



# Roslyn Union Free School District Anatomy of a Scandal Follow-Up Audit

Report of Examination

Period Covered:

September 2005 - January 2006

2006M-70



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# State of New York Office of the State Comptroller

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## **Division of Local Government Services and Economic Development**

November 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. Further objectives 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 Roslyn Union Free School District — Anatomy of a Scandal Follow-Up Audit.

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

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

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# EXECUTIVE SUMMARY

The Roslyn Union Free School District (District) is governed by the Board of Education (Board) which comprises seven 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.

We initiated a forensic audit on June 1, 2004. Our audit report, "Roslyn Union Free School District — Anatomy of a Scandal" (2005M-21), was issued in March 2005.<sup>1</sup> We found that more than \$11 million of District funds were used for personal expenses. The report included 27 recommendations for which District officials were responsible for resolving. Since our forensic audit was issued, District officials have taken steps to improve the District's financial integrity, including hiring a new external auditing firm, appointing an audit committee, and changing computer software companies.

### **Scope and Objective**

We assessed the controls implemented by the District and performed limited examinations of financial records, adopted policies and other related documents for the period September 2005 to January 2006. Our audit addressed the following question:

- Did District officials take appropriate action to implement or resolve recommendations contained in the audit report "Anatomy of a Scandal" that was issued in March 2005?

### **Audit Results**

Of the 27 recommendations that we made in the previous audit report, District officials fully implemented 12 recommendations, partially implemented 10 recommendations, and did not implement five recommendations.

The Board did not take action to effectively implement five recommended steps:

- While the Board adopted a travel reimbursement policy, District personnel are not following it. We reviewed 26 claims and found that the Board did not approve five of the 26 claims, almost 20 percent, prior to the travel occurring. These five claims were for mileage reimbursements and conference registrations.

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<sup>1</sup> [www.osc.state.ny.us/localgov/audits/2005/schools/roslyn2.pdf](http://www.osc.state.ny.us/localgov/audits/2005/schools/roslyn2.pdf)

- District officials did not adopt a policy to ensure that all public disclosure requirements of Education Law, Section 1716 were met for the Superintendent and any Assistant Superintendent.
- District officials did not ensure that all amendments to contracts and copies of payroll action sheets, supporting Board-approved changes in the terms and conditions of employment for contractual employees, were filed with the District Clerk. The District Clerk maintained only the Superintendent's contract and amendments to his contract, and her own contract.
- District officials have not created any written policies or procedures that list employee job descriptions and assign computer system user permissions to match those job functions. We found that four business office employees inappropriately have permission to access the Treasurer's check signature disk on the computer. This is a serious internal control weakness and demonstrates that the District has not effectively addressed this recommendation. This increases the risk that an unauthorized disbursement of cash may occur if these employees were to gain physical access to the signature disk.
- District officials did not establish any policy or procedure to review computer system user permissions on an ongoing basis. Once a user is granted access to the District's computer system, District personnel do not perform a review of that user's permissions. District officials also did not establish a procedure to request that the Information Technology (IT) Department immediately disable user accounts when employees are on extended leave or are no longer employed by the District. We found that access to the District's computer system was removed between one and four months after employment ended for three employees.

The Board partially implemented 10 recommendations. Some examples include:

- The District continues to circumvent the Internal Claims Audit process by making payments before the Internal Claims Auditor reviews and approves warrants. An ineffective Internal Claims Auditing process was one of the key internal control weaknesses that allowed prior frauds at the District to go undetected. The District should not make any payments until the Internal Claims Auditor reviews, approves, and signs the claims and the warrants.
- The Superintendent did not routinely approve budget transfers up to \$3,000, according to the adopted policy. We found that 10 of 11 transfers, each less than \$3,000, totaling \$10,023, were approved by the Interim Assistant Superintendent for Business.
- Although the District's policy indicates that District personnel should not use District credit cards, we found five payments made by the District to Home Depot Credit Card Services totaling \$6,585. The holder of the credit card is the Director of Buildings and Grounds. The Superintendent and the Interim Assistant Superintendent for Business were not aware that this credit card was still being used for District purchases.
- The Board adopted a purchasing policy in July 2005 designating the Assistant Superintendent for Business as the District's purchasing agent. We found that between September 2005 and January 2006, the Assistant Administrator for Business had been approving purchase orders.

- The District’s extra-curricular fund policy indicates that all disbursements from the fund must be by a check signed by the building principal, the extra-curricular fund treasurer and when applicable, by the treasurer of the specific extra-curricular activity. We reviewed two disbursements from the Middle School and two from the High School and found that the checks were signed only by the treasurer of the specific extra-curricular activity. The building principal did not sign these checks. Furthermore, the Superintendent had not presented a monthly report of the extra-curricular funds to the Board, as required by the adopted policy.

### **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 have already initiated corrective action.

# Introduction

## Background

The Roslyn School District (District) is located in the Town of North Hempstead, in Nassau County. The District is governed by the Board of Education (Board) which comprises seven 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.

There are five schools in operation within the District, with approximately 3,400 students. The District's budgeted expenditures for the 2005-06 fiscal year were \$80 million, which were funded primarily with real property taxes and State aid.

In early 2004, allegations surfaced alleging a substantial misappropriation of District funds over a period of several years. The Nassau County District Attorney commenced an investigation and in June 2004 he arrested Pamela Gluckin, the District's former Assistant Superintendent for Business, and charged her with stealing more than \$1 million from the District. Soon thereafter, Superintendent Frank Tassone and Account Clerk Deborah Rigano (Gluckin's niece) resigned and were ultimately arrested and charged with first- and second-degree grand larceny, respectively.

We initiated a forensic audit on June 1, 2004. Our audit report, "Roslyn Union Free School District — Anatomy of a Scandal" (2005M-21), was issued in March 2005.<sup>2</sup> We found that more than \$11 million of District funds were used for personal expenses. The report included 27 recommendations which District officials were responsible for resolving. Since our forensic audit was issued, District officials have taken steps to improve the District's financial integrity, including hiring a new external auditing firm, appointing an audit committee, and changing computer software companies.

## Objective

The objective of our audit was to determine whether District officials have taken appropriate action to implement or resolve recommendations contained in our report. Our audit addressed the following question:

<sup>2</sup> [www.osc.state.ny.us/localgov/audits/2005/schools/roslyn2.pdf](http://www.osc.state.ny.us/localgov/audits/2005/schools/roslyn2.pdf)

- Did District officials take appropriate action to implement or resolve recommendations contained in the audit report “Roslyn Union Free School District — Anatomy of a Scandal” issued in March 2005?

