



# Hamburg Central School District

## Claims Processing and Related Purchasing Activities, and Private Purpose Trust Funds

Report of Examination

Period Covered:

July 1, 2006 — January 8, 2008

2008M-21



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

March 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 Hamburg Central School District, entitled Claims Processing and Related Purchasing Activities, and Private Purpose Trust Funds. 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

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# EXECUTIVE SUMMARY

The Hamburg Central School District (District) is governed by the Board of Education (Board) which comprises seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

The Hamburg School Foundation (Foundation) is not part of the School District. It is governed by a board of directors, which comprises 11<sup>1</sup> members. The Foundation is a not-for-profit organization formed in 2001 to secure resources for the enrichment of the Hamburg Central School District. The executive director<sup>2</sup> and treasurer of the Foundation is also the District's current Board of Education President.

### **Scope and Objective**

The objective of our audit was to evaluate internal controls over the claims processing function and the safeguarding of private purpose trust fund moneys for the period July 1, 2006 to January 8, 2008. Our audit addressed the following related questions:

- Are internal controls over the claims processing function and related purchasing activities appropriately designed and operating effectively?
- Does the District properly safeguard private purpose trust fund moneys?

### **Audit Results**

The District's purchasing agent is not properly authorizing purchase orders and improperly using blanket purchase orders. District officials indicated that most blanket purchase orders are prepared with a \$1 limit because the financial software does not allow them to enter a purchase order without a dollar amount. When purchases are made through these blanket purchase orders, the normal controls over purchasing are circumvented and the responsibility to ensure that the purchase complies with the District's purchasing policy rests with the accounts payable clerk, who generally performs this function after the goods and services have been received. In addition, the District does not require quotations for purchases made through blanket purchase orders.

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<sup>1</sup> The Foundation board of directors can have up to 14 members.

<sup>2</sup> The executive director of the Foundation essentially performs all administrative duties for the Foundation.

During the 2006-07 fiscal year a total of 199 blanket purchase orders, with a \$1 limit, were processed.<sup>3</sup> The total paid through these purchase orders was \$5,246,115, essentially “overspending” the purchase orders by a total of \$5,245,916. In effect, the budgetary control afforded by having a purchase order system was rendered completely ineffective through this use of blanket purchase orders with \$1 limits. Further, since purchases made from these blanket purchase orders are not scrutinized by the purchasing agent prior to being made, there is no assurance that the District’s procurement policy is complied with.

We tested 74 claims totaling \$649,242 and found that 37 claims did not include adequate supporting documentation, three claims had no indication of approval by the claims auditor and two claims were for questionable expenditures. In addition, of the 31 purchases requiring written quotations, 17 claims lacked documentation that the District complied with its purchasing policy. As a result, District officials cannot be certain that purchases were made in accordance with District policies and for appropriate District purposes. In addition, the District may not have procured certain items at the best prices available.

Safeguards over the District’s private purpose trust funds are not adequate. During our audit period, the Board improperly transferred \$83,000 in trust fund assets to the Foundation. The Board had no authority to transfer these trust funds bequeathed to the District, to the Foundation, to administer on its behalf. In so doing, the District was also not in a position to ensure that the trust funds are adequately safeguarded and that the proceeds and earnings are expended in accordance with the testator’s requirements.

As the executive director and treasurer of the Foundation, the Board President has a significant interest in the Foundation’s operations. Although he indicated that he did not receive a direct financial benefit from the Foundation, the potential exists for him to receive direct and indirect financial or other benefits. In addition, another District Board member was also simultaneously a director for the Foundation. The School Board President’s independence, as well as that of the other Board member, may be impaired when presenting resolutions to the School Board regarding the transfer of funds to the Foundation.

### **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 that they are taking corrective action.

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<sup>3</sup> Blanket purchase orders were processed from the following funds: General, School Lunch, Special Aid and Capital Projects.

# Introduction

## Background

The Hamburg Central School District (District) is located in the Towns of Hamburg, Boston, Eden and Orchard Park in Erie County. The District is governed by the Board of Education (Board) which comprises seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

There are six schools in operation within the District, with approximately 4,150 students and 725 employees. The District's budgeted expenditures for the 2007-08 fiscal year are \$49.9 million, which are funded primarily with State aid, sales tax, and real property taxes.

The Board designated the Business Administrator as the purchasing agent, who is responsible for administering all purchase activities. The Board amended its purchasing policy on August 1, 2007.

