



South Jefferson Central School District

Internal Controls Over Selected Financial Activities

Report of Examination

Period Covered:

July 1, 2006 — December 31, 2007

2008M-210



Thomas P. DiNapoli

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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 South Jefferson 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 South Jefferson 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.

Responsibilities relating to the District's finances, accounting records, and reports are largely those of the District's Business Administrator/Treasurer (Treasurer) and accounts payable clerk/Deputy Treasurer (Deputy Treasurer). All District checks are computer-generated and electronically signed. The District contracts with an outside vendor to provide its computerized accounting system.

Scope and Objective

The objective of our audit was to determine if the District's internal controls over selected financial activities are appropriately designed and operating effectively for the period July 1, 2006 to December 31, 2007. Our audit addressed the following related questions:

- Are internal controls over cash disbursements appropriately designed and operating effectively to prevent unauthorized payments?
- Are internal controls over the payroll process appropriately designed and operating effectively to prevent unauthorized payments?
- Has the District taken steps to ensure that there are adequate internal controls in place at the provider of the computerized accounting system to safeguard District data?

Audit Results

We identified internal control weaknesses in the District's operations relating to cash disbursements that could lead to errors or irregularities occurring and not being detected. The Deputy Treasurer performs the majority of key cash disbursement duties without effective oversight or mitigating controls. As a result of this inadequate segregation of duties, there is a risk that the Deputy Treasurer could misappropriate cash and manipulate accounting records to conceal the misappropriation from the District. We also found the Treasurer's facsimile signature is applied to District checks without his

direct supervision, which could result in checks being issued for improper purposes, or in incorrect amounts. Our testing of payments did not disclose any significant exceptions.

We also identified certain control weaknesses in the payroll process that existed during the audit period, which District officials have since corrected. However, because of these weaknesses, there was an increased risk of inappropriate payments being made and not detected. Our testing of payroll records did not disclose any significant exceptions.

The District has contracted with a third-party provider for the use of a computerized accounting system to process financial transactions; however, District officials had not ensured that security measures were in place to safeguard District data. Subsequent to the completion of our fieldwork, the third-party provider delivered an independent certification on its security measures to District officials.

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 South Jefferson Central School District (District) is located in the Towns of Adams, Ellisburg, Hounsfield, Lorraine, Rodman, Rutland, Watertown and Worth, Jefferson County, the Town of Boylston, Oswego County and the Town of Pickney, Lewis 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 four schools in operation within the District, with approximately 2,040 students and 358 employees. The District's budgeted general fund expenditures for the 2006-07 fiscal year were \$22.9 million, which were funded primarily with State aid, real property taxes and grants.

The District's financial and recordkeeping functions are overseen by the Business Administrator/Treasurer (Treasurer) who supervises three full-time employees in the Business Office: an accounts payable clerk/Deputy Treasurer (Deputy Treasurer), an accounts payable/payroll clerk (payroll clerk) and an account clerk who was hired in December 2007. The District contracts with an outside vendor to provide its computerized accounting system.

Objective

The objective of our audit was to determine if the District's internal controls over selected financial activities are appropriately designed and operating effectively. Our audit addressed the following related questions:

- Are internal controls over cash disbursements appropriately designed and operating effectively to prevent unauthorized payments?
- Are internal controls over the payroll process appropriately designed and operating effectively to prevent unauthorized payments?
- Has the District taken steps to ensure that there are adequate internal controls in place at the provider of the computerized accounting system to safeguard District data?

**Scope and
Methodology**

We examined internal controls over selected financial activities of the South Jefferson Central School District 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 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.

Cash Disbursements

District officials are responsible for establishing an effective system of internal controls to ensure that District funds are only disbursed for authorized purposes. Cash disbursement duties should be segregated so that an individual does not control most or all phases of a transaction. The Treasurer must oversee the check-signing process and maintain control over his facsimile signature. When internal controls over cash disbursements are not operating effectively, the risk is increased that errors could occur and not be detected, and funds could be disbursed for non-District purposes.