**Scope and  
Methodology**

During this audit we assessed the controls implemented by the District and examined financial records, adopted policies and other related documents for the period September 2005 to January 2006.

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 B 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 have already initiated corrective action.

## Status of Audit Recommendations

We found that the Board and District officials have made some progress in correcting some of the problems that we identified in our initial report. However, District officials need to implement additional improvements. Of the 27 audit recommendations, 12 recommendations were implemented, 10 recommendations were partially implemented and five recommendations were not implemented.

### Recommendation 1 — Written Policies

The Board should establish written policies for:

- Cash receipts and revenue collection
- Cash disbursements and accounts payable
- Payroll
- Accounting and auditing of extra-classroom activity funds
- Bank and account reconciliations
- Travel
- Credit cards
- Checks
- Signature plates/disks
- Cellular phones
- Fixed assets
- Petty cash.

Status of Corrective Action: Partially implemented

Observations/Findings — Our analysis of the actions taken by the Board for the specific policies are as follows:

- Cash Receipts and Revenue Collection — Not implemented. The Board has not yet established a written policy covering this function.
- Cash Disbursements and Accounts Payable — Fully implemented. In July 2005, the Board revised the District's purchasing policy and regulations. As further explained in Recommendation 8, we determined that this policy was appropriately designed and operating effectively.
- Payroll — Fully implemented. The Board adopted a payroll procedures policy in July 2005. As further explained in Recommendation 18, we determined that this policy was appropriately designed and operating effectively.

- Accounting and Auditing of Extra-Classroom Activity Funds — Partially implemented. The extra-curricular fund policy adopted by the Board in July 2005 requires that all disbursements from extra-classroom activity funds be disbursed by check and that checks must be signed by the building principal, extracurricular fund treasurer, and when applicable, by the treasurer of the activity involved. In addition, the District’s “Authorized Signatures” policy specifies that student activity account checks must be signed by “both the manager of student activity accounts and the comptroller of the extracurricular activity fund.” We reviewed two payments for extra-curricular funds made by the Middle School, and two by the High School, and found that these checks were signed by the District Treasurer who is appointed by the Board. The extra-curricular fund policy also indicates that the Superintendent must present a monthly report of the funds to the Board. We found that no report has been presented to the Board regarding the activities in the extra-classroom funds, except for the annual financial statements prepared by the independent auditor.
- Bank and Account Reconciliation — Not implemented. The Board did not establish a written policy that was specific to bank and account reconciliation. The Board’s “Fiscal Accounting and Reporting Policy” simply indicates that the Treasurer must keep the Board informed of the District’s financial status through monthly cash reconciliation and budget status reports. We found that the District’s Principal Account Clerk has properly prepared the bank reconciliations in a timely manner.
- Travel — Fully implemented. The Board revised the District’s travel and reimbursement policy in July 2005. We determined that this policy was appropriately designed. As further explained in Recommendations 9 and 10, we determined that this policy was not operating as designed.
- Credit Cards — Partially implemented. The Board’s adopted policy indicates that the District does not authorize the use of credit cards. However, we found that the District made five payments to Home Depot Credit Card Services, totaling \$6,585, for various maintenance materials, a generator, and a lawn tractor. We confirmed with the Superintendent that these payments were legitimate and reasonable purchases for the District. Aside from the Director of Buildings and Grounds,

who was the credit card holder, other District officials were not aware that this credit card was in existence. When we brought this matter to the Superintendent's attention, he indicated that he would recommend that the Board amend the credit card policy to allow the Director of Buildings and Grounds to use the Home Depot credit card solely for emergency purposes.

- Checks — Fully implemented. The Board adopted a check-signing policy that indicates that the District Treasurer is authorized to sign all District checks. In the absence of the Treasurer, the Superintendent, or the Board President may sign checks. In the absence of the Board President, the Board Vice President or an assigned Board member may sign District checks. This policy is supplemented by a board resolution authorizing the District Clerk to co-sign each check. We reviewed 10 claims paid by the District during the period September 2005 to December 2005, with amounts ranging from \$48 to \$21,000 and found that District officials used signature disks to sign the checks. Each check was signed by both the Treasurer and the District Clerk. The District's Accounting Department maintains a log of checks signed to verify the sequence of check numbers used, which is initialed by the Treasurer and District Clerk.
- Signature Plates/Disks — Fully implemented. The District's "Authorized Signatures" policy indicates that the District Treasurer and District Clerk must retain access to their signature disks, and not surrender or delegate this responsibility to any other individual. In the absence of the Treasurer, the Assistant Superintendent for Business is responsible for signing checks and safeguarding the Treasurer's disk. In the absence of the District Clerk, the Interim Assistant Superintendent for Human Resources is authorized to use the disk.
- Cellular Phones — Partially implemented. The District's adopted cellular phone policy and regulations list a sample of employees whose positions require them to carry District-owned cellular phones to meet their job responsibilities. The policy indicates that if an employee uses a District-owned cellular telephone for non-business purposes, the employee must reimburse the District within 30 days of notice. In February 2006, we requested a list of all District cellular phone numbers and the individuals assigned to these numbers. However, instead of providing us with this information, the District gave us a list dated March 2004 that listed those

individuals who were responsible for approving cellular phone bills, and the number of cellular telephone lines they were responsible for approving. In addition, District officials told us that they have not reviewed the cellular phone bills to determine if any calls were for non-business purposes.

- **Fixed Assets** — Partially implemented. In March 2004, the Board adopted a policy addressing acquisition and storage, and in July 2005, it adopted an asset disposal policy. An independent company performs a physical inventory of the District's fixed assets annually. The most recent physical inventory was completed in June 2005. We selected three purchases that the District made between September and November 2005 to ensure that these items were included in the District's inventory records. The three purchases included a dump truck (\$37,617), computers with accessories (\$4,192), and a digital camera (\$930). We requested the fixed assets records maintained by the District to ensure that these newly acquired assets had been appropriately recorded. However, these items were simply included in the cash disbursements records, but were not added to any inventory list. No other record is maintained by the District to help ensure that its annual fixed asset inventory is completely updated for items that have been acquired or disposed of.
- **Petty Cash** — Fully implemented. The Board revised the petty cash policy and regulation in July 2005. We reviewed two payments made to one of the seven custodians of petty cash funds to ensure that requests for replenishing the funds are accompanied by the appropriate documents, which are required by the policy. The claims packages reviewed contained the request from the custodian, the disbursements made (not exceeding \$100) along with receipts (\$10 limit per reimbursed receipt), and were appropriately approved by the internal auditor.