The District's purchasing process begins when an employee submits a purchase requisition to a department head for approval. Once approved, as evidenced by department head signature, the requisition is sent to the Business Office. The requisition is reviewed by the Business Administrator, acting as purchasing agent, to ensure the budget code is correct, and that the purchase complies with the District's purchasing policy. Among other things, the purchasing policy requires quotations for certain purchases to help ensure that the District is obtaining the best price. After review, the Business Administrator signs the requisition and sends it to Business Office staff that enter the information into the District's financial software to generate a purchase order. The vendor copy of the purchase order is stamped with the Business Administrator's signature and sent to the vendor.

The Hamburg School Foundation (Foundation) is governed by a board of directors which comprises 11<sup>4</sup> members. The Foundation is a not-for-profit organization formed in 2001 to secure resources for enrichment of the Hamburg Central School District. The District's Board of Education President is also the Foundation's executive

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<sup>4</sup> The Foundation board of directors can have up to 14 members.

director and treasurer. However, the Foundation is not part of the School District. It is an independent body, autonomous from the School Administration and School Board.

The District's financial system has an Expendable Trust Fund in which private purpose trust funds are accounted for. All of the District's private purpose trust funds are used for student scholarships. These moneys are invested in certificates of deposit until scholarships are awarded. At that time, the money is transferred to the District's general fund checking account for disbursement.

As part of this same audit engagement, we previously released a report on the District's financial condition, to ensure that the information contained therein was available to the Board for consideration in the development of the 2008-09 budget.

**Objective**

The objective of our audit was to evaluate internal controls over the claims processing function and the safeguarding of private purpose trust fund moneys. Our audit addressed the following related questions:

- Are internal controls over the claims processing function and related purchasing activities appropriately designed and operating effectively?
- Does the District properly safeguard private purpose trust fund moneys?

**Scope and Methodology**

During the audit, we examined internal controls over claims processing and private purpose trust fund moneys of the Hamburg Central School District for the period July 1, 2006 to January 8, 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 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 that they are taking 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*.

## Claims Processing and Related Purchasing Activities

Effective internal controls over claims processing are intended to help ensure that every claim contains enough supporting documentation to determine that it complies with District policies, and that the amounts claimed represent actual and necessary District expenses. This process helps the District ensure that it expends taxpayer dollars in the most efficient manner.

The purchasing process involves the purchasing agent approving a requisition and issuing a purchase order for the amount requested after ensuring that sufficient funds are available in the budget and that the intended purchase complies with all District procurement requirements. However, the District's Business Administrator, who is the purchasing agent, is not properly authorizing purchase orders and improperly using blanket purchase orders.

### **Blanket Purchase Orders**

A blanket purchase order should be issued to a vendor under which specified purchases may be made for a certain time period up to a set dollar limit. Generally, blanket purchase orders are used to eliminate the need to issue separate purchase orders for small dollar items of a similar type (e.g., automotive or maintenance supplies) purchased frequently from the same vendor. They also allow purchasing items on an "as needed" basis. However, the use of blanket purchase orders should be carefully controlled with established limits, rules and procedures.

The Board adopted purchasing policy delegates to the purchasing agent the responsibility to establish procedures as may be required. However, the purchasing agent did not provide any written procedures for blanket purchase orders. Blanket purchase orders are used for vendors from which frequent purchases are made and for vendors to which recurring monthly payments are made.

District officials indicated that most blanket purchase orders are prepared with a \$1 limit because the financial software does not allow them to enter a purchase order without a dollar amount. When purchases are made through these blanket purchase orders, the normal controls over purchasing are circumvented and the responsibility to ensure that the purchase complies with the District's purchasing policy rests with the accounts payable clerk, who generally performs this function after the goods and services have been received. In addition, the District does not ensure that quotations were obtained for purchases made through blanket purchase orders as required by the Board adopted purchasing policy.

During the 2006-07 fiscal year a total of 199 blanket purchase orders, with a \$1 limit, were processed.<sup>5</sup> The total paid through these purchase orders was \$5,246,115, essentially “overspending” the purchase orders by a total of \$5,245,916. We also identified that 51 out of 114 appropriation accounts were over-expended during the year in amounts ranging from \$76 to \$594,747. At fiscal year end, District officials adjusted appropriations by increasing those that were overspent and decreasing those that were under-spent. In effect, the budgetary control afforded by having a purchase order system was rendered completely ineffective through this use of blanket purchase orders with \$1 limits. Further, since purchases made from these blanket purchase orders are not scrutinized by the purchasing agent prior to being made, there is no assurance that the District’s procurement policy is complied with.

