



Honeoye Falls-Lima Central School District

Internal Controls Over Selected Financial Activities

Report of Examination

Period Covered:

July 1, 2006 — March 31, 2008

2008M-150



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 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 Honeoye Falls-Lima Central School District, entitled *Internal Controls Over Selected Financial Activities*. 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 Honeoye Falls-Lima Central School District (District) is located in the towns of Mendon, Henrietta, and Rush in Monroe County, the towns of Avon, Lima, and Livonia in Livingston County, and the towns of Victor, West Bloomfield, and Richmond in Ontario County. The 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.

The Business Office is responsible for the District's financial recordkeeping. The office includes a District Treasurer (Treasurer), Director of Finance, who also serves as the purchasing agent, and three clerical employees. The District has appointed both a middle school and high school central treasurer to be responsible for extra-classroom receipts and disbursements. The District's information technology (IT) system is used to process financial and non-financial data.

Scope and Objective

The objective of our audit was to determine if internal controls over selected financial activities and IT were designed appropriately and operating effectively for the period July 1, 2006, to March 31, 2008. Our audit addressed the following related questions:

- Did the Board have adequate controls over cash receipts and disbursements?
- Are internal controls over IT appropriately designed and operating effectively to adequately safeguard District assets?

Audit Results

The District had not established adequate internal controls over the Treasurer's operations and aspects of its IT system. We found that the District had not adequately segregated the Treasurer's duties or implemented other effective compensating controls. Specifically, the Treasurer was responsible for preparing bank deposits, recording receipts, making wire transfers, signing checks, preparing journal entries, and performing bank reconciliations. These duties are incompatible when performed by one individual because they would allow the Treasurer to initiate, authorize, and then conceal inappropriate transactions. While our review did not reveal any material discrepancies, the lack of segregation of duties for the Treasurer significantly increases the risk that errors and/or irregularities might occur and go undetected and uncorrected.

In addition, District officials have not established adequate internal control policies and procedures to monitor computer activity and safeguard the District's financial computer data and systems. The current and previous internal claims auditor told us that they had not reviewed any vendor change reports and were unsure of how to retrieve the report from the computer system. District computers do not initiate a session lock after a period of inactivity, which increases the risk that unauthorized persons could gain access to, change, or delete sensitive data. In addition, computer users can install software on District computers without authorization or approval. The District does not have a formal disaster recovery plan and does not adequately protect its backup tapes.

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 Honeoye Falls-Lima Central School District (District) is located in the towns of Mendon, Henrietta, and Rush in Monroe County, the towns of Avon, Lima, and Livonia in Livingston County, and the towns of Victor, West Bloomfield, and Richmond in Ontario County. The 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.

There are four schools in operation within the District, with approximately 2,700 students and 440 employees. The District's budgeted expenditures for the 2007-08 fiscal year were approximately \$37 million, which were funded primarily with State aid, sales tax, real property taxes, and grants.

The Business Office is responsible for the District's financial recordkeeping. The office includes a District Treasurer (Treasurer), Director of Finance, who also serves as the purchasing agent, and three clerical employees. The District has appointed both a middle school and high school central treasurer to be responsible for extra-classroom receipts and disbursements. The District's information technology (IT) system is used to process financial and non-financial data.

Objective

The objective of our audit was to determine if internal controls over selected financial activities and IT were designed appropriately and operating effectively for the period July 1, 2006, to March 31, 2008. Our audit addressed the following related questions:

- Did the Board have adequate controls over cash receipts and disbursements?
- Are internal controls over IT appropriately designed and operating effectively to adequately safeguard District assets?

Scope and Methodology

We examined internal controls over selected financial activities and IT of the District for the period July 1, 2006, to March 31, 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 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, 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.

Segregation of Duties

District officials are responsible for designing internal controls that help safeguard the District's resources and ensure that these resources are used economically and efficiently. An effective system of internal controls provides for the segregation of duties such that no single individual controls all phases of a transaction: authorization, custody and recordkeeping. When it is not practical to segregate duties because of limited staff resources, District officials must establish compensating controls, which could include other administrative employees periodically reviewing the work of the staff under their direction and periodic rotation of work duties.