### **Recommendation 2 — Annual Evaluation**

An annual evaluation of District policies and procedures should be conducted by the Board.

Status of Corrective Action: Fully implemented

Observations/Findings — In July 2005, the Board adopted various policies covering governance and operation, and fiscal management. The Interim Assistant Superintendent for Business, Assistant Business

Administrator, Board President, and a Board member told us that the Board reviews the District's policies on an ongoing basis. Furthermore, the District is planning to contract with the New York State School Board Association (NYSSBA) to perform a review of the District's policies during the 2006-07 school year. In addition, the Board's Citizen's Audit Advisory Committee (CAAC) reviews all policies adopted by the Board. The Board passed a resolution that requires the CAAC, the Budget Committee, and the Superintendent to review all District internal control processes and implement solutions.

### **Recommendation 3 — Limit on Budget Transfers**

The District's policy on budget transfers and budget monitoring must be brought into compliance with rules and regulations of the State Education Department (SED) and guidance provided by the Office of the State Comptroller. If the Board chooses to allow the Superintendent to approve transfers, a limit on the amount that can be transferred without Board approval should be specified in the policy.

Status of Corrective Action: Partially implemented

Observations/Findings — Although Education Law<sup>3</sup> requires the Superintendent of Schools to authorize all budget transfers, the Superintendent may delegate the duties of calculating the budget transfers. In July 2005, the Board revised the District's budget transfer policy. The revised policy authorizes the Superintendent to make budget transfers up to \$3,000. Any transfer that exceeds this threshold must be made by the Board through a resolution authorizing the transfer.

We reviewed 15 transfers that were greater than \$3,000, and 11 transfers that were less than \$3,000, for the months of September 2005, December 2005, and January 2006. The Board approved all 15 transfers that were greater than \$3,000. However, the Superintendent did not approve 10 of the 11 transfers (totaling \$10,023) which were less than \$3,000. Instead, the Interim Assistant Superintendent for Business approved those 10 budget transfers. We brought this matter to the attention of the Superintendent and he indicated that he will now authorize all budget transfers.

### **Recommendation 4 — Presentation of Budget Status Reports**

The Treasurer should present an analysis of the Budget Status Report at least quarterly at a public meeting.

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<sup>3</sup> Section 1711(1)

Status of Corrective Action: Fully implemented

Observations/Findings — At each monthly Board meeting from August 2005 to December 2005, the Treasurer presented the monthly Budget Status Report and the Treasurer’s Report to the Board. The Treasurer delayed submitting the November 2005 Budget Status Report until February 2006, because the Board requested additional information to be included with the reports presented.

**Recommendation 5 — Review of Budget Status Reports**

The Board should routinely review District financial information and reports, including the Budget Status Report on a monthly basis.

Status of Corrective Action: Fully implemented

Observations/Findings — At each monthly Board meeting, from August 2005 to December 2005, the following financial reports (for June 2005 to October 2005) were presented to the Board: warrants,<sup>4</sup> the Treasurer’s Reports, cash disbursements/receipts, bank reconciliations, and monthly Budget Status Reports. The Board President and a Board member said that they review and analyze the financial reports presented to them on a monthly basis.

**Recommendation 6 — Audit Committee**

The Board should establish an audit committee to perform duties that include:

- Oversight of internal and external audit work
- Oversight of the internal and external auditor-selection process
- Review of District financial statements before presentation to the Board
- Monitoring of any District corrective action plan.

Status of Corrective Action: Fully implemented

Observations/Findings — In November 2004, the Board authorized the formation of the CAAC. The committee has 15 members who are not members of the Board or employees of the District. The Board Vice President is the Board’s liaison to the CAAC, and other Board

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<sup>4</sup> Warrants are a list of claims that the Internal Claims Auditor has approved for payment. After the Internal Claims Auditor approves the warrants, this function provides the proper authority for the District to disburse payments to those parties who made the original claims for payment.

members are invited to attend CAAC meetings as guests. Board members do not have any decision-making authority while attending CAAC meetings.

We found that the CAAC is performing an oversight function for the external audit work and internal auditor selection process, monitoring the District's corrective action plan, reviewing the District's monthly financial reports, and analyzing annual financial statements provided by the external auditors. District officials told us that the CAAC is developing a process for communicating their analysis of the monthly financial reports to the Board.

### **Recommendation 7 — Board Training**

The Board should be adequately trained in areas covering the basics of financial oversight, accountability and fiduciary responsibilities.

Status of Corrective Action: Fully implemented

Observations/Findings — Although only two of the Board members<sup>5</sup> were required to attend NYSSBA training,<sup>6</sup> we found that five Board members<sup>7</sup> attended the training.

### **Recommendation 8 — Press-Numbered Purchase Orders**

Press-numbered purchase orders should be used to help guarantee that purchase orders are not duplicated, the sequence is intact and outstanding purchase orders are easily identified and accounted for.

Status of Corrective Action: Fully implemented

Observations/Findings — The District discontinued using Finance Manager<sup>8</sup> as the District's provider of accounting software effective July 1, 2005. If the District had not transferred software systems from Finance Manager to WinCap,<sup>9</sup> then it would have been appropriate for the District to use press-numbered purchase orders. However, with the new WinCap software, the system automatically inserts the numbers into the purchase orders.

<sup>5</sup> Board members Borowick and Waxman Ben-Levy.

<sup>6</sup> According to Chapter 263 of the Laws of 2005, all school board members elected or appointed on or after July 1, 2005 must now complete at least six hours of training on their financial oversight, accountability, and fiduciary responsibilities. The training must be completed within a year of their election and can be provided by any State Education Department approved trainer.

<sup>7</sup> Board members Borowick, Waxman Ben-Levy, Kline, Saffron, and Stern.

<sup>8</sup> Finance Manager was both the name of the District's accounting software package and the name of the software company that developed the software.

<sup>9</sup> WinCap is an accounting software package that is manufactured by Capital Computer Associates.

## **Recommendation 9 — Reimbursements**

Establish policies that clearly state the circumstances under which District employees may receive reimbursements, and require that claims are sufficiently detailed and adequately audited prior to payment.