### **Claims Processing**

Due to deficiencies with the District’s purchase order process, and a systemic misuse of blanket purchase orders, we tested 74 claims, totaling \$649,242. We tested the claims to ensure they were properly approved, contained adequate supporting documentation including itemized receipts, were appropriate District charges, and that the District maintained documentation that competitive bids or quotations were obtained as necessary.

- Of the 74 claims reviewed, 30 did not indicate approval by the purchasing agent. District officials indicated that the purchasing agent’s signature was only stamped on the white copy of the purchase orders, which were sent to the vendors. Thirteen claims had a purchase order that was dated after the invoice date. These included a \$100,961 claim for textbooks, and a \$5,931 claim for software.
- Of the 74 claims reviewed, 26 were from blanket purchase orders with a \$1 limit. These included a \$25,994 claim for a foster care student’s tuition, two claims totaling \$26,204, for two special education students’ tuition, a \$16,665 claim for physical therapy services, a \$7,297 claim for cafeteria food, two purchases totaling \$4,306 for asphalt products, and a \$4,055 claim for cafeteria kitchen inspection services.
- Three of the 74 claims did not indicate approval for payment by the claims auditor. These included a \$73,150 claim for the partial payment of a construction project, a \$11,373 claim for special education tuition, and a \$714 claim for travel.

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<sup>5</sup> Blanket purchase orders were processed from the following funds: General, School Lunch, Special Aid and Capital Projects.

- Thirty-seven<sup>6</sup> of the 74 claims did not include sufficient supporting documentation. Thirty-one claims did not include documentation that the goods or services were received; eight claims did not include invoices and/or receipts; six claims were not adequately itemized; and seventeen claims did not indicate department head approval.
- One claim was for the purchase of savings bonds, totaling \$1,088, for employees who had perfect attendance during the fiscal year. No such payment was stipulated in employment contracts or collective bargaining agreements and District officials could not provide a Board resolution authorizing this benefit. District officials indicated that this practice has been discontinued.

## Written Quotations

The purpose of obtaining quotations is to encourage competition in the procurement of supplies, equipment and services that will be paid for with public funds. The appropriate use of competition provides taxpayers with the greatest assurance that goods and services are procured in the most prudent and economical manner, that goods and services of desired quality are being acquired at the lowest possible cost and that procurement is not influenced by favoritism, improvidence, extravagance, fraud or corruption.

The District's purchasing policy requires that three written quotations be obtained for purchases between \$1,500 and \$10,000 and public works contracts between \$1,500 and \$20,000. Of the 74 claims reviewed, 31 required written quotations. Seventeen of these 31 claims, totaling \$60,972, lacked documentation to indicate that the District complied with its purchasing policy. These claims included \$6,204 for student planners, \$4,306 for asphalt supplies, \$4,432 for camera supplies, and \$4,461 for locks. District officials stated that written quotations are not obtained for purchases that are made through blanket purchase orders as these purchases are not approved by the purchasing agent.

The failure of the District to establish reasonable dollar limits, to require purchasing agent approval, and to require quotations for goods or services purchased through blanket purchase orders prevents the District from ensuring whether adequate funds are available for purchases and expending taxpayer dollars in the most efficient manner.

## Recommendations

1. The Board should take steps to ensure that the District's purchase order system is used in an effective manner to ensure compliance

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<sup>6</sup> Some of these 37 claims included more than one exception.

with the Board adopted procurement policy, as well as providing budgetary control.

2. The Board should develop written policies and procedures for blanket purchase orders that address when they are permitted, establishes dollar thresholds and ensures compliance.
3. Prior to approving claims for payment, the claims auditor should ensure that they are properly itemized, original documents such as purchase orders, receiving slips and invoices are attached and that each purchase complies with applicable District policies.
4. District officials should enforce and monitor compliance with the District's purchasing policy as it relates to the required number of quotations for purchases under the competitive bidding thresholds, and the required documentation to support purchase decisions.

## Private Purpose Trust Funds

District officials are responsible for ensuring that private purpose trust funds are adequately safeguarded and that all moneys bequeathed to the District, including interest earned, are expended according to the instructions of the donor or testator. Further, all trusts held by the District must be reported to the Commissioner of Education.

