



Ticonderoga Central School District Internal Controls Over Financial Operations

Report of Examination

Period Covered:

July 1, 2004 - April 18, 2006

2006M-153



Table of Contents

	Page
AUTHORITY LETTER	3
EXECUTIVE SUMMARY	5
INTRODUCTION	7
Background	7
Objective	7
Scope and Methodology	8
Comments of District Officials and Corrective Action	8
PAYROLL PROCESSING	9
Recommendations	11
CASH RECEIPTS	12
Recommendations	14
CAPITAL ASSETS	15
Recommendations	16
APPENDIX A Response From District Officials	17
APPENDIX B Audit Methodology and Standards	22
APPENDIX C How to Obtain Additional Copies of the Report	24
APPENDIX D Local Regional Office Listing	25

State of New York Office of the State Comptroller

Division of Local Government Services and Economic Development

December 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 Ticonderoga Central School District — Internal Controls Over Financial Operations.

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

EXECUTIVE SUMMARY

The Ticonderoga Central School District (District) is governed by the Board of Education (Board) which comprises nine 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.

Scope and Objective

The objective of our audit was to determine the adequacy of the District's controls over various financial operations for the period July 1, 2004 to April 18, 2006 addressing the following related questions:

- Are there sufficient controls in place to safeguard capital assets, including laptop computers and other portable technology assets?
- Are there controls in place to adequately safeguard cash receipts collected outside of the Business Office?
- Do internal controls provide for adequate segregation of duties over the payroll process?

Audit Results

The Board has not established policies and procedures over payroll processing. The payroll clerk controls most aspects of the payroll process with little oversight or supervision. Additionally, the District has not properly assigned access to the computerized payroll application. Users should be authorized to only access the applications needed to properly complete their job assignments.

The Board has not established sufficient policies and procedures over the collection of cash receipts. The District did not maintain adequate cash receipts records to account for all cash received, including extra-classroom activity moneys and yearbook advertising fees. Without complete records, we could not determine if all moneys received were properly deposited. Furthermore, the Business Office did not deposit cash receipts in a timely manner. Lastly, at the time we commenced our examination on April 19, 2006, the District had not reconciled its multi-fund bank account since January 2005, when it had installed new accounting software.

The District did not have sufficient controls in place to safeguard capital assets, such as laptop computers and other portable technology assets. District officials did not adequately protect capital assets from

loss by adopting relevant policies, conducting periodic inventories and establishing other safeguards. We found that three computers totaling \$3,113 were missing.

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 Ticonderoga Central School District is located in the Towns of Ticonderoga, in Essex County, and Hague, in Warren County. The District is governed by a nine-member Board of Education (Board) and an appointed Superintendent of Schools (Superintendent). The Board is responsible for the overall operations of the District. The Superintendent is responsible for managing and overseeing the daily operations of the District. The Business Manager is responsible for the District's finances and accounting records and acts as both the District Treasurer and purchasing agent. Moneys received outside of the Business Office and moneys received for extra-classroom activities were collected by activity treasurers and the yearbook advisor.

The District includes two schools, an elementary/middle school and a senior high school. Additionally, seventh through twelfth grade students from Putnam Central School District in Washington County attend the District's senior high school on a tuition basis, giving the District a student population of 992 as of October 2005. The expenditures for the 2004-05 fiscal year were approximately \$16 million, which were funded primarily by real property taxes, grants and State and Federal aid. During the fiscal year ended June 30, 2005, the District had an estimated 315 employees and payroll expenditures of approximately \$7.8 million, processed by one employee, the payroll clerk.

The District's inventory of capital assets represents a significant investment of resources. As of June 30, 2005 the District reported roughly \$11 million in capital assets, of which approximately \$7 million was for land, building and improvements to land; \$2 million for construction in progress and \$2 million for equipment.

Objective

The objective of our audit was to determine the adequacy of the District's controls over various financial operations. Our audit addressed the following related questions:

- Are there sufficient controls in place to safeguard capital assets, including laptop computers and other portable technology assets?
- Are there controls in place to adequately safeguard cash receipts collected outside of the Business Office?
- Do internal controls provide for adequate segregation of duties over the payroll process?

