



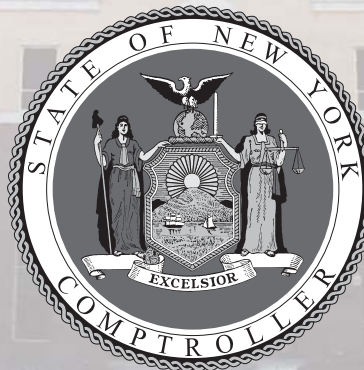
Camden Central School District Internal Controls Over the Treasurer's Check Disbursement Process

Report of Examination

Period Covered:

July 1, 2006 — August 31, 2007

2007M-294



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	3
INTRODUCTION	5
Background	5
Objective	5
Scope and Methodology	5
Comments of District Officials and Corrective Action	6
TREASURER’S CHECK DISBURSEMENT PROCESS	7
Recommendations	8
APPENDIX A Response From District Officials	9
APPENDIX B Audit Methodology and Standards	12
APPENDIX C How to Obtain Additional Copies of the Report	14
APPENDIX D Local Regional Office Listing	15

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2008

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Camden Central School District, entitled Internal Controls Over the Treasurer's Check Disbursement Process. This audit was conducted pursuant to Article V, Section 1 of the State Constitution, and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Camden Central School District is located in the Towns of Camden, Florence, Annsville, Lee, and Vienna in Oneida County; the Town of Constantia in Oswego County; and the Town of Osceola in Lewis County. There are six schools in operation within the District, with approximately 2,800 students and 500 full- and part-time employees. The District's general fund budgeted expenditures for the 2006-07 fiscal year were about \$35 million, which were funded primarily with State aid and real property taxes. 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.

Responsibilities related to the District's finances and accounting records and reports are largely those of the Assistant Superintendent for Business and the Treasurer. The Treasurer is responsible for receiving, disbursing, and holding District moneys. Computerized accounts payable (general fund) and payroll checks are generated and printed by the Madison-Oneida Board of Cooperative Educational Services (BOCES) at the Mohawk Regional Information Center (MORIC). The Board annually appoints a claims auditor who assumes the Board's powers and duties with regard to approving or denying claims against the District. The Assistant Superintendent for Business is responsible for certifying (approving) the payrolls.

Objective

The objective of our audit was to examine the District's internal controls relating to the Treasurer's check disbursements. Our audit addressed the following related question:

- Does the Treasurer adequately control the check-signing function and ensure that all checks have been properly authorized?

Scope and Methodology

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: financial oversight, cash receipts and disbursements, purchasing,

and payroll and personal services. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the Treasurer's check disbursement process and, therefore, we examined internal controls over this area for the period July 1, 2006 to August 31, 2007.

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*.

Treasurer's Check Disbursement Process

As the District official responsible for signing checks, the Treasurer plays a critical role in the cash disbursement process. The Treasurer must ensure that her signature is not used to make payments that have not been approved. The Treasurer's actual or facsimile signature must be affixed to District checks by the Treasurer or affixed under the Treasurer's direct supervision. Unless a statutory exception applies, the Treasurer must sign checks only after receiving a warrant certified by the claims auditor directing her to pay the related claims or after receiving a payroll register certified by the approving officer. It is important for the Treasurer to then compare the signed checks with the certified warrant or payroll to ensure that the amounts and check information are accurate and consistent, to account for the completeness of the check number sequences, and to physically control checks until they are mailed.

We identified deficiencies in the Treasurer's oversight of the check-signing function. District general fund accounts payable checks and payroll checks are printed at the MORIC, and MORIC employees imprint the Treasurer's signature on the checks without any involvement by the Treasurer.¹ The accounts payable and payroll clerks process their applicable warrant or payroll run and direct MORIC personnel to print the related checks that contain the Treasurer's signature. MORIC staff then sends the checks directly to the accounts payable and payroll clerks who are responsible for processing the transactions, and they mail or distribute them. This process does not allow the Treasurer to directly supervise the check-signing function and does not give the Treasurer control over when her signature is applied to checks.

Also, we found that the Treasurer does not compare checks to an approved warrant or certified payroll register before the District issues the checks to ensure that all check disbursements have been approved by the claims auditor (claims) or Assistant Superintendent for Business (payroll). In addition, the Treasurer does not monitor the continuity of check number sequences between warrant or payroll periods; therefore, the Treasurer does not maintain accountability for all checks issued. Lastly, the Treasurer does not physically control the checks prior to mailing. Because the accounts payable and payroll clerk are able to process disbursements in the accounting records, print checks, and receive signed checks back from the MORIC

¹ General fund and payroll checks printed at the MORIC represent about 90 percent of the District's check disbursements. All other checks are generated at the District and hand-signed by the Treasurer.

without the Treasurer's involvement, they have the ability to issue an improper check without being detected. As a result, District officials have minimal assurance that signed checks are being produced for only legitimate business purposes. The Assistant Superintendent for Business told us that he did not realize there were weaknesses in internal controls over the District's check disbursements process.