We found that the District did not establish adequate internal controls over cash disbursements. Although the District did not effectively segregate cash disbursement duties, our testing did not disclose any exceptions. In addition, the Treasurer did not maintain adequate control over his facsimile signature. However, our testing did not disclose any exceptions. When internal controls over cash disbursements are not designed appropriately or operating effectively, the risk is increased that improper payments could be made and not be detected or corrected.

Segregation of Duties

An effective system of internal controls over cash disbursements requires adequate segregation of duties so that no single individual controls most or all phases of a transaction. Concentrating key duties such as cash handling, record keeping, and transaction approval with one person without adequate supervisory review significantly increases the risk that irregularities and/or errors might occur and go undetected. Proper segregation helps to prevent this risk and reduces the potential opportunities for employees to initiate and conceal improper payments or make unauthorized changes to accounting records.

The District did not effectively segregate cash disbursement duties. The accounts payable clerk/Deputy Treasurer (Deputy Treasurer) was responsible for multiple incompatible duties that included entering and posting accounts payable information, making wire transfers, preparing and posting journal entries, and printing vendor checks and controlling their distribution. The Deputy Treasurer also receives bank statements and computer disks with the images of cancelled checks in unopened envelopes, performs cash reconciliations between the District's cash balances in the accounting records and bank accounts, and includes this information as part of the monthly Treasurer's report to the Board. The Deputy Treasurer also had access to the Business Administrator/Treasurer's (Treasurer)

facsimile signature, which is discussed in the section of this report entitled Treasurer's Facsimile Signature. When an individual who is allowed to generate disbursements, sign checks and make journal entries is also responsible for reconciling the related bank accounts, there may be opportunities to initiate improper payments and conceal them through a false reconciliation. The Treasurer told us that job duties were always assigned this way due to a lack of staff.

In response to recommendations made by the District's internal auditor, District officials have taken measures to strengthen some of the control weaknesses discussed above. In December 2007, a new account clerk was hired who, among his other duties, prints and distributes the District's checks. The Treasurer informed us that he had been reviewing the journal entries, but had not been documenting the review. In July 2007, the Treasurer began documenting his approval of journal entries that were made by the Deputy Treasurer. However, the Deputy Treasurer can still make disbursements and reconcile the District's accounts.

Because of the District's failure to segregate cash disbursement duties, we examined the October 2007 general fund bank reconciliation and all general journal entries supporting credits to cash accounts for the audit period and verified the accuracy of accounting records by tracing to three certified warrants totaling \$189,860 and three certified payrolls totaling \$256,619. Although we did not find any exceptions with our testing, it is essential that District officials adequately segregate cash disbursement duties to reduce the risk that errors and irregularities could occur and not be detected.

Treasurer's Facsimile Signature

As the District official responsible for signing checks, the Treasurer plays a critical role in the cash disbursement process. Education Law requires the actual or a facsimile of the Treasurer's signature be affixed to District checks by the Treasurer or affixed under the Treasurer's direct supervision. Additionally, the Treasurer should sign checks only after receiving a warrant certified by the claims auditor directing him/her to pay the related claims or after receiving a payroll register certified by the approving District official. It is also important for the Treasurer to then compare the signed checks with the certified warrant or payroll for accuracy and consistency before the checks are issued.

From July 2006 to October 2007, District checks were computer-generated and processed through a check signing machine to imprint the Treasurer's facsimile signature. The Treasurer's signature plate was left in the check signing machine and, although the machine required two passwords to apply the Treasurer's facsimile signature to the checks, the Deputy Treasurer and payroll clerk were both given

the passwords and routinely imprinted the Treasurer's signature on checks without the Treasurer's direct supervision.

In October 2007, the District discontinued the use of the facsimile signature plate and began using a computer flash drive¹ to imprint the Treasurer's electronic facsimile signature on District checks. For the first two months, the flash drive was used routinely by the Deputy Treasurer and payroll clerk, who were both given the password by the Treasurer. In December 2007, when the District hired a new account clerk, he was given the flash drive and password to imprint the Treasurer's electronic signature on District checks. Although the account clerk kept the flash drive locked when not in use, the password had not been changed and the Treasurer did not supervise the use of this device. Furthermore, the Treasurer does not review or control checks prior to being mailed or distributed. The Treasurer stated that he allowed others to imprint his signature on the checks without his direct supervision for efficiency reasons.

