



Jordan-Elbridge Central School District

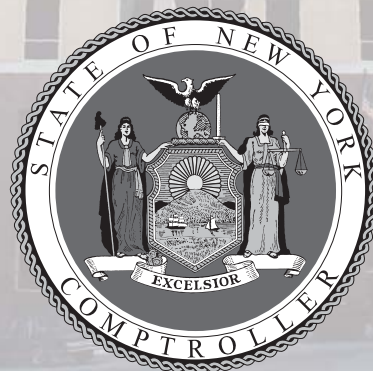
Internal Controls Over Selected Financial Operations

Report of Examination

Period Covered:

July 1, 2006 — December 31, 2007

2008M-208



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
TREASURER AND DEPUTY TREASURER DUTIES	7
Recommendations	9
INTERNAL CONTROLS OVER FINANCIAL COMPUTER DATA	10
Recommendations	11
APPENDIX A Response From District Officials	12
APPENDIX B OSC Comments on the District's Response	16
APPENDIX C Audit Methodology and Standards	18
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 Jordan-Elbridge 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 Jordan-Elbridge Central School District (District) is located in the Towns of Brutus and Sennett, in Cayuga County and the Towns of Camillus, Elbridge, Lysander, Skaneateles, and Van Buren in Onondaga 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 District Treasurer (Treasurer) is responsible for the receipt, custody, disbursement, and accounting of all District funds. The Assistant Superintendent for Business (Assistant Superintendent) manages the District's overall financial operations and oversees the Business Office. The Board appointed the Assistant Superintendent as the District's Deputy Treasurer. As Deputy Treasurer, the Assistant Superintendent is responsible for performing the Treasurer's duties during the Treasurer's absence. The Assistant Superintendent was the acting Treasurer during the period September 11, 2007, to December 7, 2007, due to a vacancy in the Treasurer's position.

Scope and Objective

The objective of our audit was to examine internal controls over the duties of the Treasurer and Deputy Treasurer and computer access rights to the District's financial data for the period July 1, 2006, to December 31, 2007. Our audit addressed the following related questions:

- Were the duties of the Treasurer and Deputy Treasurer appropriately segregated or were compensating controls in place?
- Are internal controls over computer user access rights sufficient to safeguard the District's financial data?

Audit Results

District management has not established adequate internal controls over the District's cash assets and financial data in the computerized accounting system. The Treasurer and Assistant Superintendent performed several significant cash receipt and disbursement duties without adequate compensating controls or sufficient oversight. Also, the Assistant Superintendent has full user access rights to the District's computerized accounting system without any independent review or authorization for the changes he makes within the system.

The Treasurer receives cash, prepares and makes deposits, enters information in the computerized accounting system, prepares journal entries, and reconciles bank statements. Because the Treasurer performs these incompatible duties with little oversight, it is possible that the Treasurer could issue a check and/or receive cash, and alter records and manipulate accounts to prevent detection. District officials did not independently review the Treasurer's work to mitigate this internal control weakness.

The Assistant Superintendent performed several incompatible duties in his combined positions of Deputy Treasurer, purchasing agent, and payroll certifier. The positions of Deputy Treasurer and purchasing agent are incompatible, because the combined duties of both positions give one individual the capability to create a purchase, authorize that purchase, and then make the payment for that same purchase. In addition, as the payroll certifier, the Assistant Superintendent was authorizing himself (the Deputy Treasurer) to pay the payroll. We examined 50 payroll disbursements totaling \$67,604 and found that none were on a certified payroll. We verified the accuracy of 25 payroll disbursements to the applicable employee contracts. One payroll disbursement was not in accordance with the associated employment contract, resulting in an overpayment of \$1,158 to a District employee. Shortly after we began our fieldwork in January 2008, the Assistant Superintendent told us that he had begun to certify the District's payroll and had identified overpayments totaling \$11,581 that the District made to this employee from August 31, 2007, through January 4, 2008. The District has reached an agreement¹ with the employee regarding a payment schedule to recoup the overpayment.

