



Cuba-Rushford Central School District Internal Controls Over Selected Financial Operations

Report of Examination

Period Covered:

July 1, 2006 — May 29, 2008

2008M-188



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
EXECUTIVE SUMMARY	3
INTRODUCTION	5
Background	5
Objective	5
Scope and Methodology	5
Comments of District Officials and Corrective Action	6
FINANCIAL CONDITION	7
Fund Balance	7
Employee Benefit Accrued Liability Reserve	8
Recommendations	9
CASH RECEIPTS	10
Recommendations	11
INTERNAL AUDIT FUNCTION	12
Recommendation	13
APPENDIX A Response From District Officials	14
APPENDIX B OSC Comment on the District's Response	18
APPENDIX C Audit Methodology and Standards	19
APPENDIX D How to Obtain Additional Copies of the Report	20
APPENDIX E Local Regional Office Listing	21

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 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 Cuba-Rushford Central School District, entitled Internal Controls Over Selected Financial Operations. 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Cuba-Rushford Central School District (District) includes portions of the Towns of Belfast, Caneadea, Centerville, Clarksville, Cuba, Friendship, New Hudson, and Rushford in Allegany County; and Farmersville, Freedom, Hinsdale, Ischua, and Lyndon in Cattaraugus 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.

The District Treasurer is responsible for cash receipts and deposits. The District's Business Manager is responsible for overseeing cash receipt and disbursement activities and for preparing and monitoring budgets, among other duties. The District contracts for internal audit services with the Cattaraugus-Allegany Board of Cooperative Educational Services (BOCES).

Scope and Objective

The objective of our audit was to examine internal controls over selected financial operations for the period July 1, 2006 to May 29, 2008. Our audit addressed the following related questions:

- Have District officials adequately monitored revenues and expenditures and properly managed unappropriated general fund balance and reserves?
- Are internal controls over cash receipts appropriately designed and operating effectively to adequately safeguard District assets?
- Has the District appropriately contracted for the internal audit function?

Audit Results

The unreserved, unappropriated general fund balance at June 30, 2007 was over \$2.6 million, or almost 13 percent of the \$20.1 million budgeted for 2007-08 (nearly \$2 million more than allowed by law).¹ While District officials indicated that a variety of factors (including a proposed capital project and reserve that the voters rejected) contributed to the available fund balance, their failure to follow

¹ Prior to the 2007-08 fiscal year, unreserved, unappropriated fund balance could not exceed 2 percent of the ensuing year's appropriations. This limit was increased to 3 percent for the 2007-08 fiscal year, and to 4 percent for 2008-09 and thereafter.

proper budgeting practices has resulted in the accumulation of fund balance in excess of amounts allowed by law and in taxpayers paying more than necessary to sustain operations.

Further, the District reported \$2.92 million in its Employee Benefit Accrued Liability Reserve (EBALR) at June 30, 2007, while District records indicated that compensated absences, which could be funded by the reserve, totaled only \$2.52 million at that date. Thus the District had at least \$400,000 more than needed in this reserve.

Additionally, internal controls over cash receipts were not properly designed or operating effectively. The District did not properly secure cash and checks received in the mail, issue duplicate receipts when cash was received, or have procedures to adequately address the counting of cash. Although we found no exceptions, these control weaknesses have placed the District at increased risk of errors or irregularities occurring without being detected and corrected in a timely manner.

Finally, we found that the BOCES employee serving as the District's internal auditor is not independent in performing the District's internal audit function because the District makes substantial payments (\$3 million in the 2006-07 fiscal year) for BOCES services. This current arrangement is likely to put this individual, as a BOCES employee, in the position of evaluating significant District services or programs that are provided to the District by BOCES, the individual's employer.

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. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated that they planned to initiate corrective action. An OSC comment on the District's response can be found in Appendix B.

Introduction

Background

The Cuba-Rushford Central School District (District) includes portions of the Towns of Belfast, Caneadea, Centerville, Clarksville, Cuba, Friendship, New Hudson, and Rushford in Allegany County; and Farmersville, Freedom, Hinsdale, Ischua, and Lyndon in Cattaraugus 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. The Business Manager is responsible for the oversight of cash receipt and disbursement activities, budget preparation and monitoring, and the accounting records and financial reports. The Treasurer is responsible for cash receipts and deposits. The District contracts with the Cattaraugus-Allegany Board of Cooperative Educational Services (BOCES) for its internal auditor, who is responsible for reviewing District operations for risk and auditing selected areas.