At July 1, 2006 the District held three private purpose trust funds, totaling \$10,265. During the fiscal year the District completely disbursed one in the amount of \$2,074, which was transferred, at the request of the donor, to the Hamburg School Foundation (Foundation), a not-for-profit entity. Also during the 2006-07 fiscal year the District received \$645,064 from two new private purpose trust funds. At June 30, 2007, the four remaining trusts had a combined balance of \$652,170. All of these trust funds were designated to be used for student scholarships. There was no indication that any of these trust funds were reported to the Commissioner of Education as required.

On March 7, 2007, the District improperly transferred the first payment received from one of the new trusts, in the amount of \$83,000, to the Foundation. On March 13, 2007, the Foundation issued a check to an investment corporation for \$83,000 directing the deposit of this money into a mutual fund. Mutual funds are not a legally permissible investment vehicle for District moneys, or moneys under its custody. On March 20, 2007, the District Board of Education adopted a resolution authorizing this transfer to the Foundation for administration. The Board had no authority to transfer private purpose trust funds bequeathed to the District, to the Foundation, a not-for-profit corporation that is not responsible to District officials. In so doing, District officials could not ensure that the trust funds were adequately safeguarded and that the proceeds and earnings were expended in accordance with the testator's requirements. These monies were entrusted to District officials to provide scholarships and should have remained under the control of District officials.

According to the District's Code of Ethics, a school board member, operating under the highest ethical standards, should represent the community without fear or favor. The Code of Ethics further requires that a Board member, "...whether paid or unpaid, who participates in the discussion or gives official opinion to the Board of Education on any resolution before the Board of Education shall publicly disclose on the official record the nature and extent of any direct or indirect financial or other interest he/she has in such resolution."

The Board does not have adequate monitoring procedures to ensure compliance with its Code of Ethics. The School Board President also serves as the Foundation's executive director and treasurer. In his Foundation capacity, he performs all administrative tasks for the Foundation, including the receipt and disbursement of Foundation funds. Furthermore, while he indicated to us that he did not receive a salary or any direct compensation from the Foundation, the Foundation by-laws state that the Foundation "executive director shall receive such reasonable compensation for his or her services (commensurate with the value of services performed) as the board of directors shall determine from time to time". Our review of Foundation records provided to us by the executive director confirmed that he did not receive a salary. In addition, another School Board member is also a member of the board of directors of the Foundation. Our review of the School Board minutes did not indicate that either the Board President or the other Board member disclosed their role with the Foundation as required by the District's Code of Ethics. During the audit period, the Board President made several motions for the Board to transfer funds to the Foundation, including a resolution on September 18, 2007 that all private purpose trust funds of the District be transferred to the Foundation for administration. This resolution was tabled and no further action was taken as of the end of our fieldwork.

As the executive director and treasurer, the Board President has a significant interest in the Foundation's operations and although he did not receive a direct financial benefit from the Foundation, the potential exists for direct and indirect financial or other benefits. Similarly, the other School Board member has an interest in both entities. Therefore, their independence is compromised and, in accordance with the District's Code of Ethics, both should refrain from presenting resolutions to the Board or acting upon them, for all matters involving the Foundation.

On December 17, 2007, the Foundation returned the \$83,000 improperly transferred to the Foundation. The Board President/Foundation executive director indicated that he was computing the amount of earnings attributable to this trust fund and would be returning that amount to the District as well.

## **Recommendations**

5. The Board should ensure that the District is adequately safeguarding private purpose trust funds and that the proceeds and interest are expended in accordance with the donor's or testator's requirements and invested according to applicable statute and Board policy.

6. The District should implement procedures for monitoring compliance with its Code of Ethics.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



Pursuing Excellence Through Partnership

March 13, 2008

[Redacted]  
Office of the State Comptroller  
Division of Local Government and School Accountability  
295 Main Street, Room 1050  
Buffalo, New York 14203-2510

Dear [Redacted]

Thank you for conducting our second audit that addresses purchase orders as well as private purpose trust funds. As you know from our response of Feb. 1, 2008, we have already set in place a number of corrective actions that are addressing the recommendations that the Comptroller's Office provided. We wish to state several of the corrective actions we've already undertaken as they relate to the second audit.

The biggest fundamental change is that central office staff and the Board of Education are sharing financial information on a regular basis. In addition to the major changes outlined in our response of Feb. 1, the school district continues to seek ways to enhance revenue to support our operating budget to prevent deficit spending in the future.