In addition, the Assistant Superintendent also has full user access rights in the computerized accounting system, which includes the ability to add and delete employees, adjust pay rates, post journal entries, and assign various levels of user access to the system for other District employees. This organizational structure does not create an environment suitable for a proper segregation of duties, and District officials have not formalized any compensating controls to mitigate this incompatibility, such as a routine review of the Assistant Superintendent's work by another employee or increased supervisory oversight. As a result of this inadequate segregation of incompatible duties, the District has an increased risk that inappropriate transactions may be initiated and errors might occur and go undetected and uncorrected.

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. Appendix B contains our comments on issues raised in the District's response letter.

¹ Dated October 2, 2008

Introduction

Background

The Jordan-Elbridge Central School District (District) is located in the Towns of Brutus and Sennett in Cayuga County and the Towns of Camillus, Elbridge, Lysander, Skaneateles, and Van Buren in Onondaga 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 three schools in operation within the District, with approximately 1,580 students and 260 employees. The District's budgeted expenditures for the 2006-07 fiscal year were \$24.3 million, which were funded primarily with State aid, real property taxes, and grants.

The District Treasurer (Treasurer) is responsible for the receipt, custody, disbursement, and accounting of all District funds. The Assistant Superintendent for Business (Assistant Superintendent) manages the District's overall financial operations and oversees the Business Office. The Board appointed the Assistant Superintendent as the District's Deputy Treasurer. As Deputy Treasurer, the Assistant Superintendent is responsible for performing the Treasurer's duties during the Treasurer's absence. The Assistant Superintendent was the acting Treasurer during the period September 11, 2007, to December 7, 2007, due to a vacancy in the Treasurer's position.

Objective

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

- Were the duties of the Treasurer and Deputy Treasurer appropriately segregated or were compensating controls in place?
- Are internal controls over computer user access rights sufficient to safeguard the District's financial data?

Scope and Methodology

We examined the District's internal controls over duties of the Treasurer and Deputy Treasurer and computer access rights to the District's financial data for the period July 1, 2006, to December 31, 2007.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix 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. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B contains our comments on issues raised in the District's response letter.

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.

Treasurer and Deputy Treasurer Duties

One component of good internal control is the proper segregation of duties to ensure that no single person controls all phases of a transaction. It is important that key financial duties, such as recordkeeping, preparing and making deposits and performing bank reconciliations, be segregated so that the work of one employee is routinely verified in the course of another employee's regular duties. If it is not practical to adequately segregate financial duties because of limited staff resources, District management must establish compensating controls. Such compensating controls could consist of reviews of activity and transactions by supervisory personnel.

District management has not established adequate internal control over the District's cash, because the Treasurer and Assistant Superintendent perform several significant cash receipt and disbursement duties without adequate compensating controls or sufficient oversight. As a result of these control weaknesses, these individuals could initiate inappropriate transactions and conceal them.

Treasurer – The Treasurer receives cash receipts from District employees, prepares and makes deposits, enters information in the computerized accounting system, prepares journal entries, and reconciles bank statements. Because the Treasurer performs these incompatible duties with little oversight, it is possible that the Treasurer could issue a hand-signed check² and/or receive cash, and alter records and manipulate accounts to prevent detection. District officials did not independently review the Treasurer's work to mitigate this internal control weakness.

Assistant Superintendent – The Assistant Superintendent performed several incompatible duties in his combined positions of Deputy Treasurer, purchasing agent, and payroll certifier. The Deputy Treasurer is appointed by the Board to perform the duties of Treasurer in the absence of the Treasurer. The Board appointed the Assistant Superintendent as the Deputy Treasurer for the 2006-07 and 2007-08 fiscal years. As Deputy Treasurer, the Assistant Superintendent exercised the Treasurer's duties for the period September 11, 2007, to December 7, 2007, due to a vacancy in the Treasurer's position. The Board also had appointed the Assistant Superintendent as the District's purchasing agent. However, the positions of Deputy Treasurer and purchasing agent are incompatible, because the

² By law, the Treasurer's actual or facsimile signature may be used to issue District checks.

combined duties of both positions give one individual the capability to create a purchase, authorize that purchase, and then make the payment for that same purchase.

While the New York State Commissioner of Education's Regulations and District policy require the Board to appoint an individual to be responsible for the certification of payrolls, the Board did not do so. In January 2008, the Assistant Superintendent began certifying the District's payroll. Because the Assistant Superintendent also is the Deputy Treasurer, his roles as Deputy Treasurer and payroll certifier are incompatible. As the payroll certifier, he was authorizing himself (the Treasurer or Deputy Treasurer) to pay the payroll.