We traced 60 cash vendor checks totaling \$140,690 and 40 payroll checks totaling \$43,740 from the bank statements to the cash disbursement records matching the date, payee, amount and proper endorsement. Our testing did not find any exceptions. However, the Treasurer's lack of control over his facsimile signature increases the risk that improper payments could be made and not be detected.

Recommendations

1. District officials should segregate their banking responsibilities to ensure the same individual charged with preparing and making the bank deposits, receiving the bank statements, and receiving images of the cancelled checks is not performing the bank reconciliations.
2. The Treasurer should maintain control of his facsimile signature and directly supervise and control its use.
3. The Treasurer should restrict access to the facsimile signature password to only people currently authorized to use it under his supervision.
4. The Treasurer should review all checks printed and compare them to certified warrants and payroll prior to distributing them, to verify that the checks are for legitimate District purposes.

¹ A small, portable, compact file storage device that plugs into a computer's USB port

Payroll

The primary objective for internal controls over payroll processing is to ensure that employees are only paid wages and salaries, and provided benefits, to which they are duly entitled. Internal controls over payroll normally consist of written policies and procedures that delineate employee responsibilities in preparing and disbursing payroll to ensure that key duties are properly segregated. When it is not practical to segregate duties, District officials should provide for mitigating controls, such as stronger management review procedures including independent payroll certifications and payout audits. A payout audit entails personally handing out each paycheck or remittance advice (for direct deposits) to the appropriate individual who must sign for the paycheck or remittance advice and provide identification when necessary to verify his or her identity. This process validates the existence of all employees receiving pay.

During most of the audit period, the District did not adequately segregate payroll processing duties and did not implement effective mitigating controls to reduce the associated risks. The payroll clerk was directly responsible for the entire payroll process, including adding new employees into the computer system, inputting and updating salaries, inputting the bi-weekly payroll and, for all but one-half month our audit period, imprinting the Treasurer's signature on the payroll checks (as noted in the Cash Disbursement section of this report), and then distributing them. As of December 10, 2007, the District hired an account clerk who was assigned the payroll check printing and distribution duties that were previously handled by the payroll clerk.

The District's supervisory review of the payroll process had been limited. Although the Superintendent was authorized to certify payrolls, she did not start doing so until May 2007 in response to the District's internal auditor's recommendation. Her certification includes checking that she recognizes the names of the employees on the payroll and that the amounts being paid to an employee seem reasonable to the position they are employed in. The Treasurer also reviewed payroll during the audit period. His review includes spot checking that the bi-weekly salaries in the payroll register correspond to the yearly salary report that he maintains. He also reviews salaries at budget season and three or four times during the year. Additionally, he periodically verifies the payroll clerk's wages.

In response to the internal audit report, the District conducted a payroll payout audit in June 2007 to verify that all people on the

payroll were bona fide District employees. Although the payout audit did not disclose any exceptions, its effectiveness was diminished because the payroll clerk had been consulted and made aware of the payout audit date. Subsequent to the completion of our fieldwork, District officials informed us that they performed another payout audit on May 9, 2008. They announced the audit after that payroll had been processed. The payroll clerk was not informed ahead of time about the payout audit. Again, no exceptions were noted.

The Treasurer told us that the payroll duties were not segregated properly due to staffing shortages. When the District's internal auditors reported in June 2007 on the inadequate segregation of payroll duties, District officials responded in part by hiring an account clerk whose duties included printing and distributing payroll checks. The Treasurer told us it took until mid-December 2007 to fill this position.

When payroll duties are not properly segregated and adequately supervised, there is an increased risk that someone could commit and conceal inappropriate payroll transactions and not be detected.