There are three schools in operation within the District, with approximately 1,000 students and 225 employees. The District's budgeted expenditures for the 2007-08 fiscal year are \$20.1 million, which are funded primarily with State aid, real property taxes, and grants.

Objective

The objective of our audit was to examine the internal controls over selected financial operations. Our audit addressed the following related questions:

- Have District officials adequately monitored revenues and expenditures and properly managed unappropriated general fund balance and reserves?
- Are internal controls over cash receipts appropriately designed and operating effectively to adequately safeguard District assets?
- Has the District appropriately contracted for the internal audit function?

Scope and Methodology

We examined the internal controls over selected financial operations for the period July 1, 2006 to May 29, 2008.

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

**Comments of District
Officials and Corrective
Action**

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated that they planned to initiate corrective action. An OSC comment on the District's response can be found in Appendix B.

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, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Financial Condition

A school district's financial condition is an important factor in its ability to provide public educational services to students within the District. The Board, Superintendent, and Business Manager are responsible for the effective financial planning and management of the District. The Board and the Superintendent are also responsible for ensuring that budgets are prepared, adopted, and amended based upon reasonable estimates of appropriations and the resources available to fund them.

Our audit found that the District's Board and officials did not follow realistic budgeting practices, allowing unreserved, unappropriated fund balances at year-end to significantly exceed statutory limits in fiscal years 2005-06 and 2006-07. The District's tax levies remained unnecessarily high even though the District had a significant operating surplus. In addition, the District's Employee Benefit Accrued Liability Reserve (EBALR) contained \$2.9 million at June 30, 2007, exceeding estimated liabilities by over \$400,000 which could have been used to finance District operations, reduce debt, or fund other reserves as allowed by law.

Fund Balance

An important aspect of budget preparation includes a reasonable estimate of fund balance to be appropriated at the end of the fiscal year to reduce real property taxes. School districts can legally reserve portions of fund balance for specific uses in compliance with statutory requirements. Unreserved fund balance is uncommitted and may be appropriated for the next year's budget in order to fund District operations and help reduce the tax levy. School districts can retain the unreserved, unappropriated fund balance that remains to manage cash flow and to pay for unexpected costs. The amount a school district can retain is limited by Real Property Tax Law to no more than 3 percent² of the ensuing year's budget.

The District has failed to follow proper budgeting practices. As of June 30, 2006, the unreserved, unappropriated general fund balance totaled \$1,496,949, which represented 7.5 percent of the \$19.9 million budgeted for 2006-07 (over \$1 million more than the amount allowed by law). The District also appropriated \$400,000 as a funding source for 2006-07. At the end of the 2006-07 fiscal year, however, the District had an operating surplus of \$2,264,412 primarily as the result of substantially overestimating costs for general instruction and

² Prior to the 2007-08 fiscal year, unreserved, unappropriated fund balance could not exceed 2 percent of the ensuing year's appropriations. This limit was increased to 3 percent for the 2007-08 fiscal year and to 4 percent for 2008-09 and thereafter.

employee benefits in the budget. Because of this surplus, the previously appropriated \$400,000 was not used to finance operations.

During the 2006-07 fiscal year, the Business Manager provided Board members and the Superintendent with budget reports indicating significant positive budget variances and also briefed them on fund balance levels. The Board appropriated \$858,851 of fund balance in the 2007-08 budget. However, the District reported an unreserved, unappropriated fund balance of \$2,624,596 at June 30, 2007, representing almost 13 percent of the \$20.1 million budgeted for 2007-08. This was approximately \$2 million more than the 3 percent limit allowed by law. District officials indicated that they decided not to further reduce the fund balance so as to stabilize the tax rate;³ specifically, by avoiding a one-time reduction in tax rates that the District would not be able to maintain over the long term. They also cited several factors that contributed to the excess fund balance going into the 2007-08 fiscal year. These included a savings in utility costs during 2006-07; a voter defeat in June 2007 of a proposed capital project and reserve that would have reduced the fund balance to allowed levels; and uncertainty regarding other potential costs. However, while some reductions in expenditures may be difficult to anticipate, realistic budgeting practices are an essential control to help ensure that the District does not raise taxpayer moneys unnecessarily and that the amount of fund balance retained at year-end is within legal limits.