Status of Corrective Action: Partially implemented

Observations/Findings — The Board adopted a travel reimbursement policy in July 2005 which describes the circumstances under which District employees may receive reimbursements. The policy also specifies that all claims must be made within 90 days of a conference, and it requires employees to submit a completed and signed expense voucher from the claimant, original receipts or other expense documents, and a copy of the approved conference attendance request form.

However, we found that District personnel continue to circumvent the Internal Claims Audit process by making payments before the Internal Claims Auditor reviews and approves warrants. An ineffective Internal Claims Auditing process was one of the key internal control weaknesses that allowed prior frauds at the District to go undetected. The District should not make any payments until claims and warrants have been reviewed, approved, and signed by the Internal Claims Auditor.

We reviewed 13 general fund warrants for the period September 2005 to January 2006. The Internal Claims Auditor signed 10 warrants between three days and 59 days after District personnel wrote and dated the checks. We reviewed 54 cancelled checks from four of these 10 warrants, and found that the payees deposited 28 of these checks before the Internal Claims Auditor signed the warrants. By signing the warrants, the Internal Claims Auditor certifies that he has audited the claims, and authorized the Treasurer to pay the claimants. For example, one of the 21 claims reviewed, for \$100 worth of damage to an employee's vehicle, did not have the Internal Claims Auditor's signature approving the claim. The reimbursement check was dated October 17, 2005, cashed on October 25, 2005, and listed on a warrant approved by the Internal Claims Auditor on October 27, 2005. The other 20 claims that we reviewed were signed and approved by the Internal Claims Auditor.

## **Recommendation 10 — Travel Policies**

Establish policies that specify the circumstances under which employees may travel. Initiate a travel request and approval process and require that all travel-related expenses are sufficiently detailed and adequately audited prior to payment.

Status of Corrective Action: Not implemented

Observations/Findings — In July 2005, the Board adopted a travel reimbursement policy that specifies that the Board must adopt a resolution to allow Board members, and District officials and staff members to attend any conference or professional meeting. The policy also states that the Board must approve attendance at all overnight or out-of-state conferences. The Superintendent must make a recommendation to the Board of whether attendance is in the best interest of the District. We found that the adopted policy is not being followed. We reviewed 26 claims, which included travel by the District Clerk, Administrative Assistant for Business, Vice President of the Board, and five Board members. Five of the 26 claims, almost 20 percent, were not approved by the Board prior to the travel occurring. These five claims were for mileage reimbursements and conference registrations.

For example, one claim was a \$732 reimbursement payment for food (\$62), lodging (\$529), and mileage (\$140) expenses that the District paid to the Administrative Assistant for Business (Administrative Assistant). The Superintendent did not make a recommendation to the Board as to whether the Administrative Assistant's attendance at the workshop was in the best interest of the District. In fact, the Superintendent approved the purchase requisition for the reimbursement payment after the Administrative Assistant had attended the workshop. In addition, the Board did not adopt a resolution before the workshop. Furthermore, although the Administrative Assistant was the claimant, he approved his own claim. The purchasing policy adopted by the Board in July 2005 designated the Assistant Superintendent for Business as the District's purchasing agent. However, between September 2005 and January 2006, the Administrative Assistant had been approving purchase orders.

The Administrative Assistant also did not include appropriate documentation (a lodging receipt and an "Application for Permission to Attend Conferences") with the claim. In total, District personnel also did not attach appropriate documentation to 13 of the 26 claims reviewed.

## **Recommendation 11 — Government Rates**

District employees should be required to secure government rates for lodging and apply the government per diem rates for meal allowances.

Status of Corrective Action: Partially implemented

Observations/Findings — The travel reimbursement policy adopted by the Board in July 2005 indicates that the District will reimburse lodging costs to employees at a rate not in excess of the rate charged by the event hotel, and it will provide a meal allowance of \$50 per day. Also, the policy states that employees must submit a detailed bill with their claims. The policy does not require District employees to secure government rates for lodging. We reviewed 26 claims and found two instances where District employees did not secure government rates for lodging. For one claim, an employee exceeded the government per diem rates for meal allowances, and the rate adopted by the Board.

## **Recommendation 12 — User Permissions**

Evaluate employee job descriptions and assign computer system user permissions that match job functions. Some functions involved in processing transactions need to be separated among different individuals to reduce the risk of fraudulent activities.

Status of Corrective Action: Not implemented

Observations/Findings — While District officials have not created any written policies or procedures that list employee job descriptions and assign computer system user permissions to match those job functions, two District officials perform this function. The Administrative Assistant for Business and the District's Network Specialist told us that the District does not have any written policies or procedures regarding the addition, deletion or modification of an employee's access to the computer system and to specific computer applications. However, the Administrative Assistant for Business authorizes user permissions for employees involved with the financial aspects of the District based on each employee's job description, and the Assistant Superintendent for Curriculum, Instruction and Technology authorizes user permissions for employees involved with educational areas. The Information Technology (IT) department then implements these permissions. The Administrative Assistant for Business and the Assistant Superintendent for Curriculum, Instruction and Technology communicates these authorizations to the IT Department by email or verbal communication.

We reviewed job descriptions and computer access user-permission reports for six business office employees and found that five of the six employees have permission to access the Treasurer's check signature disk on the computer; these employees include the Interim Assistant Superintendent for Business, the Administrative Assistance for Business, a Principal Account Clerk, a Senior Account Clerk, and a Senior Typist-Clerk. Of these five employees, only the Interim Assistant Superintendent for Business is authorized to use the signature disk, because he is responsible for signing checks in the absence of the Treasurer. Four employees who are not authorized to sign District checks have permission to access the signature disk on the computer. Not only does this increase the risk that an unauthorized disbursement of cash may occur (if these employees were to gain physical access to the signature disk), it also is a serious internal control weakness and demonstrates that the District has not effectively addressed this recommendation.

### **Recommendation 13 — Review User Permissions**

Establish a procedure to review computer system user permissions on an ongoing basis. Remove users when they are no longer employed, disable user accounts when persons are on extended leave, and adjust permissions as employees' job descriptions change.

Status of Corrective Action: Not implemented

Observations/Findings — District officials have not created a policy or procedure to review computer system user permissions on an ongoing basis, and once users are granted access to the system, District personnel do not ever review those users' computer access permissions. The District also does not have any policy or procedure to notify the District's IT Department when an employee is on extended leave, or when an employee's employment has been terminated – to ensure that their computer access becomes deactivated.