**Scope and
Methodology**

During this audit, we interviewed various District officials and examined internal controls over capital assets, cash receipts and payroll processing for the period July 1, 2004 to April 18, 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 planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, the Board must approve a corrective action plan that addresses the findings in this report, forward the plan to our office within 90 days, forward a copy of the plan to the Commissioner of Education, and make the plan available for public review in the District Clerk's office. For guidance in preparing the plan of action, the Board should refer to applicable sections in the publication issued by the Office of the State Comptroller entitled *Local Government Management Guide*.

Payroll Processing

An effective system of internal controls over payroll processing consists of written policies and procedures that describe employee responsibilities in preparing and disbursing payroll, as well as written Board authorization for salaries, wages and fringe benefits. Two other important components of internal controls over payroll include effective managerial oversight and proper segregation of duties to ensure that no one person controls all phases of any particular transaction.

We reviewed key controls over the payroll process to determine if they were appropriately designed and operating effectively and found that the District's internal controls over payroll transactions were inadequate. In particular, there was a lack of segregation of duties in processing payrolls. One employee, the payroll clerk, handled most aspects of payroll processing with little managerial oversight. Furthermore, user rights in the computerized payroll application were not properly assigned to ensure segregation of duties, and no one had reconciled the payroll checking account from January 2005 through April 2006, until June 2006.

Proper segregation of duties and oversight is an integral part of good internal controls over payroll transactions. One employee should not control all phases of the payroll process. In a small office, where complete segregation of duties is not possible, supervision and oversight become even more important. While the District had instituted some additional controls over payroll, such as having another employee place bi-weekly paychecks into envelopes and having the Superintendent hand-deliver the payroll checks to each employee once a year, these procedures are not sufficient to compensate for the overall lack of segregation of duties. Payroll is the District's most significant operating cost, therefore it is necessary for management to design and put in place adequate controls over the payroll process. We found the following weaknesses in the internal control structure over payroll processing:

- The Board had not established written policies and procedures for payroll processing.
- The payroll clerk, also designated as the deputy treasurer, was responsible for the entire payroll process, including adding new employees into the computer system, inputting and updating salaries, inputting the bi-weekly payroll and printing and electronically signing checks. Although the District

assigned a clerk from the Superintendent's office to place the paychecks into envelopes for distribution, it would be a more effective control if she received the signed checks directly from the printer and they were not returned to the payroll clerk. While we acknowledge that complete segregation of duties may not be possible, at a minimum, human resource functions (adding staff, inputting and updating salary and maintaining personnel files) should be segregated from the bi-weekly payroll processing duties.

- The District did not establish adequate procedures to verify the accuracy of the processed payrolls. Each pay period, the Superintendent received a copy of the payroll summary report for his approval signature. However, the Superintendent did not receive or review the actual payrolls for accuracy. After we recommended that the Superintendent review the entire payroll before approving it, he began doing so with the next bi-weekly payroll.
- The Business Manager did not properly assign access to the District's computerized payroll application only to employees involved in the payroll process. The Business Manager, payroll clerk, accounts payable clerk, a clerk from the Superintendent's office and staff at the BOCES Northeastern Regional Information Center had complete access to all payroll and human resource functions which included adding, updating, deleting and printing transactions. To maximize internal controls and reduce the risk of fraudulent activities on a computerized accounting system, users should be authorized to only access the applications needed to properly complete their job assignments.
- The payroll bank account had not been reconciled since January 1, 2005, when the District installed a new computerized accounting system. Bank reconciliations are an important tool for detecting errors and irregularities in payroll transactions. After we pointed out this deficiency, the payroll clerk reconciled the payroll bank account through April 30, 2006. Internal controls would be further improved if someone other than the payroll clerk reconciled this account.