The Treasurer is the District's chief accounting officer and the custodian of all District moneys. One of the District officials' responsibilities is to ensure that the Treasurer properly accounts for all District moneys. One way to accomplish this is to make sure that the duties performed by the Treasurer are properly segregated so that she does not control all phases of a transaction. For example, one person must not be able to collect revenues, record receipts, make deposits, reconcile bank accounts, perform bank transfers, prepare journal entries, and sign checks. If it is not feasible for officials to adequately segregate the Treasurer's duties, then it is important that District officials ensure that compensating controls are in place to protect District assets. These controls could include having a different staff member review the work performed by the Treasurer and having someone other than the person who prepares journal entries and bank transfers review and approve them. The Commissioner of Education's Regulations require that the Treasurer submit a monthly reconciliation of bank and cash balances to the Board. Having these controls in place helps to ensure that District monies are accounted for properly and minimizes the risk that errors or irregularities could occur and remain undetected.

We found that the District had not adequately segregated the Treasurer's duties or implemented other effective compensating controls. Specifically, the Treasurer is responsible for preparing bank deposits, recording receipts, making wire transfers, signing checks, preparing journal entries, and performing bank reconciliations. These duties are incompatible when performed by one individual because they would allow the Treasurer to initiate, authorize, and then hide inappropriate transactions. Although the Treasurer provides a monthly report to the Board, the report does not include a reconciliation of cash and bank balances. Therefore, the monthly

reports were not as useful because they did not include information that the Board needs to monitor District operations.

The District does have some mitigating controls in place. For example, the bank provides telephone confirmations for wire transfers to one of three individuals involved in the wire transfer process. Specifically, when one of the three individuals initiates a wire transfer, the bank contacts one of the other two individuals who are not initiating the transaction to obtain a confirmation for the transfer. In addition, the receptionist opens the Treasurer's mail and maintains a log of checks received. Also, the Director of Finance certifies the payrolls, and the Director of Finance reviews journal entries (but not until the end of the fiscal year). Despite the fact that there were some mitigating controls in place, these controls were not sufficient to reduce the risk level to an acceptable level, which increases the risk that errors or irregularities could occur and not be detected.

Due to the lack of segregation of duties over the Treasurer's operations, we reviewed 211 cash receipts for October and November 2007 and February 2008 totaling approximately \$3.7 million to ensure that they were properly received, recorded, and deposited intact¹ and in a timely manner. Additionally, we traced the Treasurer's receipt booklets to receipt journals to ensure that the receipt sequences were intact. We reviewed the December 2007 and January 2008 bank reconciliations to ensure that they were appropriate and agreed with accounting records. We also tested 20 disbursements totaling more than \$100,000 to ensure that they were properly authorized and recorded.

While our review did not reveal any material discrepancies, the lack of segregation of duties for the Treasurer significantly increases the risk that errors and/or irregularities might occur and go undetected and uncorrected.

Recommendations

1. District officials should adequately segregate the duties of the Treasurer or provide for effective compensating controls.
2. The Treasurer should include a reconciliation of cash with bank balances in her monthly report to the Board.

¹ In the same order and form (cash, check, or money order) in which they were received

Information Technology

The District uses IT to initiate, process, record, and report transactions. The pervasive use and complexity of these computerized functions produces internal control risks such as unauthorized access to data, unauthorized changes to master files, and the potential loss of data.

The District can mitigate these risks through a combination of automated and manual controls including policies and procedures, adopted by the Board, to protect data from loss by intentional or unintentional manipulation. An effective system of internal controls over IT includes a disaster recovery plan and systematic backup procedures to restore lost or damaged data as quickly and easily as possible. Disasters include sudden, unplanned, catastrophic events (e.g., fires, computer viruses, or inadvertent employee actions) that compromise the integrity and data of the information technology system.

District officials have not established adequate internal control policies and procedures to monitor computer activity and safeguard the District's financial computer data and systems. As a result, the District is at risk of misuse or the loss of computer data and equipment.

Monitoring Reports

A good financial software package provides adequate tools to allow the District to set up a strong system of internal controls by monitoring computer activity. Exception reports and change reports are two of the basic tools available in most financial software packages. Exception reports are detailed lists of transactions that are exceptions to ordinary transactions. Change reports show changes that are made to certain data records such as vendor information.