We reviewed the user permission status of three of the 35 employees whose employment with the District was terminated between July 1, 2005 and January 31, 2006, and found that the IT Department removed their ability to access the District's computer system well after their employment ended. These individuals included an Assistant Superintendent for Business, an Assistant Superintendent for Human Resources, and a Senior Account Clerk. The IT Department removed the Assistant Superintendent for Human Resources' access permission four months after he stopped working for the District. The Senior Account Clerk's access ended two months after, and the Assistant

Superintendent for Business' access ended one month after he stopped working for the District. The District's Network Specialist told us that the District does not remove user accounts from the computer system for historical purposes, and that data associated with these user accounts would be lost if the accounts were removed.

#### **Recommendation 14 — Unique User Accounts**

Ensure that each computer user is set up with a unique user account and permission level. User names and passwords should not be shared.

Status of Corrective Action: Fully implemented

Observations/Findings — We reviewed a user list and log-in report for WinCap, the District's new computer software, for the period December 1, 2005 to January 31, 2006, and found that each of the 91 employees who had access to the software had a unique user account. We interviewed five of the 91 employees and found that they set their own passwords, which the software stores in an encrypted format to prevent browsing.

#### **Recommendation 15 — Procedure for Remote Capabilities**

Establish a standard procedure with the Finance Manager software company for remotely accessing the District's network for upgrades to the Finance Manager software package. This should include a notification by the company to the District when an upgrade is anticipated.

Status of Corrective Action: Fully implemented

Observations/Findings — In July 2005 the District changed its computer software from Finance Manager to WinCap, which was created by Capital Computer Associates. During our audit, Capital Computer Associates had unrestricted remote access to the system for weekly system updates and for shadowing sessions to assist District users. During February 2006, the Administrative Assistant for Business requested that the District's Network Specialist block Capital Computer Associates' remote access to the system. The IT Department will open the firewall only for troubleshooting sessions as requested by the Administrative Assistant for Business, or a designated employee during his absence, for weekly system updates. We were unable to determine whether the District enforced these new procedures because they were implemented at the end of our fieldwork.

## **Recommendation 16 — Changing Passwords**

Institute controls over the software company's network user account, as well as with all District employees' user accounts, that would limit unauthorized access to the District's computerized records. Passwords should be changed periodically, about every 30 to 60 days, and policies on password complexity should be established, further reducing the risk that an unauthorized user could attain access to the District's system.

Status of Corrective Action: Partially implemented

Observations/Findings — During February 2006, the Administrative Assistant for Business requested that the IT Department block Capital Computer Associates' remote access to the system. In December 2005, Capital Computer Associates implemented security measures for accessing WinCap which required users to change their passwords every 60 to 180 days. We interviewed five District employees who are WinCap users and found that the system required them to change their passwords every 60 days. Although the District does not have a written policy on password complexity, the system stores passwords in an encrypted format to prevent browsing.

## **Recommendation 17 — Ethics**

The Board and other management personnel should:

- Set a good control environment by establishing and effectively communicating their code of ethics and written policies and procedures.
- Behave in an ethical manner and observe the same rules that they expect everyone else to observe.
- Require the appropriate standard of conduct from everyone in the District.

Status of Corrective Action: Partially implemented

Observations/Findings — We reviewed the District's code of ethics for District officers and employees, which District officials adopted in December 1989 and revised July 2005. We also reviewed the District's conflict of interest policy for District officers and employees, which the District adopted in December 2004 and revised July 2005. These

policies describe the ethical standards of conduct that the District requires of all officers and employees. The policies also state that the Superintendent must distribute a copy of the code of ethics to all employees and officers, and Board members.

In August 2005, the Superintendent distributed a memorandum to all building principals that listed current District policies relating to curriculum and instructions, including the code of ethics policy. The memorandum stated that the building principals should make the listed District policies available to all staff, and ensure that they reviewed the policies by the beginning of the 2005-06 school year. Attached to the memorandum was a form that was to be signed and dated by each employee, which would acknowledge that they had reviewed the current District policies and practices as listed, and would indicate the building where they worked. However, the 12 policies and practices listed on the form did not include the code of ethics policy. Therefore, we could not determine – by looking at the form — whether these individuals had reviewed the code of ethics policy. We interviewed two business office employees who told us that they had not received or reviewed the code of ethics policy.

#### **Recommendation 18 — Payroll Changes**

All payroll-related changes should be supported by adequate written documentation.

Status of Corrective Action: Fully implemented

Observations/Findings — The District does not have a written policy or procedure for making changes to payroll; therefore, we reviewed the District’s process that was in place. The Assistant Superintendent for Human Resources receives requests for payroll-related changes from department heads in writing or electronically. The Assistant Superintendent for Human Resources approves each request and forwards them to the clerks in the Human Resources Department. The clerks complete a “payroll information sheet” (payroll sheet) — which describes the requested changes and the effective date of the changes — and make the necessary payroll changes in the computer system. The Assistant Superintendent for Human Resources then signs and dates the payroll sheet, and forwards it to Payroll Department for processing. The Payroll Department maintains the approved changes in the respective employee’s file. We reviewed this process for 16 employees and found that the District adequately documented changes in salary for these employees.

## **Recommendation 19 — Public Disclosure of Salaries**

The Board should adopt a policy requiring that the District complies with all of the public disclosure requirements of Education Law. Section 1716 requires public disclosure of the amount of total compensation for the superintendent of schools and any assistant or associate superintendent. The required disclosure should be prepared and attached to the annual budget. Public disclosure allows the public and employees the opportunity to more closely monitor the salaries and compensation package awarded to the superintendent and assistant superintendents.

Status of Corrective Action: Not implemented

Observations/Findings — The Board did not adopt a policy ensuring that all public disclosure requirements of Education Law, Section 1716 were met for the Superintendent and any Assistant Superintendent. District officials did not attach any disclosure documents to the 2005-06 adopted budget or the 2006-07 proposed budget. Although this information is available on SED’s website,<sup>10</sup> it must be attached to the annual budget.

At the exit conference, District officials told us that it made available an additional document to the budget to any resident who requested a copy of the budget. This document disclosed the Superintendent’s and Assistant Superintendents’ salaries and benefits. However, this document was not “appended” to the budget as required by Education Law, Section 1716.

## **Recommendation 20 — Superintendent’s Employment Contract**

The Board should adopt a policy requiring that the President of the Board and the Superintendent benefiting from the contract, sign the Superintendent’s employment contract. The signed copy of the contract should be maintained by the District Clerk. Copies also should be placed in the Superintendent’s personnel file and provided to the Human Resources Department for processing.

