



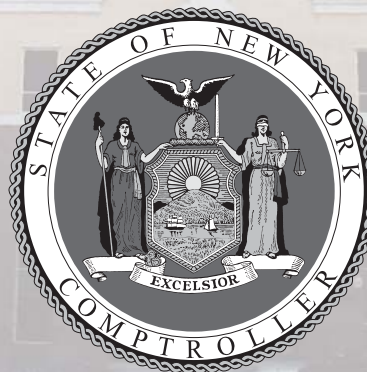
Plainview-Old Bethpage Central School District Internal Controls Over Gasoline Credit Accounts and Cellular Telephones

Report of Examination

Period Covered:

July 1, 2005 — June 30, 2007

2008M-8



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 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 Plainview-Old Bethpage Central School District, entitled Internal Controls Over Gasoline Credit Accounts and Cellular Telephones. This audit was conducted pursuant to Article V, Section 1 of the State Constitution, and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

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

Respectfully submitted,

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

Introduction

Background

The Plainview-Old Bethpage Central School District (District) is located in the Town of Oyster Bay, Nassau 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 eight schools in operation within the District, with approximately 5,100 students and 870 employees. The District's audited financial statements for the fiscal year ending June 30, 2007 reported total expenditures of \$110 million.

Objective

The objective of our audit was to determine if internal controls over gasoline credit accounts and cellular telephones are designed and operating effectively. Our audit addressed the following related questions:

- Has the District established suitable internal control policies and procedures over gasoline credit accounts used in the District?
- Has the District monitored policies to ensure that cellular telephone expenses are properly accounted for and controlled?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, and payroll and personal services. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that inherent risk existed in the purchasing area and, therefore, we examined internal controls over gasoline credit account and cellular telephone usage for the period July 1, 2005 to June 30, 2007.

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

**Comments of District
Officials**

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.

Gasoline Credit Accounts

Gasoline credit accounts are generally established for District employees to purchase gasoline for District vehicles, which includes school buses, vans and other general maintenance equipment. An effective system of internal controls requires that District officials establish a policy governing gasoline credit account purchases, which establishes the parameters for using the credit account and procedures for monitoring credit usage. It is essential that District officials account for all gasoline purchased through the District's gas credit accounts. Accounts should be reconciled periodically and claims must be supported by sufficient documentation to establish that all gasoline purchases are for the District's intended purposes. District officials can fulfill this responsibility by designing and adopting internal controls over their gas credit accounts and monitoring adherence to them. Although the District established and implemented a credit card policy, controls over fuel usage could be improved by monitoring gasoline credit account statements.

We found that the District established adequate controls over gasoline credit account usage. The District has credit accounts with two gasoline vendors, from which 22 District employees are authorized to purchase gasoline. Each of the 22 employees has a personal identification number to procure gasoline. The District made payments totaling \$77,175 (\$39,340 during the 2005-06 fiscal year and \$37,835 during the 2006-07 fiscal year) for gasoline. The vendors provide the District with a monthly detailed listing of all purchases.

We reviewed all 48 statements from the two gasoline vendors. We found that each statement includes sufficient, detailed information for each transaction. The information includes the: date, time and location of the transaction, amount of fuel pumped, vehicle code and name of the employee who gave rise to the transaction. Although District employees are not required to submit receipts, we found that the accounts payable clerk reviews all gasoline account statements. Our review found only minor discrepancies in these transactions, which were immediately investigated and resolved by the Assistant Superintendent for Business. While we commend the District for establishing appropriate controls over gasoline account usage, the controls would be improved if District employees were required to submit receipts.

Cellular Telephones

To ensure the proper use of District funds, it is essential that District officials ensure that cellular telephone services are used effectively and for their intended purpose. District officials can fulfill this responsibility by designing and adopting internal controls to monitor the usage of District-issued phones to avoid unnecessary expenses.