Although we did not identify any errors or irregularities in the payroll process, the lack of internal controls over payroll, including proper segregation of duties and managerial oversight, significantly heightens the risk that errors as well as fraud and abuse could occur and not be detected and corrected in a timely manner.

Recommendations

1. The Board should establish written policies and procedures for processing and distributing payrolls.
2. The Business Manager should review the final payrolls to verify that they are based on actual hours or days worked, or the use of authorized leave time; verify that the hourly rates or annual salaries used in the calculations were authorized; compare net payroll checks to the payroll journals; and review the payroll for overall reasonableness prior to submitting it to the Superintendent for his approval.
3. The District should assign payroll and personnel duties to employees in such a manner that the work of one individual independently verifies another's in the course of their regular duties.
4. The Business Manager should review the user rights on the computerized payroll application and update them to ensure that users are assigned only the minimum set of rights needed to properly complete their job assignments. These user rights should be reviewed periodically by the District's internal auditor to verify that the segregation of duties is appropriate.
5. The Business Manager should ensure that reconciliations of the payroll bank account are prepared in a timely manner by someone not directly involved in the payroll process.

Cash Receipts

As noted earlier, an effective system of internal controls consists of policies, practices and procedures which reasonably assure that District officials are protecting the District's assets and properly accounting for public resources. Internal controls over cash receipts include effective managerial oversight, proper segregation of duties to ensure that no one person controls all phases of a transaction, issuance of receipts and timely deposit of moneys.

The District's internal controls over cash receipts were inadequate. The Board has not established a written policy governing the handling of cash receipts. Also, the District does not require that adequate documentation be maintained by all employees who are responsible for collecting moneys. Due to the lack of adequate records, we could not determine with certainty if all moneys collected were properly deposited.

A good system of internal controls over cash receipts provides that all moneys received by the District, including moneys received outside of the Business Office and all extra-classroom moneys are properly receipted, recorded and deposited in a timely manner. Following are weaknesses that we found in the internal control structure over cash receipts:

- The yearbook advisor was responsible for handling the sale of yearbooks as well as the sale of both commercial and parent advertisements printed in the yearbooks which totaled approximately \$11,000 for the 2005-06 fiscal year. While she maintained appropriate cash receipt records for yearbook sales, she did not maintain adequate cash receipts records to account for the handling of advertising moneys. She did not issue receipts or record these moneys in a daily cash receipt book.
- The Athletic Director was responsible for gate fees collected at football and basketball games totaling approximately \$11,400 during the 2005-06 fiscal year. A chaperon hired by the District collects the fees and fills out a daily cash sheet which is turned over to the athletic director along with the moneys collected. The chaperon did not attest to the total cash collected by signing the daily cash sheets. After the cash is counted and verified, both the chaperon and athletic director should sign the daily cash sheets.

- Cash receipts were not issued sequentially. The high school central office (second floor) and guidance office (third floor) shared receipt books. If the receipt book was in the other office when the clerk collected money, she did not immediately issue a receipt. When the clerk retrieved the receipt book, she would then write a receipt for all moneys collected since the last time she had possession of the receipt book. We did not identify any instances where receipts were not issued, however, this situation increases the likelihood that receipts may not be issued for all moneys collected. Each office should have a separate receipt book available to them at all times.
- Extra-classroom receipts were not properly recorded. The District had 35 extra-classroom activities which collectively received \$88,000 from various fund raising efforts over the period July 1, 2005 through April 30, 2006. Activity treasurers (students) and advisors (faculty) were responsible for collecting money and putting the money in a safe in the principal's office. They prepared deposit receipts which were remitted to the central extra-classroom activity treasurer along with the moneys collected. The central treasurer recorded the receipts into the accounting records and deposited the moneys into the fund bank account. The individual activity treasurers did not maintain cash receipt records, so it was not possible for us to determine if all moneys collected were turned over to the central treasurer intact and in a timely manner. The loss of funds can often be traced to poor procedures over the receipting and recording of collected moneys. Consequently, two of the most essential internal control functions involving the handling of extra-classroom moneys are the prompt recording, and depositing of receipts.
- No one had reconciled the multi-fund bank account since January 1, 2005, when the District installed a new computerized accounting system. District moneys were deposited into and disbursed out of this account for the general, cafeteria, federal and trust and agency funds. Bank reconciliations are an important tool for detecting errors and irregularities, especially in the case of a multi-fund account, where errors are likely to occur between funds. We note that the Deputy Treasurer (payroll clerk) has since begun reconciling the multi-fund account on a regular basis.
- Staff in the Business Office did not always promptly deposit moneys. For example, on average, sport gate fees were held 14 days; yearbook receipts 20 days; Preliminary SAT/National Merit Scholarship Qualifying Test fees 33 days and SAT fees

