENT

Mark P. Pattison, Deputy Comptroller
Steven J. Hancox, Assistant Comptroller
John Clarkson, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BUFFALO REGIONAL OFFICE

Robert Meller, Chief Examiner
Office of the State Comptroller
295 Main Street, Room 1050
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Bufferalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates
counties

SYRACUSE REGIONAL OFFICE

Debora Wagner, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence counties

BINGHAMTON REGIONAL OFFICE

Patrick Carbone, Chief Examiner
Office of the State Comptroller
State Office Building, Room 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins
counties

GLENS FALLS REGIONAL OFFICE

Karl Smoczynski, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Clinton, Essex, Franklin, Fulton, Hamilton,
Montgomery, Rensselaer, Saratoga, Warren, Washington
counties

ALBANY REGIONAL OFFICE

Christopher J. Ellis, Chief Examiner
Office of the State Comptroller
22 Computer Drive West
Albany, New York 12205-1695
(518) 438-0093 Fax (518) 438-0367
Email: Muni-Albany@osc.state.ny.us

Serving: Albany, Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Schenectady, Ulster, Westchester
counties

HAUPPAUGE REGIONAL OFFICE

Richard J. Rennard, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau, Suffolk counties