With respect to the 199 blanket purchase orders with the \$1 limit, this practice has been abolished. All existing blanket purchase orders for the 2007-08 school year in this category have been closed or reissued with an actual and appropriate encumbrance for the vendors involved. Regarding the Board adopted procurement policy, the Board will review this policy and will insist that these policies be enforced by the administrative team as an initial step. A review will take place within two months to determine the effectiveness of these policies and procedures. The Board will seek enhanced communication between the claims auditor and the internal auditors. The administration and internal auditors will review and monitor procedures regarding sufficient documentation on an ongoing basis for payment of claims. District administration will embark on in-service training for principals and department heads who authorize purchases to educate them about the proper district purchasing guidelines. Compliance with purchasing guidelines will be monitored by the Business Office, claims auditor, internal auditors and the Audit Committee, which now includes all Board members.

The Hamburg School District Board of Education takes very seriously the improper transfer of \$83,000 in trust fund assets to the Hamburg School Foundation. The Board regrettably acknowledges that the transfer did occur, however, it is important to understand the

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March 13, 2008

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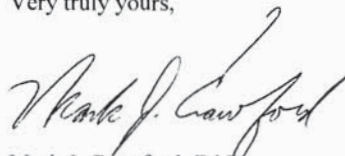
circumstances that led to this decision. The Board of Education members are deeply concerned regarding the information that was communicated to them by the Board of Education President regarding the wishes of the donor. The Board of Education was informed that the check incorrectly identified the school district, as the receiver of funds, and therefore, the transfer to Hamburg School Foundation was needed in order to fulfill the wishes of the deceased. In the subsequent weeks, Board members learned that the information given by the Board President was inaccurate. The Board immediately took the appropriate action of retrieving the \$83,000, and, subsequently the interest, from the Hamburg School Foundation and deposited it into the school district account for appropriate administration and distribution as per the donor's wishes.

As to the question of the relationship between the Hamburg Central School District and the Hamburg School Foundation, the school district recognizes that a conflict of interest did exist, and therefore, has taken the following immediate actions. Although the previous Superintendent of Schools served as a member of the Foundation Board, it is important to note that the current Superintendent of the Hamburg Central School District does not serve as a member of the Foundation Board. In addition, the Director of Public Relations has resigned, effective immediately, from the Foundation Board. We are currently in the process of separating the business of the Hamburg School District and the Hamburg School Foundation by establishing a clear delineation between the two entities. The actual details of this separation will be outlined in the Corrective Action Plan.

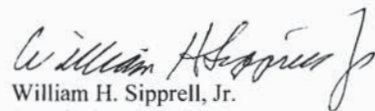
The Board of Education recognizes the potential for conflict of interest with members who are also involved with the Hamburg School Foundation. The Board of Education will follow the audit's recommendation that its members refrain from presenting resolutions and acting upon them. The Board of Education will enforce its Code of Ethics as it applies to its members.

Once again, I wish to say that our overarching goal is to be as transparent as possible so that all stakeholders have a solid understanding of the district's financial status with regard to revenues and expenses. To this end, the district is implementing effective fiscal practices and procedures leading to sound financial health for the Hamburg Central School District.

Very truly yours,



Mark J. Crawford, Ed.D.  
Superintendent of Schools



William H. Sipprell, Jr.  
Board Vice President

## 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, payroll and personal services and information technology.

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, claims processing and related purchasing activities, and private purpose trust funds for further audit testing. Our report on financial condition was released previously.

For claims processing and related purchasing activities we tested a judgmental sample of 74 claims selected from the period July 2006 through June 2007. We examined these claims to determine if they contained itemized receipts, and supporting documentation, if they were properly approved by the department head and by the purchasing agent, if they included only proper District charges, if they were approved by the claims auditor, and if the District obtained bids or quotations as necessary. In addition, we reviewed written policies and procedures, and interviewed staff to gain an understanding of the current procedures in place. In addition to paid claims, we examined the following records to determine the effectiveness of internal controls within the claims processing function and related purchasing activities:

- Warrants
- Vendor Transaction Reports
- Purchase Order Status Reports
- Purchase Orders
- Conference Request Forms
- Contractor Bids and Quotations

For private purpose trust funds we reviewed the District's expenditure and revenue reports. We also reviewed the District Treasurer's Reports and Board meeting minutes to determine if private purpose trusts received by the District were safeguarded and properly expended. In addition, we reviewed the District's supporting documentation, including wills and correspondence, relating to the private purpose trusts and interviewed staff to gain an understanding of the District's procedures and internal controls for private purpose trust fund activities. We also reviewed the Foundation's financial records relating to the District's private purpose trust funds, which were provided to us by the Board President/Foundation executive director, to establish whether these District funds were properly safeguarded.

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

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