The Board increased the tax levy by 7 percent in the 2005-06 fiscal year and another 3 percent in 2006-07. The tax levy for the 2007-08 fiscal year decreased. Officials also indicated that the Board has taken measures to increase the use of unappropriated fund balance for fiscal year 2008-09. However, the failure to follow proper budgeting practices has resulted in fund balance levels that exceed statutory requirements and taxpayers paying more than necessary to sustain operations.

Employee Benefit Accrued Liability Reserve

General Municipal Law (GML) and Education Law authorize the establishment of reserve funds for specific purposes, and prohibit the withdrawal or expenditure of moneys from such reserves for any purpose other than that provided by law. An Employee Benefit Accrued Liability Reserve (EBALR) can be established and used to make cash payments to employees for accrued leave time due to them upon separation from District employment. An EBALR may be used

³ Officials cited “artificially low tax rates” and increasing special education and health insurance costs in past years that resulted in budget cuts and fluctuations in the tax levy, prior to our audit period, which officials are now attempting to stabilize. Because our audit scope began with the 2006-07 fiscal year, we did not verify or analyze conditions prior to that year.

only for paying costs associated with compensated leave directly to or on behalf of employees (when the value of accrued sick leave is used to pay a third party for insurance coverage) when they leave District service.

At June 30, 2007, the District reported \$2,920,436 in its EBALR fund. District officials indicated that they accumulated these moneys to fund compensated absences for current employees upon their separation from District service, and for health insurance premiums for retirees (i.e., provided on the retirees' behalf out of the payments due to them for their accrued sick leave). Based on District records, the District's 2006-07 liability for compensated absences was estimated at \$2,516,202 at June 30, 2007. Thus, the District had reserved \$404,234 more than needed to fund these costs. These excess reserve funds, accumulated at taxpayer expense, are not needed to fund accrued employee benefits.

While there is no statutory limit on the amount a school district can maintain in its EBALR, reserving excess amounts in an EBALR is neither a necessary nor a prudent use of school district resources. If the EBALR moneys are not used for compensated absences, the Board can transfer excess moneys in the EBALR only to another duly established reserve fund as allowed by GML.

Recommendations

1. District officials should prepare a realistic estimate of the unreserved fund balance at the end of the fiscal year for consideration by the Board in appropriating funds for the ensuing year's budget to reduce the property tax levy.
2. The Board should develop a plan to prudently reduce the accumulated fund balance to statutorily allowed levels as soon as practical. To help accomplish this, officials should consider applying excess fund balance to productive purposes such as paying down debt and funding non-recurring costs (for example, legal expenses), as well as reducing the tax levy.
3. The Board and District officials should develop appropriation estimates for the annual budget that are realistic.
4. The Board should maintain the EBALR balance at reasonable levels.

Cash Receipts

The Board is responsible for establishing a system of internal controls to provide reasonable assurance that cash is safeguarded and financial transactions are properly recorded. An effective system of internal controls consists of written policies and procedures that specifically address the responsibilities for District cash receipts, including the collection, recording, safeguarding, and depositing of cash assets. The proper segregation of duties ensures that one person does not control all phases of a transaction. At a minimum, the District should separate the cash custody and recordkeeping functions. In addition, GML requires that, when no other evidence is available for audit, duplicate receipts must be issued when money is collected or is transferred from one official or employee to another, providing each party with evidence of the transaction. Finally, good business practice requires all cash and checks collected to be physically secured until deposited with the bank.

We found that internal controls over cash receipts were not properly designed or operating effectively. Although the District had written procedures governing the cash receipts process, these procedures did not adequately address the counting of cash, the preparation of duplicate receipts, or the physical security of moneys collected. The money received by the Treasurer's office was not counted in the presence of the person remitting the cash, nor were duplicate receipts issued by the Treasurer's office until after the money was deposited. In addition, we observed that undeposited cash and checks were stored in an unlocked drawer in a vault room that was accessible to staff.

Based on these control deficiencies, for a two-month test period (September 2006 and January 2008) we traced cash collections from duplicate receipts to bank deposits, and also traced checks received in the mail⁴ to the actual deposits. We found no exceptions. However, given the District's system of not preparing receipts until after cash was deposited, exceptions may have occurred and not been detected by this audit procedure. A significant portion of the District's receipts are in cash; for example, for our two-month test period, \$11,883 of the \$18,342 deposited (65 percent) was cash. Unless District officials strengthen controls over the cash receipt process – namely, the verification of cash counts, timely preparation of receipts, and secure physical storage — the District remains at a significant risk of errors, irregularities, or loss occurring without being detected and corrected in a timely manner.