In addition, the Assistant Superintendent also has full user access rights in the computerized accounting system, which includes the ability to add and delete employees, adjust pay rates, post journal entries, and assign various levels of user access to the system for other District employees.³ This organizational structure does not create an environment suitable for a proper segregation of duties, and District officials have not formalized any compensating controls to mitigate this incompatibility, such as a routine review of the Assistant Superintendent's work by another employee or increased supervisory oversight. As a result of this inadequate segregation of incompatible duties, the District has an increased risk that inappropriate transactions may be initiated and errors might occur and go undetected and uncorrected.

As a result of control deficiencies noted, we reviewed a sample of the District's cash receipt and disbursement transactions, including State and Federal aid and tax receipts totaling \$6,400,311 for October 2007 and various other receipts during the audit period totaling \$30,060 to ensure they were properly recorded in the accounting records and deposited. We found no discrepancies. We also examined 75 non-payroll disbursements totaling \$147,382 and 50 payroll disbursements totaling \$67,604 and compared them to approved warrants and claims and payroll authorizations. Of the 50 payroll disbursements we examined, none were on a certified payroll. Due to the lack of certified payrolls, we verified the accuracy of 25 payroll disbursements to the applicable employee contracts. One payroll disbursement was not in accordance with the associated employment contract, resulting in an overpayment of \$1,158 to a District employee.

Shortly after we began our fieldwork in January 2008, the Assistant Superintendent told us that he had begun to certify the District's

³ Refer to the Internal Controls Over Computer Data section for further information.

payroll and had identified overpayments totaling \$11,581 that the District made to this employee from August 31, 2007, through January 4, 2008. The District has reached an agreement⁴ with the employee regarding a payment schedule to recoup the overpayment. As of November 7, 2008, the employee has paid the District \$2,100.

Although our examination did not disclose any further irregularities within the accounting records or among cash transactions, these weaknesses in controls increase the risk that errors, irregularities, fraud, and/or abuse could occur and go undetected.

After we completed our field work, District officials told us that the Board appointed a different individual as the Deputy Treasurer and the Superintendent as the payroll certification officer.

Recommendations

1. District officials should ensure that all bank reconciliations are independently prepared or reviewed by someone without access to cash.
2. District officials should segregate the Treasurer's duties so that he or she does not control all aspects of any financial transaction. Where it is not feasible to adequately segregate duties, District officials should establish compensating controls and routinely monitor and review the Treasurer's work.
3. District officials should continue their efforts to recoup the remaining balance of the salary overpayment made to a District employee.

⁴ Dated October 2, 2008

Internal Controls Over Financial Computer Data

Computer data is a valuable District resource. Effective internal controls over computer data include controls over access to the system and data which are intended to provide reasonable assurance that computer resources are protected from unauthorized use and modifications. Computer-generated monitoring reports can be used to help offset control weaknesses resulting from the inadequate segregation of duties. One such report is an audit log, which is a record of all changes a user performs within the system, the location of the computer from which the user made the changes, and the times and dates the user made the changes. We found that District officials have not appropriately limited access rights to the computerized accounting system and have not reviewed audit logs. As a result, there is an increased risk that the District's financial data and financial resources will be exposed to loss or misuse.

User Access – It is important that District officials design policies and procedures to limit user access to the computerized accounting system. Users' access levels must be based on their necessary day-to-day duties and responsibilities. A system administrator has the ability to add new users and change users' rights. With this ability, administrators are able to control and use all aspects of the software. A good system of controls helps segregate the duties of administering access to the computerized financial system from the Business Office function to reduce the risk that District financial information or resources could be misused. Any changes to user access rights, including additions, deletions, and modifications, must be authorized and approved, in writing, by an appropriate official.