101 days. Because the Business Office staff did not issue timely dated receipts for the moneys turned over to them, we could not readily determine whether the delays in depositing funds originated from the staff collecting moneys, staff in the Business Office or both. Failing to deposit District moneys in a timely manner increases the risk that cash could be lost or misused.

The Board's failure to establish written policies and procedures governing the handling of cash receipts leaves cash, especially cash collected outside of the Business Office, at risk of being lost or stolen.

Recommendations

6. The Board should establish written policies and procedures for collecting and depositing cash including requirements that:
 - All employees should issue duplicate cash receipts for all moneys received, with a receipt to be issued each time money changes hands in the District.
 - The Business Office should deposit moneys on a timely basis.
 - Activity treasurers should maintain adequate cash receipt records, including all receipts and disbursements. Both the activity treasurer and the central activity treasurer should sign each deposit receipt and retain a copy for their records.
7. The Business Manager should ensure that all bank accounts are reconciled in a timely manner.

Capital Assets

Capital assets have a useful life of more than one year and include such things as land, buildings and building improvements, furnishings, vehicles and electronic equipment such as computers. District officials must ensure that capital assets are safeguarded from loss, adequately maintained and used effectively.

The District's current policy assigns the responsibility for maintaining the inventory of capital assets to the Business Office. The policy states that the Business Office should develop and maintain a system of internal controls for all fixed assets and other inventoried assets, including a property register that should be updated on an ongoing basis. However, the District did not have a comprehensive system of internal controls in place to track and adequately account for its capital asset acquisitions. District personnel did not always properly record assets when acquired and did not perform periodic physical inventories (i.e., personally view capital assets) to verify the accuracy of District capital asset records. The last physical inventory was conducted in June 2003.

We attempted to physically view 160 items at the locations listed in the District's detailed property records. Conversely, we also attempted to trace 183 items located throughout the District to the detailed property records. Additionally, we attempted to verify that the serial numbers listed on the inventory for 166 items were correct. Our examination disclosed the following exceptions:

- Fifty-three items listed on the District's detailed property records, including computers, digital cameras, camcorders and projectors, could not initially be located. District employees were subsequently able to locate 50 of the 53 items as a result of a room by room search. However, two laptop computers and one Mac Mini computer,¹ with a total value of \$3,113, were missing.
- The serial numbers listed on the detailed property records were incorrect for 49 of 166 items tested (29 percent).
- Nineteen of 183 items were not included in the District's inventory records, including two laptop computers, four iPods,² four digital cameras, and four camcorders.

¹ Mac Mini is a small Macintosh desktop computer.

² An iPod is a small portable music player.

- Three of 160 items were affixed with asset identification tags that did not include any serial number that matched the detailed property records.
- Forty-seven of 160 items did not have any asset identification number tags affixed to them.
- Fifty-one of 160 items were in locations other than those recorded in the detailed property records.
- While tracing items purchased during our audit period to the capital asset records, we noted that two iPods and one Mac Mini computer (total cost \$996) were missing. District officials informed us that these items had been purchased for the Seventh Grade Whale Watch extra-classroom activity to raffle-off as a fundraiser. The cost of these items was deducted from the District's budgeted \$5,000 contribution to this activity. We question the appropriateness of the District purchasing such items for the express purpose of conducting a raffle or auction.