The District generates exception or change reports only for the payroll function. According to District procedures, the internal claims auditor is required to review the vendor change report quarterly. The current and previous internal claims auditor told us that they had not reviewed any vendor change reports and were unsure of how to retrieve the report. The District is in the process of changing to new financial software that it anticipates will be more user-friendly. The review of these reports could help provide a meaningful compensating control for the Treasurer's lack of segregation of duties.

Network Security

Session locks can help prevent unauthorized access at unattended computer terminals. A session lock is triggered after a specified period of inactivity and requires users to reestablish access using appropriate identification and authentication procedures. If a computer does not “time-out” (initiate a session lock) after a period of inactivity, there is an increased risk that unauthorized persons could gain access to, change, or delete sensitive data. In addition, prohibiting users from installing software on District computers is a crucial step in preventing potentially harmful software from being installed on District computers. Unauthorized programs could transfer personal or sensitive information to outside networks, potentially slow down the network, or cause system crashes. To ensure software installations are appropriate, it is important that District computers be configured to allow the installation of software only by the IT Department.

We found that the District’s computer system has the ability to initiate a session lock, but District officials have not implemented it. We examined several users’ computer terminals and found that after about 10 to 15 minutes of inactivity the screensaver is activated or the screen goes dark, and the user only has to move the computer mouse to return their computer to its normal operating mode. The Treasurer does lock her computer or lock her office door if she is leaving her office; however, other District personnel leave their computers unlocked and unattended. Having unattended, unlocked computers increases the risk for unauthorized access to the system.

We also found that users can install software onto District computers. Students are limited in what they can download to District computers, but staff is not restricted from downloading files to District computers. The ability of users to install software on District-owned computers significantly increases the risk that sensitive or critical data and hardware and software systems may be lost, compromised, or damaged.

Disaster Recovery

Good business practices require establishing a formal disaster recovery plan to address the possible loss of computer equipment and data and establishing procedures for recovery in the event of such a loss. It is important that the plan describe the precautions to be taken to minimize the effect of any disaster, enable District officials to either maintain or quickly resume its critical functions, and protect critical and sensitive data to avoid inadvertent access or changes to financial and other data. The Board must communicate the plan to all District employees and periodically test it to ensure its effectiveness.

The District has developed an informal technology-related security plan, but does not have a formal disaster recovery plan. The current

plan encompasses some aspects of a formal disaster recovery plan, including access to hardware and software, a back-up schedule, computer use, and a disaster recovery overview. However, the plan is not a complete contingency plan because it does not include specific details or critical components such as an alternate processing site and the security of backups. The District's safety committee has created a plan for the relocation of building staff to alternate locations, but this is mainly for school safety and does not go into any detail regarding financial operations. The District also is not protecting its backups. The transportation of data between servers is not encrypted and the data on the backup tapes is not encrypted. In addition, the offsite backup tapes are not kept in a secure location, but are kept at a private residence.

Because the Board has not adopted a comprehensive disaster recovery plan, in the event of a disaster, District personnel have few guidelines to follow to help minimize or prevent the loss of equipment and data or guidance on how to implement data-recovery procedures. If the computer system fails, the problems that result could range from an inconvenient situation to a catastrophic event. Even small disruptions in computer systems can require extensive employee and consultant hours to evaluate and repair. District officials will likely face the loss of vital data and other resources if a disaster occurs.

Recommendations

3. District officials should use monitoring reports generated by the financial software to help strengthen internal controls.
4. District officials should use the software system's capacity to initiate a session lock for all District computers.
5. District officials should restrict students and staff from installing software on the District's computers.
6. District officials should protect data by encrypting and properly storing backup tapes.
7. The Board should adopt a formal disaster recovery plan that describes specific guidelines for the protection of essential data against damage, loss, or destruction.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Honeoye Falls - Lima School District
20 Church Street, Honeoye Falls, New York 14472



Michelle M. Kavanaugh, Ed.D, Superintendent of Schools
Phone: (585) 624-7010 Fax: (585) 624-7191
E-mail: michelle_kavanaugh@hficsd.org

October 1, 2008



Div. of Local Government and School Accountability
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614

Dear [REDACTED]:

This letter is in response to the preliminary draft findings of the Office of the State Comptroller's Report of Examination of the Honeoye Falls-Lima Internal Selected Controls over Selected Financial Activities. We acknowledge general agreement with the findings and appreciate the professionalism demonstrated by the OSC staff assigned to this audit. They were courteous and respectful of our staff's time and provided us with valuable observations and suggestions. What follows are specific responses to recommendations:

Recommendation 1: District officials should adequately segregate the duties of the Treasurer or provide for effective compensating controls.