We found that the Assistant Superintendent was assigned administrative rights to the computerized accounting systems, which allows him to have "super user" (full access) rights to all phases of the computerized accounting system. This user access level allows him to add, remove, and update users and access rights, and perform other administrative functions including management overrides of system controls. Administrative access was incompatible with his activities and duties as Deputy Treasurer, purchasing agent, and payroll certifier, because, on a daily basis, he used the system to record journal entries, complete bank reconciliations, create purchase orders, and enter new employees into the payroll system and change existing employees' pay rates. In addition, the Assistant Superintendent directly authorizes and modifies other employees' user access rights. District officials did not have the capability of monitoring computer activity and potentially

identifying questionable entries.⁵ With this level of computer access and without adequate oversight of his computer activities, the Assistant Superintendent could initiate and conceal inappropriate transactions.

The failure to establish policies and procedures to limit user access levels increases the risk that individuals could inappropriately gain access to the computerized accounting system and change, destroy, or manipulate financial data.

Audit Logs – The District’s computerized accounting system does not have the capability to generate monitoring reports, such as audit logs, that can be used to help offset control weaknesses resulting from the inadequate segregation of duties. The software vendor told us that an update to the system will become available during the 2008-09 fiscal year, which will give the District’s computerized accounting system the capability to generate a payroll audit log report; however, there was no mention of an update for the remaining financial applications. As of our exit conference, no audit log report update had been installed on the District’s computerized accounting system.

Because the District’s computerized accounting system did not produce audit logs for review by someone independent of the daily Business Office operations, District officials do not have the capability of monitoring computer activity and potentially identifying questionable entries, such as the payroll change that resulted in an employee receiving the \$11,581 salary overpayment.⁶

Recommendations

4. District officials should institute policies and procedures to restrict the assignment of administrative rights to the District’s computerized accounting system.
5. District officials should ensure that the payroll audit log report update is installed on the District’s computerized accounting system when it becomes available from the vendor. District officials also should request further updates from the vendor that would allow the District’s computerized accounting system to generate other audit logs for other financial system functions. Someone independent of the Business Office operations should review audit logs from the computerized accounting system to ensure that employees are performing their duties consistently with their job descriptions and are only accessing information as authorized by their supervisors.

⁵ Refer to the Audit Logs section for further information.

⁶ Refer to the Treasurer and Deputy Treasurer Duties section for further information.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



JORDAN-ELBRIDGE CENTRAL SCHOOL DISTRICT

District Office: 130 East Main St., Elbridge, NY 13060 • Mail: P.O. Box 902, Jordan, NY 13080
T: (315) 689-8500 • F: (315) 689-0084 • www.jecsd.org

Marilyn J. Dominick
Superintendent of Schools
(315) 689-8500 x5001
mdominick@jecsd.org

December 1, 2008

Eugene A. Camp, Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
State Office Building, Room 409
333 East Washington Street
Syracuse, NY 13202

RE: WRITTEN RESPONSE TO DRAFT AUDIT REPORT

Dear Mr. Camp:

Please accept this communication in response to the preliminary draft findings of the recent audit conducted by your office.

On behalf of the Jordan-Elbridge Central School District's Board of Education and our administrative team, I'd like to express our appreciation for the time and diligence spent here and the helpful report that was subsequently generated.

We are always seeking opportunities to improve our operations and therefore, our instructional program for students.

We found your auditor, [REDACTED] to be very knowledgeable and excellent to work with. We have used the preliminary findings as resources to make several improvements and the remainder of this letter will address the specific details of the draft report.