Assigning the responsibility for asset management to a specific individual and periodically performing physical inventories may have limited the occurrence of the above noted discrepancies. The noted discrepancies between capital assets and capital asset records indicates a lack of accountability and an increased risk that District owned assets could be lost, stolen or misused.

Recommendations

8. The Board should develop a comprehensive capital asset policy setting forth the duties, records and procedures required to communicate and achieve their stated objectives. This includes establishing the minimum value of assets to be tracked for departmental inventory control as well as the thresholds for financial reporting purposes. Each asset should be assigned an identification number and identified as District property through the use of an asset tag allowing them to be compared to the property records.
9. District officials should ensure that a physical inventory count of assets be conducted at least annually. Any discrepancies noted between actual and recorded inventory items should be fully investigated and resolved.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

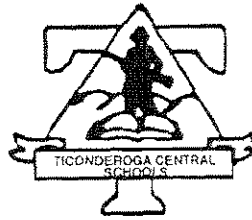
The District officials' response to this audit can be found on the following pages.

TICONDEROGA CENTRAL SCHOOL DISTRICT

9 AMHERST AVENUE
TICONDEROGA, NEW YORK 12883

William Brennan, D.D.S.
President, Board of Education

Barbara J. Greer
Clerk, Board of Education



"SENTINELS FOR EXCELLENCE"

John C. McDonald, Jr., CAS
Superintendent of Schools
Office (518)-585-6674 (Ext. 110)
Fax: (518)-585-2682
jmcDonald@ticonderogak12.org

December 19, 2006

[REDACTED]
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, NY 12801

Dear [REDACTED]

In accordance with the provisions set forth as a result of Article V, Section 1 of the State Constitution and Article 3 of the General Municipal Law, enclosed is the District's response to your Audit Report received November 27, 2006. In keeping with the format of your report, I will address your recommendations by category:

Recommendation/ **Response**

CATEGORY 1 – PAYROLL PROCESSING

1. The Board should establish written policies and procedures for processing and distributing payrolls.

Our District has contacted NYSSBA to review and update all board policies. In addition, our business office has created a manual, which explains all current payroll procedures. This manual will be attached to the correction action plan, which will be sent in at a later date.

2. The Business Manager should review the final payrolls to verify that they are based on actual hours or days worked, or the use of authorized leave time; verify that the hourly rates or annual salaries used in the calculations were authorized; compare net payroll checks to the payroll journals; and review the payroll for overall reasonableness prior to submitting it to the superintendent for his approval.

Prior to the completion of your audit, based on your recommendation, the Business Manager and Superintendent currently review final payroll journal entries. In addition the business manager will complete a reasonable sample audit to ensure that time sheets correspond to actual payroll entries.

3. The District should assign payroll and personnel duties to employees in such a manner that the work of one individual independently verifies another's in the course of their regular duties.

The Business Office will increase its periodic rotation of payroll duties from two times a year to at least four times a year to verify each other's work.

4. The Business Manager should review the user rights on the computerized payroll application and update them to ensure that users are assigned only the minimum set of rights needed to properly complete their job assignments. These user rights should be reviewed periodically by the District's internal auditor to verify that the segregation of duties is appropriate.

This recommendation was addressed and implemented in June 2006. The computer software users rights have been updated to increase the restrictions and access for all users to the areas for which each employee requires direct access. All other components will be given read and print access only.

5. The Business Manager should ensure that reconciliations of the payroll bank account are prepared in a timely manner by someone not directly involved in the payroll process.

Prior to your departure, based on your recommendation, the payroll account is being reconciled through the joint efforts of the payroll clerk and accounts payable clerk with review by the business manager.

CATEGORY 2 – CASH RECEIPTS

6. The Board should establish written policies and procedures for collecting and depositing cash including requirements that:
 - All employees should issue duplicate cash receipts for all moneys received, with a receipt to be issued each time money changes hands in the District.
 - The Business Office should deposit moneys on a timely basis.
 - Activity treasurers should maintain adequate cash receipt records, including all receipts and disbursements. Both the activity treasurer and the central activity treasurer should sign each deposit receipt and retain a copy for their records.