Status of Corrective Action: Partially implemented

Observations/Findings — Although the Board did not adopt a policy requiring the President of the Board and the Superintendent to sign the Superintendent’s employment contract, we found that both his contract and amendments to the contract were properly signed. We

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<sup>10</sup> [www.emsc.nysed.gov/mgtserv/administrative-compensation/AdminCompensation\(4\)2006.htm](http://www.emsc.nysed.gov/mgtserv/administrative-compensation/AdminCompensation(4)2006.htm)

obtained the Superintendent's contract, dated August 26, 2004, and found that the Superintendent and Vice President of the Board<sup>11</sup> signed the agreement. We also obtained an amendment to the agreement, dated February 17, 2005, and found that both the Superintendent and the President of the Board signed the document. The Human Resources Department maintained the contract and amendment in the Superintendent's file. Though we found that the agreements were properly signed and maintained, an established policy would help ensure that the Superintendent's contracts were always adequately signed and maintained properly.

### **Recommendation 21 — Payroll Action Sheets**

The Board should adopt a policy requiring that Payroll Action Sheets (action sheets) be prepared and signed by the Board President whenever personnel service contracts with administrators are approved or amended by the Board. All changes in the terms and conditions must be supported by Board minutes, and amended contracts must be prepared and signed by the President and employee. The policy must state that District employees involved in payroll preparation may not process any changes to any of the Superintendent's terms and conditions of employment unless a completed action sheet, signed by the Board President, is filed with the Payroll Department.

Status of Corrective Action: Partially implemented

Observation/Findings — The Board did not adopt a policy requiring that action sheets be prepared and signed by the Board President whenever personnel contracts with administrators are approved or amended by the Board. The Assistant Superintendent for Human Resources approves requests for payroll changes, the Human Resources Department processes the approved requests, and the Payroll Department maintains the payroll changes. Refer to Recommendation 18 for more information. However, in the case of payroll changes to the Superintendent's and Assistant Superintendents' contracts, these changes first must be approved by the Board. We found that the Payroll Department maintains payroll sheets for the Superintendent, four administrators and two teachers in each respective employee's file, with the effective date of the change and the approval signature of the Assistant Superintendent for Human Resources. We also found that the Board approved the changes to the personnel service contracts of the Superintendent and the Assistant Superintendent for Curriculum, Instruction and Technology.

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<sup>11</sup> The President of the Board was on leave at the time.

## **Recommendation 22 — Filing Contracts With the District Clerk**

All amendments to contracts and copies of the action sheets, supporting the Board-approved changes in the terms and conditions of employment for contractual employees, should be filed with the District Clerk.

Status of Corrective Action: Not implemented

Observations/Findings — We reviewed 11 of the District’s 18 contractual employees, and found that the District Clerk maintains contract amendments only for the Superintendent and herself. The District Clerk told us that the Board includes appointments and changes to contracts for the Superintendent, Assistant Superintendents, and herself in the minutes of its proceedings. Of the remaining 10 contractual employees, we found that the District’s Payroll Department documents and maintains a payroll action sheet only for seven of these 10 contractual employees.

## **Recommendation 23 — Benefits Per Contracts**

The Board should clearly specify in the employee contracts the benefits that they are willing to provide.

Status of Corrective Action: Fully implemented

Observations/Findings — We reviewed the contracts for the Superintendent; the Assistant Superintendent for Curriculum, Instruction and Technology; and the Administrative Assistant for Business and found that the contracts, and amendments to the contracts, clearly specify their annual salaries, compensated leave, and benefits.

## **Recommendation 24 — Approval of Journal Entries**

The District should designate an individual (such as the Assistant Superintendent for Business or the Assistant Business Administrator) to approve all journal entries, or journal entries above a certain amount.

Status of Corrective Action: Partially implemented

Observations/Findings — The Board did not adopt a policy designating an individual to approve journal entries. We reviewed 17 journal entries during the period September 2005 through January

2006 ranging from \$250 to \$904,000 and found that District officials did not approve 14 of the 17 journal entries. In February 2006, the Administrative Assistant for Business began approving all journal entries. He completes his approval process before the Principal Account Clerk posts the entries to the journal. We were unable to determine whether the District enforced this new procedure because it was implemented at the end of our fieldwork.

### **Recommendation 25 — Mail Received**

The mail should be opened by an individual who is not involved in the accounting process, and a listing of mail received should be forwarded to the Accounting Supervisor, Treasurer, Deputy Treasurer, or other appropriate accounting personnel.

Status of Corrective Action: Fully implemented

Observations/Findings — District mail received is delivered to a messenger whose job duties include carrying messages, and processing incoming and outgoing mail. The messenger first sorts the mail and distributes the unopened envelopes to the appropriate department or employee. The messenger only opens envelopes that she believes contain checks. We suggested to District officials that the messenger should maintain a log of all checks received through the mail, including the amounts, dates received and payee information. District officials implemented this suggestion during February 2006. The messenger began recording checks and submitting a copy of the list along with the checks to the Accounting Department.

### **Recommendation 26 — Duplicate Deposit Slips**

Duplicate deposit slips should contain additional information such as check numbers or individuals' names.

Status of Corrective Action: Partially implemented

Observations/Findings — We reviewed 18 deposits made from September 2005 to January 2006, and found that 16 of the 18 deposit slips contained the check numbers. Although District personnel did not list payee names on the deposit slips, they did attach copies of the checks to the deposit slips. The remaining two deposit slips, totaling \$15,604, were from the Adult Education Department for registration payments received. These two deposit slips did not contain individuals' names, check numbers, and were not attached

to any duplicate receipts. Accounting Department personnel told us that the Adult Education Department makes its own bank deposits, and then forwards the deposit slips to the Accounting Department for recording.

A secretary in the Accounting Department is responsible for preparing deposit slips. Two clerks in the Accounts Payable Department prepare deposit slips during the secretary's absence. From December 2005 to February 2006, the Senior Account Clerk – who also is responsible for processing claims and issuing checks – prepared the deposit slips. When performed by the same individual, these duties are incompatible. When accounting duties are not properly segregated, there is an increased risk that someone could commit and conceal inappropriate transactions and not be detected, or not be detected in a timely manner.

### **Recommendation 27 — Journal Entry Capability**

Journal entry capability should be given only to those employees whose job specifications require that they perform this function.