Sincerely,

Marilyn J. Dominick
Superintendent of Schools

Copy (via email): Board of Education, B. Hamilton, A. Scro, A. Mattie

District's Response to Audit Findings

Finding	Response	
<p>"District management has not established adequate internal controls over the District's cash assets and computer data."</p>	<p>This finding suggests the District has no controls in place, which is not true. Further, the words "computer data" suggest a security concern from an overall data integrity standpoint. In fact, the District has been nationally recognized for the security of its data. The District believes that the point to be made is regarding "access to certain functions in the District's financial software system [REDACTED]."</p>	<p>See Note 1 Page 16</p>
	<p>The District recommends the final report read as follows:</p>	
	<p>"District management should strengthen its internal controls over the District's cash assets and further limit access to certain functions to designated positions in the District's financial software system [REDACTED]."</p>	<p>See Note 2 Page 16</p>
<p>"The Treasurer...perform[s] several significant cash receipt and disbursement duties without adequate compensating controls or significant oversight."</p>	<p>The District disagrees with this finding. With regard to cash receipts, the Treasurer only makes deposits. He does not log cash receipts. This duty is performed by a position in the Business Office that has no other cash management responsibilities.</p>	<p>See Note 3 Page 16</p>
	<p>With regard to disbursements, the Treasurer has never had the ability to both create a voucher and print checks. Vouchers are reviewed and approved by the Accounts Payable Clerk, the Claims Auditor and the Purchasing Agent. After checks are printed by the Treasurer, they are checked against the voucher by someone other than the Treasurer before they are released.</p>	<p>See Note 4 Page 16</p>
	<p>The District recommends that this statement be deleted from the final report.</p>	
<p>"The Assistant Superintendent...perform[s] several significant cash receipt and disbursement duties without adequate compensating controls or significant oversight."</p>	<p>The District agrees with this finding and recommends the final report read as follows:</p>	
	<p>"The Assistant Superintendent of Business and Finance (ASBF) was historically appointed by the Board of Education to be both the Purchasing Agent and Deputy Treasurer, thus giving the authority to create a claim and pay it. A similar conflict existed in that the ASBF traditionally served as the unofficial District Payroll Certification Officer and Deputy Treasurer, again giving the authority to create a claim and pay it.</p>	<p>See Note 5 Page 16</p>
	<p>The Board of Education at its July 2008 reorganization meeting only appointed the ASBF to be the District Purchasing Agent and the District Superintendent to</p>	<p>See Note 6 Page 17</p>

Finding

"One payroll disbursement was not in accordance with the associated employment contract, resulting in an overpayment of \$1,158 to a District employee."

"Shortly after we began our fieldwork in January 2008, the Assistant Superintendent told us that he had begun to certify the District's payroll and had identified overpayments totaling \$11,581 that the District made to this employee from August 31, 2007 through January 4, 2008. The District is attempting to reach an agreement with the employee regarding a payment schedule to recoup the overpayment."

"The Assistant Superintendent has full user access rights to the District's computerized accounting system without any independent review or authorization for the changes he makes within the system."

Recommendations 1-5

Response

be the District Payroll Certification Officer. The ASBF was not reappointed by the Board of Education to be the Deputy Treasurer, and therefore no longer has any cash disbursement rights."

The District agrees with this finding, but notes the amount is \$11,158, not \$1,158.

The District recommends the final report be worded as follows:

"Shortly after we began our fieldwork in January 2008, the Assistant Superintendent of Business and Finance told us that he had begun to certify the District's payroll and had identified overpayments totaling \$11,581 to one employee from August 31, 2007 through January 4, 2008.

The District has an agreement in place with the employee to recoup the entire overpayment and has since instituted a very rigorous payroll certification process that will prevent this kind of error from happening in the future."

The District agrees with this finding, but recommends the following language be added:

"The District readily recognized and admitted this concern in the early stages of the audit. It is working with its internal auditor to appropriately assign access to the District's financial system [REDACTED] so that 1) duties are appropriately separated, 2) good controls are in place and 3) work productivity is not impeded."

The District agrees with recommendations 1-5 and is in the process of developing its Corrective Action Plan in response to these recommendations.

See
Note 7
Page 17

See
Note 8
Page 17

See
Note 9
Page 17

APPENDIX B

OSC COMMENTS ON THE DISTRICT'S RESPONSE

Note 1

The report states that “District management has not established adequate internal controls...” We are not suggesting that the District has no controls in place.

Note 2

This excerpt from the report’s Executive Summary relates only to the computerized accounting system. We have amended the report to address the District’s concern.

Note 3

Our report appropriately states that the District has not established adequate internal controls over the District’s cash assets and financial data in the computerized accounting system.

Note 4

Although District employees in the Business Office initially receive cash receipts (cash and checks), they do not record the cash receipts in the computerized accounting system. The Treasurer performs this function, and prepares and makes bank deposits. The Treasurer also prepares bank reconciliations, which are not reviewed by anyone else. Without a separate review of the bank reconciliations, no one other than the Treasurer verifies that what was initially received was actually recorded and deposited. Because the Treasurer records cash receipts, makes bank deposits, has the capability to sign checks, and performs the reconciliation of District bank accounts, this increases the possibility that the Treasurer could initiate and conceal improper payments or make unauthorized changes to the accounting records. We have amended the report to acknowledge that the Treasurer does not initially receive cash receipts.