During the period under examination, the Business Office experienced temporary substitution of an Interim Treasurer and an Interim Business Official, along with transition to a new Business Official and a new Superintendent. In January 2008, the four-person Business Office was reorganized to include the addition of an Administrative Assistant for Human Resources and the duties of a Business Office Coordinator to monitor cross-training, periodic rotation of duties and internal controls. The limited staffing in the Business Office, and the changes in leadership that occurred, prompted the development of an annual action plan to strengthen internal controls and segregation of duties. As was noted by auditors, some mitigating controls currently exist and the District has also transitioned to a more user-friendly financial management software system. Internal control efforts have been aggressively addressed in an ongoing manner and include these changes specific to the recommendations:

Mitigating Controls for the Treasurer: Bank Deposits and Wire Transfers

Effective January 15, 2008, the Central Office Receptionist opens the District Treasurer's external and interoffice mail, and collects and counts all cash and checks sent to the District Treasurer and prepares and signs a summary sheet of the daily collections that she submits to the Treasurer at the end of each day. The District Treasurer attaches this summary sheet to the daily deposit as documentation the deposit being made matches what was first received by the Receptionist.

Effective February 2008, all wire transfers initiated by the District Treasurer are authorized, signed, and dated by the Director of Finance. The District recognized the need for controls on wire transfers and has been in discussions with its lead bank, Bank of America, to arrange all District wires and transfers to flow through this bank's software system for all banks and bank accounts the District utilizes. Until this is executed by the Bank of America, some banks with which the District utilizes have agreed to a call-back control. The District anticipates consolidating banks through a bid process by July 2009.

Mitigating Controls for the Treasurer: Signing of Checks

While the Treasurer signs all District checks as authorized by the Board of Education, checks are generated by the Accounts Payable Clerk or the Payroll Clerk. The Accounts Payable Clerk and the Payroll Clerk ask the District Treasurer for the use of her signature plate when they are ready to print checks, but these checks are approved a number of times prior to their issuance. No check is generated without at least four other individuals involved.

The Accounts Payable Clerk does not generate a check until an approved requisitioner, entered by the District Technology Department with authorization from a Department Head/ Principal, has issued a requisition, adequate funds are available in the budget account code, the Treasurer has ensured proper coding of the expenditure, and the requisition is approved by the Purchasing Agent for conversion to a Purchase Order. Once the item is received or service is rendered, the requisitioner sends their copy of the PO with an "okay to pay" and signature to the Accounts Payable Clerk who attaches this to the invoice once it is received. This package is given to the Internal Claims Auditor to approve. Once approval is given, the package is sent back to the Accounts Payable Clerk to enter into financial management software to issue a check. Once the checks are printed (with the District Treasurer's approval to use the signature plate) the checks are given back to the Internal Claims Auditor for final approval prior to mailing. Therefore, the process of generating a check involves the oversight of at least four individuals, other than the Treasurer.

Similarly, the Payroll Clerk procedures require that new employees and any payroll changes are entered by the Administrative Assistant for Human Resources in the software management system. The Payroll Clerk generates the payroll and the Director of Finance certifies the payroll. The Internal Claim Auditor selects employees each pay to audit and reviews changes to payroll by utilizing change reports from the software management system. Once the checks are printed, the Internal Claims Auditor periodically distributes the paychecks or the District Courier delivers the checks to the Building Secretaries for distribution to the various Departments. In addition, the Internal Claims Auditor reviews the bank transfers, wires, and taxes paid each payroll that the District Treasurer initiates and the Director of Finance authorizes. Therefore, payroll checks signed by the Treasurer have controls provided by at least four individuals, other than the Treasurer.

Mitigating Controls for the Treasurer: Approval of Journal Entries

The Director of Finance formally reviews and approves, with his signature, all journal entries to all funds at year end and whenever large journal entries or non-routine entries are discussed by the District Treasurer and Director of Finance prior to making the journal entry. Any entries to write off old outstanding checks, bounced checks, uncollectible receivables are discussed and authorized by signature and date by the Director of Finance prior to the District Treasurer making the journal entry or issuing the invoice for the District.