⁴ From a list maintained by the office staff

Recommendations

5. District officials should ensure that cash is counted in the presence of the person remitting the money, and that a duplicate receipt is prepared and one copy issued to the payer at the time the money is received.
6. Cash and checks should be secured in a locked drawer accessible to only one designated person who is responsible for safeguarding all cash receipts.

Internal Audit Function

Education Law requires all school districts to have an internal audit function that includes, at a minimum, the development of a risk assessment of district operations. The risk assessment should include a review of financial policies, procedures and practices; an annual review and update of such risk assessment; and annual testing and evaluation of one or more areas of the District's internal controls. The internal auditor is also required to prepare reports (at least annually, or more frequently as the Board may direct) that analyze significant risk assessment findings, recommend changes for strengthening controls and reducing identified risks, and specify timeframes for implementation of such recommendations.

The District may use its own employees, inter-municipal cooperative agreements, shared services to the extent authorized by Education Law, or independent contractors to fulfill the internal audit function. The internal auditor must have professional auditing qualifications and be independent of other District functions; must have no other responsibilities related to District business operations; and cannot be a family member of an employee, officer, or contractor providing significant or material services to the District. In addition, an individual or consultant hired for the internal audit function may not have a significant or material interest in any other contracts with the District.

The District entered into an inter-municipal agreement with 17 other school districts and the Cattaraugus-Allegany Board of Cooperative Educational Services (BOCES) to provide for the internal audit function beginning December 18, 2006. The agreement stipulates that "the jointly employed internal auditor shall be considered an employee of BOCES for purposes of payroll administration and benefits."

The District spent over \$3 million for BOCES services during the 2006-07 fiscal year. Based on the material nature of these payments by the District to the BOCES, the BOCES employee serving as the internal auditor is not independent in performing the District's internal audit function. This current arrangement is likely to put this individual, as a BOCES employee, in the position of evaluating significant District services or programs that are provided to the District by BOCES, the individual's employer. This individual may also be required to audit the system of documentation for the District's payments to the BOCES, the individual's employer. Therefore, this

individual is not independent in performing the duties of internal auditor for the District.

Recommendation

7. The Board should terminate the internal audit relationship with the Cattaraugus-Allegany BOCES and fill this position with an internal auditor who meets the independence requirements in Education Law and State Education Department guidance.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

CUBA-RUSHFORD CENTRAL SCHOOL

5476 Route 305 N., Cuba New York 14727-9208

Fax (585) 968-2651

<http://www.crcs.wnyric.org>

Superintendent of Schools
(585) 968-2650 / Ext. 4426
Middle/High School Office
(585) 968-2650 / Ext. 4411

Guidance Office
(585) 968-2650 / Ext. 4416
Business Administrator
(585) 968-2650 / Ext. 4412

Cuba Elementary Office
(585) 968-1760 / Fax: 968-3181
Rushford Elementary Office
(585) 437-2217 / Fax: 437-2093

Maintenance Supervisor
(585) 968-2650 / Ext. 4427
Transportation Supervisor
(585) 968-2446

December 1, 2008

Mr. Robert Meller
Chief Examiner, Office of the State Comptroller
Buffalo Regional Office
Division of Local Government and School Accountability
65 Court St. #504
Buffalo, NY 14202

Dear Mr. Meller:

The Cuba-Rushford Central School District has received the draft of the Report of Examination related to Internal Controls Over Selected Financial Operations for the period covered July 1, 2006 through May 29, 2008 and are submitting our written response. We are developing a corrective action plan and will submit that within the time allotted.

Listed below are our responses to the individual areas specified in the report.

FUND BALANCE

The district acknowledges that fund balance is currently more than the allowed percentage. However, in the recent past, fund balance was dangerously low which resulted in layoffs, significant tax increases, and a contingent budget.

For fiscal year ending June 2000, the Cuba-Rushford Central School District's undesignated fund balance was negative. This was a result of several years of low tax rates and rapidly increasing special education and health insurance premium costs. By 2002, reserves had been reduced to less than half of their previous balance. In 2003 and 2004, New York State cut our state aid allocation by more than \$1.4 million due to loss of state revenue from 9/11.