The Board has adopted a policy for use of District-issued cellular telephones, which includes a list of authorized users by position. The policy also states that the phones are to be used only for purposes directly related to their employment with the District. If the phone is used for purposes other than District business, the employee must reimburse the District.

We found that the District has been generally proactive in monitoring cellular telephone expenses. We reviewed 24 claims totaling \$41,884 (\$21,681 during the 2005-06 fiscal year and \$20,203 during the 2006-07 fiscal year). The District properly used the existing New York State Contract to procure cellular telephone services and monitored the number of cellular telephones in use.

During the 2005-06 fiscal year, the District had 10 cellular telephones which each had plans that included 1,200 minutes per month at an average rate of \$79 per phone per month. The District took appropriate action to reduce cellular telephone expenses by decreasing the number of phones under the 1,200-minute plan to seven in the 2006-07 fiscal year. We did identify some opportunity for the District to further reduce costs and we communicated that to District officials. We commend the District for being proactive in monitoring cellular telephone expenses and encourage District officials to continue reducing District costs when opportunities exist.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Excellence

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March 17, 2008

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Hauppauge, New York 11788-5533

Re: Management Response to Office of the State Comptroller's Audit presented at the exit interview on March 5, 2008

[REDACTED]
I am writing in response to the preliminary draft findings of the recent examination of the Plainview-Old Bethpage Central School District, performed by the Office of the State Comptroller. As you are aware, we met on March 5, 2008, to discuss draft results of the audit conducted for the period of July 1, 2005 through June 30, 2007. It was explained that the purpose of the audit was to assess the adequacy of internal controls in the business office to safeguard district assets. We were pleased that the overall tone of the report was very positive and we appreciate the time you spent with district administration, Board of Education members and Audit Committee representative to review the audit findings.

Examiners first conducted an overall risk assessment of business operations to ascertain if procedures were in place to safeguard assets. They interviewed representatives from purchasing, payroll, accounts payable, personnel and benefits, as well as the district treasurer, claims auditor, assistant business manager and the Assistant Superintendent for Business. The two comments from the audit were focused on purchasing, which is an area of inherent risk, with specific attention to gasoline credit accounts and cellular telephones. The following is our response to the audit recommendations:

Gasoline Credit Accounts

- It was recommended that a district employee review all credit card statements for accuracy as part of the accounts payable process.

We concur with this recommendation and have always performed a monthly review of the gasoline credit card statements. The review included verifying that the usage was for district vehicles, mileage, dates and times were appropriate and that all the users were authorized by the district. A new process that was added in July 2007 was to request that all original receipts be forwarded to the business office so that they could also be reconciled to the monthly statement.

Cellular Telephones

- The report complimented the proactive measures that the business office has taken to monitor cellular telephone expenses, and encourages us to continue these efforts.

We agree with this recommendation and plan to continue our annual review process to analyze our plan selection against actual usage.

We appreciate the opportunity to respond to the preliminary draft findings of the recent examination of the Plainview-Old Bethpage Central School District, performed by the Office of the State Comptroller. It has been a primary focus of the Board of Education to ensure the integrity of the business operations and we are pleased that the report is representative of these efforts. As members of the Board, we have supported numerous changes initiated by the business office to improve operations and control. We are committed to the responsibility of fiscal oversight of district assets for the taxpayers of the Plainview-Old Bethpage community.

Sincerely,



Mrs. Debbie Bernstein
President, Board of Education

/jc

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. Based on that evaluation we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected gasoline credit accounts and cellular telephones for further audit testing.

To accomplish the objectives of this audit and obtain valid audit evidence, we performed the following procedures:

- We reviewed gasoline credit accounts and cellular telephone policies and procedures.
- We interviewed appropriate District officials and employees in regarding the gasoline credit account and cellular telephone policies and procedures.
- We reviewed all gas credit account and cellular telephone claims for accuracy.
- We assessed the District's established internal controls over gasoline credit accounts and cellular telephones to determine whether they implemented sufficient and adequate safeguards.

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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