Mitigating Controls for the Treasurer: Bank Reconciliations

The District Treasurer performs the bank reconciliations but the Director of Finance reviews and signs all bank reconciliations and bank statements prior to the issuance of the District Treasurer's Report to the Board of Education. The District plans to have the Internal Claims Auditor review

bank statements and reconciliations as an additional control, in the future. The District's Audit Committee has already begun to examine changes to the Treasurer's Reports that provide greater detail on bank reconciliations.

Recommendation 2: The Treasurer should include a reconciliation of cash with bank balances in her monthly report to the Board.

The Board Audit Committee studied options for Treasurers report formats and planned to institute changes in the Fall of 2008, once the new financial management software was fully operational. The reconciliation will be included as of October 28, 2008.

Recommendation 3: District officials should use monitoring reports generated by the financial software to help strengthen internal controls.

The new financial management software was implemented July 1, 2008 and provides the District with a number of new reports that will be implemented.

Recommendation 4: District Officials should use the software's system's capacity to initiate a session lock for all district computers:

The system lock was implemented during the 07-08 school year. The current system is configured to lock a staff member's workstation after 15 minutes of idle time. This setting is done during the imaging procedure. Imaging is the process of rebuilding a computer workstation with pre-set configurations to ensure all workstations look and behave the same way. The workstations that we believe were examined had not been re-imaged since the time this policy was put in place. This summer, remaining stations were reimaged and we were 100% compliant by July 2008. A schedule to sample and test machines has been developed.

Recommendation 5: District Officials should restrict students and staff from installing software on District computers:

Some controls have been in place over time. Students do have the ability to download text, pictures and video clips from the web. However, they are not allowed to install software from a CD or install a software package from the web. We have a network policy in place that does prevent the operation of running an executable file. Staff also has the ability to download in the same manner as students, however they are allowed to install executable files from the web or from CD. In order to protect the network, we have extensive spyware and antivirus software running so that any virus is detected immediately by the network and staff can react as necessary on the workstation.

Before we place any network policies on student accounts we review the scope and sequence documents to see what students are required to know and do with regard to technology. Beginning in elementary school, students are required to download digital images, video and audio files from electronic sources and place them into a presentation or webpage. In order for them to be able to perform these tasks, they need access to download to the computer.

We will review and revise our Acceptable Use Policy with respect to software installation. Staff will be required to log executable software with the Technology Office before they download.

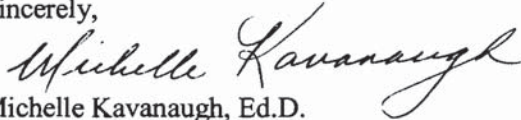
Recommendation 6: District Officials should protect data by encrypting and properly storing back- up tapes.

The current backup software does not have the ability to encrypt data to tape. We are in the process of investigating options and their costs. BOCES does offer a service for the offsite storage of backup tapes. We are currently working with our BOCES assigned Project Manager for pricing.

Recommendation 7: The Board should adopt a formal disaster recovery plan that describes specific guidelines for the protection of essential data against damage, loss or destruction.

We are in the process of formalizing our informal disaster plan and considering cost implications.

Sincerely,

A handwritten signature in cursive script that reads "Michelle Kavanaugh". The signature is written in black ink and is positioned to the right of the typed name.

Michelle Kavanaugh, Ed.D.
Superintendent of Schools

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. We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected cash receipts and disbursements, the Treasurer's duties (segregation of duties), extra-classroom activities, and IT for further audit testing.

We examined the District's processes relating to cash receipts and disbursements and IT for the period July 1, 2006, to March 31, 2008. To accomplish the objectives of this audit, and to obtain relevant audit evidence, our procedures included the following:

- We conducted interviews with District officers and personnel to gain an understanding of procedures in place and the nature of internal controls.
- We reviewed deposits, cash receipts, and supporting documentation including bank statements and journals for October and November 2007 and February 2008.
- We reviewed extra-classroom deposits, cash receipts and supporting documentation including bank statements and ledgers for January 2008 to March 2008.
- We reviewed all payments to key administrative officials and Board members to ensure that payments were approved for proper District purposes.
- We traced the Treasurer's receipt booklets to receipt journals to ensure sequencing was intact.
- We traced all bank reconciliation book balances to general ledger account balances for December 2007 and January 2008 to ensure they were accurately and properly prepared.

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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