Status of Corrective Action: Fully implemented

Observations/Findings — The Principal Account Clerk is the only employee with journal entry capabilities. We found that one of her duties listed in her job description is to maintain a complete set of books of original entry. We also reviewed the computer system's user permission report which confirmed that the Principal Account Clerk is the only employee with journal entry capabilities. The Interim Assistant Superintendent for Business and the Administrative Assistant for Business can only view the entries.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

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# ROSLYN

## PUBLIC SCHOOLS

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BOX 367, ROSLYN, NEW YORK 11576-0367 (516) 625-6307 FAX (516) 625-6336

October 2, 2006

████████████████████  
Division of Local Government Services and Economic Development  
Office of the State Comptroller  
NYS Office Building, Room 3A10  
Veterans Memorial Highway  
Hauppauge, NY 11788

Re: Follow-up Audit 2006M-70

Dear ██████████:

On behalf of the Board of Education and the students and taxpayers of Roslyn Public Schools, I would like to thank you and your staff for providing us with this follow up report to the audit initiated by the staff of OSC in 2004. The original forensic audit (captioned 2005M-21) resulted in specific recommendations to improve the business operations, internal controls and financial oversight of the school district. We have been focused on those recommendations with the assistance of a large number of talented citizens serving on our Citizens Advisory Audit Committee as well as our claims auditor, treasurer, and business office staff. We are pleased that your report confirms that we have made significant progress on twenty-two of those twenty-seven original recommendations. We are particularly proud to read that you have found us to have fully implemented each of the following recommendations:

- The board of education now conducts annual evaluations of policies and procedures covering governance and operation and fiscal management.
- The district treasurer now presents on a monthly basis (more frequently than the quarterly review you recommended) an analysis of the Budget Status Report.
- The board now reviews financial information and reports on a monthly basis.
- The board established an audit advisory committee in November 2004 prior to the legislative requirement embodied in Chapter 263 of the Laws of 2005.
- Board members are trained in their financial responsibilities. In particular, we are pleased that you took note of the fact that more members of the board attended training under Chapter 263 than were required to do so.
- Purchase orders are now controlled by automatically-issued tracking numbers. In addition, going beyond your recommendation, all payment vouchers are

controlled and tracked by pre-numbered blank check stock and each check is now signed by two officers of the district.

- Every computer user in the school district is issued a unique user account and access level appropriate to their position in the district.
- We have eliminated remote access to the financial system software except for troubleshooting and updates as required and authorized by the Assistant Business Administrator.
- All payroll-related changes are now adequately documented by the Assistant Superintendent for Human Resources independent of the Business Office.
- The board now clearly specifies in all employee contracts the benefits (including annual leave and salaries) that they are willing to provide.
- Incoming mail is now opened by a messenger who is not involved in the accounting process who maintains a log of all checks received in the mail prior to transmitting them to the business office.
- Journal entries can only be made by the Principal Account Clerk who is the only district employee whose job requires that she perform this function.

We are also pleased that you have taken note of the significant progress that we have made on many of the other recommendations. We are committed to completing the process of implementing effective and efficient controls and procedures in every area of our school district management. Our goal is to become in the near future a model of effective management that other school districts will want to study and emulate in the same way that we are now considered an outstanding educational institution serving the needs of our children. With that goal in mind, we would like to point out some of the initiatives we have taken and will be taking in the near future.

- Although we have made significant progress in all of our cash and asset management practices and reduced most of them into a written board policy backed up by administrative procedures, we note that there are two policies (out of the twelve identified in your original report) that need to be written in the near future. That will be done.
- Although our policy on budget transfers conforms with Education Law, we note that during your review from September 2005 through January 2006 there were several instances where the Assistant Superintendent approved transfers that should have been approved by the Superintendent. As soon as you brought that to our attention, those exceptions have been eliminated and all budget transfers now conform with both Education Law and Board of Education Policy in that they are approved by the Superintendent if the transfer is less than \$3,000 and by formal resolution of the board if the transfer is \$3,000 or more. This has been done.
- Although our new Travel Policy has been described in your report as "appropriately designed," you noted that there were several instances where travel was not approved in advance by the board of education. We are in the process of reviewing methods by which we can insure that this policy is implemented fully including a review of the forms and procedures we use to collect data about conference attendance and travel reimbursements. This will be done.
- Although several of your recommendations concerned the security of our computer system, there are steps we have taken since February 2006 to address

some of the concerns. We now require all users to create unique passwords of sufficient complexity and to change those passwords on a regular basis to maintain security. In some particularly sensitive areas we have greatly enhanced security. For example, we created thirteen separate security checkpoints to prevent unauthorized check printing. Before a check is printed, the following steps must take place:

- Physical access to a computer must be granted.
- A password is required to access the local area network.
- A technician must have installed a piece of software (Citrix) that allows the user to access the financial system server (a separate computer)
- The user must enter a password to enter the financial network
- A third password is required to enter the financial software itself.
- The user must have appropriate permission to print checks as assigned by the IT department upon written request by the Assistant Business Administrator
- Physical access to a computer disk with the district treasurer's signature must be granted.
- A password is required to use the treasurer's signature disk.
- Physical access to a computer disk with the district clerk's signature must be granted.
- A password is required to use the clerk's signature disk.
- Physical access to specialized check stock must be granted
- Knowledge of both the check number and the control number preprinted on each check must be secured
- Physical access to a specialized printer which uses special ink in order to print "MICR" coding on checks is required.

Nevertheless, we continue to look at our procedures with respect to computer security. We are considering the implementation of a key system with encrypted passwords to prevent the sharing of any passwords at any time. We are also looking at the system by which we communicate to the IT department facts concerning the employment and resignation of authorized users so as to insure that unauthorized users are barred from inappropriate access.

- Although you asserted that the district did not comply with Section 1716 of Education Law which requires that the district "attach" to the budget disclosures concerning the salaries and benefits budgeted for the Superintendent of Schools and Assistant Superintendents as well as the salaries paid to certain administrators, the fact is that the disclosure documents did accompany the budget document. They were "appended" in a separate book along with school report card data and were not physically attached to the budget document. In the budget presented for 2007-08 and in all future budgets, the disclosure documents will be physically attached to the budget document.
- Although you asserted that the contracts for certain employees such as the District Clerk, Superintendent of Schools and other managerial employees were not filed with the district clerk as you had recommended, we take note of the fact that these contracts are actually filed with the minutes of the board of education meeting at which they are formally approved. Since the minutes of the board of education

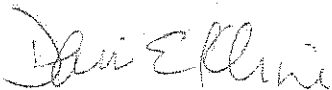
meetings are, in fact, filed with the district clerk, we assumed that we had implemented your recommendation. In the future, a separate copy of all such contracts will be placed in a separate file in the clerk's office.