We compared 400 cancelled non-payroll checks totaling \$1,300,524 to the approved warrants, and 100 cancelled payroll checks totaling \$95,061 to certified payroll registers to determine whether the amounts and check information were consistent. We also reviewed the continuity of check number sequences between approved warrant runs during the audit period. We found no unauthorized payments in our testing.

Recommendations

1. The Treasurer should sign checks or directly oversee checks being signed.
2. The Treasurer should track the sequences of check numbers to ensure consistency in the sequence for all issued checks, and she should compare signed checks to approved warrants and certified payrolls.
3. The Treasurer should maintain physical custody of the issued checks before they are mailed.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

CAMDEN

CENTRAL SCHOOLS

Richard J. Keville
Superintendent 315 245-4075
Fax: 245-1622

January 28, 2008

Office of the State Comptroller
Syracuse Regional Office
State Office Building
333 East Washington Street
Syracuse, NY 13202

Dear Sir or Madam:

Please find herein the Camden Central School District's Response to the finding contained in your Audit entitled "Internal Controls Over the Treasurer's Check Disbursement Process." It is understood that your findings were determined by your examination of internal controls over the Treasurer's check disbursement process utilized by the District from the period of July 1, 2006 to August 31, 2007.

Finding: Your audit identified deficiencies in the Treasurer's oversight of the check-signing function. As you identified, the Camden Central School District uses a BOCES print service at the Mohawk Regional Information Center (MORIC) to produce printed checks for our distribution. As you identified there were deficiencies in our Treasurer's oversight of the electronic affixing of her signature.

Response: Our district is desirous of continuing with the MORIC printing process however, we want to do so in a manner that will ensure that the Treasurer signature is affixed only to approved payments. To that end we have taken the following steps:

1. All approved warrants as generated by the internal claims auditor and processed by the Accounts Payable Clerk will be signed, dated, and presented to the Treasurer for payment.
2. All approved payroll registers as generated by the Superintendent or Assistant Superintendent and processed by the Payroll Clerk will be signed, dated, and presented to the Treasurer for payment.
3. The Treasurer will review both the warrant and payroll register for accuracy and proper signatures, after which the Treasurer will start the check printing process.
 - a. The Treasurer will record in a log, check sequence number assignment.

51 THIRD STREET • CAMDEN, NEW YORK 13316
E-mail: rkeville@camdencsd.org

- b. The Treasurer will transmit the warrant and register to the MORIC with assigned check sequence numbers.
- c. The Treasurer will electronically release checks for printing at which time checks will be printed with next day delivery to the District Office.
- 4. After the checks have been printed the Treasurer will review the check print report comparing printed checks to the process for payment account payable warrant and payroll register. Included in that review will be an examination of check sequence.
- 5. The Treasurer will report monthly to the Board of Education for their review, the check sequence log along with the check reconciliation –Treasurer’s report.

As a note to this response and action plan: Our District’s Internal Audit Committee has reviewed these steps and they are confident the planned steps will provide additional internal controls and necessary oversight to the Treasurer’s check signing and disbursement process.

Sincerely,



Richard Keville
Superintendent

- c: Board of Education Members
- Internal Audit Committee Members
- Assistant Superintendent for Business
- Treasurer
- Internal Claims Auditor
- Payroll Clerk
- Accounts Payable Clerk
- MORIC

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: financial oversight, cash receipts and disbursements, purchasing, and payroll and personal services.

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. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected the Treasurer's check disbursement process for further audit testing.

To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed appropriate District officials and employees to gain an understanding of the procedures and the corresponding controls used to enter disbursements into the accounting system and to issue related checks.
- We focused on the Treasurer's oversight of the check-signing function and evaluated the monitoring procedures used when checks are signed, reviewed, and disbursed.
- To determine the effectiveness of internal controls surrounding the process, we selected a judgmental sample of 400 non-payroll checks totaling \$1,300,524, and 100 cancelled payroll checks totaling \$95,061, and traced them to approved warrants and certified payroll registers to verify whether they were authorized. We also reviewed the continuity of the check number sequences between approved warrant runs during the audit period and reviewed all check disbursements to the Treasurer, accounts payable clerk, and payroll clerk for legitimacy.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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
AND SCHOOL ACCOUNTABILITY

Steven J. Hancox, Deputy Comptroller
John C. Traylor, 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

Kenneth Madej, 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,
Schenectady, Ulster counties

HAUPPAUGE REGIONAL OFFICE

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

NEWBURGH REGIONAL OFFICE

Christopher Ellis, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, NY 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Orange, Putnam, Rockland, Westchester
counties