Note 5

We acknowledge that the Treasurer does not have access rights in the computer accounting system to create a voucher or print a check. However, it would be possible for the Treasurer to create a check from a non-District owned computer or to purchase blank checks. Using blank checks, the Treasurer could either manually prepare and sign a check or use a computer to prepare a check. This risk was further increased by the fact the Treasurer prepares all bank reconciliations without any review of someone independent of the cash custody and recording functions. The Treasurer also receives the bank statements and cancelled check images directly from the bank. Because the Treasurer records cash receipts, makes bank deposits, has the capability to create and sign checks, and is responsible for performing the reconciliation of District bank accounts, this increases the possibility that the Treasurer could initiate and conceal improper payments or make unauthorized changes to the accounting records.

Note 6

Based on information presented to us at the exit conference, we have amended the report to reflect the Board's appointment of individuals other than the Assistant Superintendent as the Deputy Treasurer and payroll certifier.

Note 7

We found the \$1,158 overpayment to one employee during our review of 25 payroll disbursements. Shortly after we began our fieldwork in January 2008, the Assistant Superintendent told us that he had begun to certify the District's payroll and had identified overpayments totaling \$11,581 that the District made to this employee from August 31, 2007, through January 4, 2008.

Note 8

Based on information presented to us at the exit conference, we have amended the report to state that the District and the employee entered into an agreement and that the employee has repaid \$2,100 to the District.

Note 9

Subsequent to the completion of our fieldwork up to the exit conference, we confirmed the status of access rights to the computerized accounting system and amended our report by removing references to individuals' access rights where the District implemented corrective action. However, as of the exit conference, the Assistant Superintendent still had full access rights to the computerized accounting system. We encourage District officials to continue to work on appropriately assigning access rights.

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 on the reported objectives and scope by selecting for audit those areas most at risk. We selected the Treasurer's and Deputy Treasurer's duties and internal controls over financial data in the computerized accounting system for further audit testing.

We interviewed the Treasurer, Deputy Treasurer (Assistant Superintendent), and other District officials to gather information about the procedures used to control and record cash receipts and disbursements. For receipt transactions, we tested District receipts totaling \$20,594,268 in State and Federal aid generated during the audit period to bank statements to ensure they were properly received according to the State Education Department. Of this amount, we tested one month of District receipts totaling \$975,106 to ensure that they were properly recorded in a timely manner in the accounting records. We also tested school tax collections totaling \$5,425,205 and cafeteria receipts totaling \$27,711 for one month and five sporting event receipts totaling \$2,349 to ensure that they were properly recorded in the accounting records and deposited.

For disbursement transactions, we tested for consistency 50 payroll and 75 non-payroll cancelled checks (physical checks) to approved warrants and supporting claims or certified payrolls. Included in these tests were 25 payroll and 25 non-payroll disbursements that were generated during the period that the Deputy Treasurer was signing checks.

To test the computerized accounting system, we requested printouts of all users' access rights to the District's computerized accounting system and compared them to the duties and responsibilities of District personnel.

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

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX E
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

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

LOCAL REGIONAL OFFICE LISTING

BUFFALO REGIONAL OFFICE

Robert Meller, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates
counties

SYRACUSE REGIONAL OFFICE

Eugene A. Camp, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence counties

BINGHAMTON REGIONAL OFFICE

Patrick Carbone, Chief Examiner
Office of the State Comptroller
State Office Building, Room 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins
counties

GLENS FALLS REGIONAL OFFICE

Karl Smoczynski, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Clinton, Essex, Franklin, Fulton, Hamilton,
Montgomery, Rensselaer, Saratoga, Warren, Washington
counties

ALBANY REGIONAL OFFICE

Kenneth Madej, Chief Examiner
Office of the State Comptroller
22 Computer Drive West
Albany, New York 12205-1695
(518) 438-0093 Fax (518) 438-0367
Email: Muni-Albany@osc.state.ny.us

Serving: Albany, Columbia, Dutchess, Greene,
Schenectady, Ulster counties

HAUPPAUGE REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau, Suffolk counties

NEWBURGH REGIONAL OFFICE

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

Serving: Orange, Putnam, Rockland, Westchester
counties