- Although you noted that during the period from September 2005 through January 2006 there was not a process in place by which journal entries made by the principal account clerk were approved by an appropriate district official, you acknowledged that, beginning in February 2006, all journal entries were approved by the Assistant Business Administrator. As of today, all journal entries are approved by both the Assistant Business Administrator and the Assistant Superintendent for Business.

In the entire report of some thirty pages, we can find only one word that we must take issue with. In your review of progress we have made on Recommendation 9 (Reimbursements) you state that "District personnel continue to *circumvent* the Internal Claims Audit process by making payments before the Internal Claims Auditor reviews and approves warrants." (emphasis added) The clear implication is that this behavior is an intentional subversion of the process. Nothing could be further from the truth! *Every single one of the claims submitted for payment was reviewed and approved by the Internal Claims Auditor prior to the check being issued.* As you know, and as we carefully explained to your staff, the warrant, which is a document that lists all of the claims for payment that have been approved by the claims auditor, is merely the vehicle by which the claims auditor certifies to the treasurer that the check may be issued. Since we have a part time claims auditor, we occasionally send to him by fax the documentation that he needs to approve a claim for payment. After review, he approves the claim if and only if he finds the documentation to be sufficient. Subsequently, he signs the warrant when he next comes to the office which may be a week or two later. We understand and will correct the process by which the claims auditor signs the warrant so as to comply with the technical requirement that the warrant itself be signed prior to the issuance of a check. We do wish, however, that you could have chosen a different word to describe this technical error.

Notwithstanding that one word, the rest of the report is a welcome addition to the process that we are following to improve the management of our school district and engender the trust and confidence of our community so that we can return to our primary mission of educating our children. We are committed to continue addressing each and every one of the recommendations you have made and tracking our progress as we do. We thank you for your efforts and look forward to your continued help and guidance.

Sincerely,



Dani E. Kline, President  
Board of Education

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by District officials and to determine whether appropriate actions have been taken to implement recommendations contained in the prior audit report issued in March 2005.

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. In addition, we reviewed the District's internal controls and procedures over the new computerized financial databases.

To accomplish the objectives of this audit, our procedures included the following to obtain valid audit evidence:

- We obtained the minutes of the Board's meetings for the period July 2004 through January 2006 to determine whether the 12 policies recommended to be established by the Board were adopted. We also examined a copy of the existing and new policies and regulations manual. We determined whether the Board adopted the 12 policies we recommended and ensured that each of those policies were appropriately designed and operating effectively by:
  - a. performing limited tests of transactions
  - b. ensuring that Board adopted policies are being followed
  - c. interviewing appropriate department personnel on procedures.
- We reviewed minutes of the Board's meetings for the period July 2004 through January 2006.
- We interviewed various District employees, including the District Clerk, Accounting Department personnel, and the Administrative Assistant for Business.
- We assessed the District's new purchasing system, implemented in July 2005, and performed tests of claims for employee reimbursements and travel.
- We reviewed the controls that are in place with the District's new computer system, implemented in July 2005, by interviewing computer users and the District's Network Specialist, reviewing the software manual provided by the software company, ensuring password changes are enforced and unique user accounts are set.
- We compared a sample of employees' job descriptions to a computer user access report to determine whether users only have access to what is necessary to complete their job duties. We ensured that the following functions are not performed by the same individual: data entry and verification of data, data entry and its reconciliation of output, and data entry and supervisory authorization functions.

- We reviewed the District's bank reconciliation procedures currently in effect by selecting the bank reconciliations for September and December 2005, which were prepared by the Principal Account Clerk, and found that the reconciliations were properly prepared in a timely manner.
- We reviewed the District's check registers from July 2005 to February 2006, and obtained the claims package for five payments for further testing.
- We analyzed the budget transfer reports for the months of September 2005, December 2005, and January 2006.
- We reviewed the minutes of the CAAC's monthly meetings for the period February 2005 to December 2005, and interviewed the committee's Chairperson.
- We requested, and received, a certificate of completion for the five Board members who attended NYSSBA training on December 10, 2005, to ensure that they attended the required six-hour training on fiscal oversight.
- We obtained an understanding of the WinCap on-line purchase order system implemented by the District on July 1, 2005 by interviewing two clerks in the District's Purchasing Department, and by reviewing the purchasing process.
- We obtained the claims warrants from September 2005 to January 2006 and selected 21 claims for review.
- We reviewed 13 general fund warrants for the period September 2005 to January 2006 to determine whether the warrants were approved in a timely manner.
- We reviewed the 2005-06 adopted budget and the 2006-07 proposed budget to ensure that the required public disclosure documentation was attached to the annual budgets. This would ensure that the District met all public disclosure requirements of Education Law, Section 1716 for the Superintendent and any Assistant Superintendent.
- We reviewed 2005-06 employment contracts, contract amendments and payroll information sheets for 11 of the District's 18 contractual employees.
- We reviewed job descriptions for employees in the business office, including the Interim Assistant Superintendent for Business and the Principal Account Clerk. We compared their job duties to each employee's respective computer access user-permission report generated by the District's computer system.
- We reviewed a user listing for WinCap, the District's new computer software, obtained from the IT Department. We also reviewed a report from the IT Department indicating the number of times each user successfully logged or attempted to log into the District's computer system for the period December 1, 2005 to January 31, 2006. The Network Specialist created a user account for us, with viewing access only, so that we could examine whether the District was setting up unique user accounts, and whether the software stored passwords in an encrypted format.

- We reviewed the Districts' procedures for approving changes to administrators' and employees' contracts. We also reviewed payroll sheets for the Superintendent, four administrators and two teachers to ensure that payroll changes were properly authorized and maintained by the Payroll Department.
- We randomly selected 18 deposits made from the cash receipts journal from the period September 2005 to January 2006, and we reviewed the respective deposit slips maintained by the Accounting Department.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). Such standards require that we plan and conduct our audit to adequately assess 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 C

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## APPENDIX D

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

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Steven J. Hancox, Assistant Comptroller  
John C. Traylor, Acting Assistant Comptroller

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