As mentioned in recommendation one the district will be updating all board policies. Currently deposits are being made at least one to two times per week and the main offices in each building have been notified to forward deposits on a timelier basis. In addition, the Business Office has started signing deposits to record the individual who performed these transactions. Finally, we are reviewing the duties and responsibilities of the extra curricular account treasurer to incorporate your recommendation concerning cash receipt records and disbursements.

7. The Business Manager should ensure that all bank accounts are reconciled in a timely manner.

As mentioned in recommendation 5, this concern was addressed prior to the completion of the audit and all accounts are now being reconciled through the joint efforts of the payroll clerk and the accounts payable clerk with review by the Business Manager.

CAPITAL ASSETS

8. The Board should develop a comprehensive capital asset policy setting for the duties, records and procedures required to communicate and achieve their state objectives. This includes establishing the minimum value of assets to be tracked for departmental inventory control as well as the thresholds for financial reporting purposes. Each asset should be assigned an identification number and identified as District property through the use of an asset tag allowing them to be compared to the property records.

Again as mentioned in recommendation one we are working with NYSSBA to update and revise all board policies.


9. District officials should ensure that a physical inventory count of assets be conducted at least annually. Any discrepancies noted between actual and recorded inventory items should be fully investigated and resolved.

We are including the cost of an external physical inventory count as part of our 2007-08 budget proposal. In addition the business office is working on developing check-in/check-out procedures for all staff in coordination with the current system already in placed at the building level. Finally, we are planning to complete periodic physical inventories throughout the school year at random locations to promote a sense of security in terms of fixed assets.

In conclusion, I would like to thank you and [REDACTED] for your valuable input and recommendations. We believe that this has been a positive experience for our District. Not only have you given us input on ways to address concerns that we had identified in our discussions, but you have also confirmed our belief that overall our fiscal operation is sound. This is particularly reassuring in an era where fiscal accountability has been pushed into the limelight of the public. Please contact me if you have any questions concerning our response to your recommendations.

In the meantime, thank you for your help and assistance. We look forward to hearing from you soon.

Sincerely,


John C. McDonald, Jr.
Superintendent of Schools

JCM:wmd

c: Mrs. Cossey
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 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 minutes, and financial records and reports. In addition, 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 cash receipts collected outside of the Business Office, payroll transactions and capital assets.

During this audit, we examined the records and reports of the District for the period July 1, 2004 to April 18, 2006. To accomplish the objectives of the audit and obtain valid audit evidence, our procedures included the following steps:

- We interviewed appropriate District officials and employees to learn about procedures used to account for cash receipts collected outside of the Business Office. We also reviewed bank statements, deposit slips, cash receipt records and other corresponding records. We looked for policies and procedures governing cash transactions. We determined which District employees collect cash and determined if they maintained appropriate records. We tested receipts for the months of December 2005 to April 2006 to determine if they were deposited intact and in a timely manner. We also reviewed bank reconciliations for July 2005 through April 2006 to determine if they were reconciled in a timely manner.
- We interviewed and observed appropriate District officials and employees to understand the procedures used to record payroll transactions. We looked for policies and procedures governing payroll transactions, reviewed the internal control system over payroll transactions to determine if there was proper segregation of duties over payroll, and we reviewed the user rights in the computerized payroll system to determine if it enforced the segregation of duties over payroll.

- We interviewed appropriate District officials and employees to learn about the procedures used to record capital assets. We attempted to verify whether selected items from the Districts detailed asset records for computers and audio equipment were in the proper District location and custody by physically viewing them. We verified that computer and audio equipment purchased during our audit period were approved, recorded on purchase orders and in the detailed property records. We conducted an inventory of assets in the District by comparing the tag and serial numbers on the assets to the property records.

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

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 D

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

Mark P. Pattison, Deputy Comptroller
Steven J. Hancox, Assistant Comptroller
John C. Traylor, Acting 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

Eugene A. Camp, 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