The Administration, Board of Education, and school community have worked diligently for the past several years to find ways to operate more efficiently, to control costs and to rebuild solvency. This included bringing our special education classes back into the district, negotiating concessions in employee contracts, and reducing utility costs. During the 2006-07 fiscal year, the district realized significant utility savings due to reverting to electric power through National Grid which resulted in increased fund balance. The same year, a capital project proposal was being developed to address several concerns including leaking roofs, improved security measures and classroom expansion due to the take back of special education classes. As part of that project, a capital reserve was proposed which would have put the district at the allowed 4% level. The project and reserve proposal were defeated in late June 2007. Since the vote was so late in the year, the options to reduce the fund balance amount were limited but the Board immediately

CUBA-RUSHFORD CENTRAL SCHOOL

reduced the tax levy by \$458,851 for 2007-08. The tax levy was again reduced for 2008-09 bringing the cumulative tax reduction to \$1,317,702 over the past two years. We are strategically working toward lowering undesignated fund balance to the allowed amount while maintaining programs and stabilizing the tax rate. Additionally, the Board has authorized the use of more than \$630,000 of undesignated fund balance to pay off all short term debt and current year bus purchases.

The Board is committed to reaching the 4% threshold through careful budget development and monitoring, taking into consideration rising costs for state mandated programs including increased employer contributions to the state retirement fund. We must also prepare for another round of state aid cuts in the upcoming months and loss of revenues due to poor economic conditions. We continue our efforts to stabilize tax rates through use of fund balance, reserves and early payoff of debt, while maintaining an excellent academic program.

EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE

The Cuba-Rushford Central School District has not accumulated funds in this reserve other than mandatory interest earned since 2005-06. We have gained a clearer understanding of the limitations of General Municipal Law, Section 6P as a result of this audit and have developed spreadsheets to ensure proper calculation of compensated absences. Due to the upcoming implementation of GASB 45 which requires financial statement reporting of other post employment benefits (OPEB), we appreciate the State Comptroller's proposal that encourages the state legislature to authorize the creation of OPEB trusts which will allow local governments to begin funding these liabilities which will substantially cut long-term costs of contractual post employment benefits. When legislation is enacted, the District plans to transfer the excess accumulated funds into this trust.

CASH RECEIPTS

The district has made improvements to internal controls over cash receipts over the past few years but do agree that receipts from student fund raising activities can be improved. We will purchase bank bags that can be locked with the key being held by the club advisor for cash collected at evening activities and picked up by business office personnel for safekeeping in the vault. We will communicate written procedures to staff and students regarding proper handling of funds. In addition, per your recommendation, students will be required to remain in the business office when submitting the deposit so the cash can be recounted in their presence and receipt can be issued to them.

To improve controls over accessibility, the safe which is located in the fireproof vault in the back of the business office will remain locked at all times with only the District Treasurer having custody of the key.

CUBA-RUSHFORD CENTRAL SCHOOL

INTERNAL AUDIT FUNCTION

The District entered into an Inter-Municipal Agreement through June 30, 2009 with seventeen other local public schools for internal auditing services which are provided by a Certified Public Accountant. We believe that this service, coordinated by our local BOCES, has been the most efficient and cost effective way to accomplish the internal audit function. We also believe that the CPA has remained independent in performing these audits.

See
Note 1
Page 18

However, if the BOCES is not able to resolve the independence issue raised by the Office of the State Comptroller, the district will not renew the Inter-Municipal Agreement at its expiration date and will hire another auditing firm to perform the internal audit.

The Cuba-Rushford Central School District appreciates the time and effort that the auditors took to examine our operations and make recommendations for improvements and respectfully request that our response be included in your final report.

Sincerely,



Aileen Sirianni, President
Cuba-Rushford Central School Board of Education

APPENDIX B

OSC COMMENT ON THE DISTRICT'S RESPONSE

Note 1

The District may enter into an inter-municipal agreement with other school districts to receive internal auditing services, when those services are provided by an individual or firm employed by any of the participating districts. However, the arrangement to receive internal auditing services from the BOCES creates an independence impairment, because significant goods and services are provided to the District by the BOCES.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: 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. We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected financial condition, cash receipts, and the internal audit function for further audit testing.

For financial condition, we analyzed the financial statements to determine fund balance trends and components of fund balance. We compared the District's 2006-07 budget to actual results of operation. We also reviewed minutes for the establishment of reserves and analyzed schedules provided to us for unused leave time.

For cash receipts, we reviewed written District procedures and the documentation and approval of bank reconciliations. We also traced cash collections from duplicate receipts to bank deposits and the accounting records and traced listings of checks received in the mail to the bank deposits for selected months.

For the internal audit function, we reviewed the terms of the contract for the internal audit function and the amount to be paid by the District for services provided by BOCES.

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 D

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