Based on the risks resulting from the inadequate segregation of payroll duties that had existed during most of the audit period, we judgmentally selected 25 employees from payroll records and verified that each was a bona fide employee by examining information contained in their personnel files. We also verified that the Board had approved the hiring of the 25 employees, as well as the Superintendent, Treasurer and the payroll clerk and that these employees were receiving the rate of pay approved by the Board. To verify that the District paid its employees appropriate amounts, we reviewed all 119 employees who were hired during the audit period and were paid by payroll checks, totaling \$40,390. We also reviewed 18 employees who were hired during the audit period and were paid by direct deposit, totaling \$18,067 to verify that they were paid appropriate amounts. Additionally, we examined 40 payroll checks totaling \$43,740 during our cash disbursement testing discussed earlier in this report to verify that the payments were appropriate. Our testing did not reveal any inappropriate payments.

We believe that the District now has adequate internal controls over the payroll process. We commend the District for acting promptly to address the internal control weaknesses identified by the District's internal auditor.

Information Security

When outsourcing its financial system operations, the District should monitor those systems to ensure that adequate internal control procedures are in place. This is best accomplished with a contract that sets out and establishes the roles and responsibilities of both parties to the agreement. This would include provisions for documented independent verification that contracted duties are being implemented and carried out, such as the safeguarding of sensitive/confidential data and that backups are being done, stored off site and periodically tested. It would also include a provision for a disaster recovery plan. It is essential that the District has knowledge of the security measures and procedures that the third-party provider has in place to prevent the loss of data.

The District contracted with a third-party provider (provider) in September 2007 for the use of a computer system to process the District's financial data. All transactions are entered by District employees who are connected to the provider via a secure (encrypted Virtual Private Network²) connection. District officials had not required the provider to audit the IT system or provide the District with any other independent assessment. Thus, District officials lacked independent assurance that District data was adequately safeguarded and protected and that backups were being performed to prevent the loss of data, had the provider's server become unavailable.

Because the District had not received evidence of an independent assessment of the IT system's security and disaster recovery plan, the District could have incurred significant expenses in rebuilding valuable databases in the event of loss. The District also did not have independent assurance that information was adequately safeguarded and backed-up against loss or abuse.

Subsequent to the completion of our fieldwork, the provider delivered a SAS 70 certification³ dated October 16, 2008 for the entire data center to District officials. With the SAS 70 certification, the District now has assurance that its information is adequately safeguarded and backed up against loss or abuse.

² A Virtual Private Network utilizes public telecommunications networks to conduct private data communications.

³ SAS 70 (Statement on Auditing Standards No. 70) defines the standards an auditor must employ in order to assess the contracted internal controls of a service organization.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



ELEMENTARY BUILDINGS
Wilson: (315) 583-5418
Mannsville-Manor: (315) 465-4281

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Adams, New York 13605-0010
Phone: (315) 583-6104
FAX: (315) 583-6381

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Middle School: (315) 232-4531, ext. 2
Transportation: (315) 583-5221

December 5, 2008

Office of the State Comptroller
Eugene A. Camp, Chief Examiner
Syracuse Regional Office
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428

Unit Name: South Jefferson CSD
Audit Report Title: Internal Controls over Selected Financial Activities
Audit Report Number: 2008M-210

Dear Mr. Camp:

Please consider this communication our audit response and corrective action plan regarding the recently completed audit of our School District’s internal controls. Our responses to your recommendations are as follows:

- 1. **District officials should segregate their banking responsibilities to ensure the same individual charged with preparing and making bank deposits, receiving the bank statements, and receiving images of the cancelled checks is not performing the bank reconciliations.**

Implementation Plan of Action

The district has carefully evaluated these tasks and recognizes the potential risk in having the same person making deposits, receiving bank statements and check images, and performing the bank reconciliations. Due to the workload of current business office staff (one accountability person was added in December, 2007, to address other risks) and the current fiscal condition that exists in our State, we find it difficult to add another staff member to the business office staff. However, we will modify our current procedures to reflect more segregation of duties by implementing the following:

- a: The Treasurer will review and audit (in detail) all deposits and initial such documentation prior to actual bank deposits;
- b: The Treasurer will review the draft copies of all bank reconciliations, reviewing all cash and general ledger entries effecting the bank statements; and
- c: The Treasurer will periodically perform unannounced bank reconciliations.

Implementation Date

These recommendations will take effect immediately.

Person Responsible for Implementation

The District Treasurer will be responsible for implementation of this corrective action plan.

“EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER”

2. The Treasurer should maintain control of his facsimile signature and directly supervise and control its use.

Implementation Plan of Action

An accountability person was added in December, 2007, to segregate the check writing process and to assist the business office in other areas. During that transition, a new check writing function was installed to help facilitate that segregation. The old facsimile signature plates have been destroyed and a flash drive that digitally affixes the Treasurer's signature has been installed. We recognize that the Treasurer needs to provide closer supervision of the flash drive and its use. To that end, the Treasurer has implemented the following changes:

- a. Provides direct supervision of his digital signature;
- b. Provides oversight of its use when printing checks; and
- c. Maintains a safe, restricted location for the flash drive.

Implementation Date

These recommendations were implemented on the date of the exit interview, November 13, 2008.

Person Responsible for Implementation

The District Treasurer will be responsible for implementation and continuation of this corrective action plan.

3. The Treasurer should restrict access to the facsimile signature password to only people currently authorized to use it under his supervision.

Implementation Plan of Action:

The password for the check writing program has been changed to restrict unauthorized users thereby restricting use of the facsimile signature to only those authorized to use it.

Implementation Date

These recommendations were implemented following the exit interview, which was held November 13, 2008.

Person Responsible for Implementation

The District Treasurer will be responsible for implementation and continuation of this corrective action plan.

4. The Treasurer should review all checks printed and compare them to certified warrants and payroll prior to distributing them, to verify that the checks are for legitimate District purposes.

Implementation Plan of Action

Currently, the accountability person writes all payroll and cash disbursement checks, distributing them to employees and vendors respectively. He reviews the checks with the payroll check registers and accounts payable warrants to ensure that the checks are properly

issued and properly distributed. The Treasurer oversees this function. In response to this recommendation, the Treasurer will now provide review oversight to that function by providing unannounced auditing of the printed checks, comparing them to payroll registers and cash disbursement warrants.

Implementation Date

These recommendations were implemented as a result of the exit interview and subsequent discussions with the Comptroller's Office.

Person Responsible for Implementation

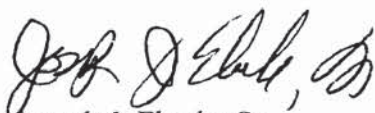
The District Treasurer will be responsible for implementation and continuation of this corrective action plan.

The audit response and corrective action plan was verbally communicated to the Board of Education on November 17, 2008, subsequent to the audit exit interview; it will be formally adopted by the Board at its regularly scheduled meeting on December 8, 2008. We will forward a copy of the Board resolution for your records when acted upon.

If you need further information or have any questions, please feel free to contact me immediately.

On behalf of the District, we wish to thank the Comptroller's Office for its constructive recommendations that will strengthen the District's internal controls. We also appreciate the positive comments made in the audit as a result of the District's prompt responses to the findings of the internal auditor.

Sincerely,



Joseph J. Eberle, Sr.
Business Administrator

C: Jamie Moesel, Superintendent of Schools
Dr. John Peebles, Board of Education President
Todd Dack, Board of Education Vice President
Kelly Davis, Board of Education
Chris Hyde-Hall, Board of Education
Brent Nichols, Board of Education
Brenda Shelmidine, Board of Education
Pamela E. B. Thomas, Board of Education

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 controls related to cash disbursements, payroll and information security for further audit testing.

During this audit we examined the District's records and reports for the period July 1, 2006 to December 31, 2007. To accomplish the objectives of the audit and obtain valid audit evidence, our procedures included the following steps:

- We interviewed appropriate District officials in order to obtain an understanding of the organization, the District's accounting system and to identify key personnel.
- We obtained copies of District policies and procedures and evaluated the adequacy of these policies.
- We reviewed the key control activities of the Business Office including the manner in which bank accounts are reconciled, duties are assigned, checks are signed and journal entries are accomplished.
- We tested selected records and transactions, and examined pertinent documents including cancelled checks.
- We examined the general fund bank reconciliation for one month to ensure the reconciliations were complete, accurate, and any adjustments were properly supported.

- We verified credits (decreases) to the general ledger cash accounts by journal entry to supporting documentation.
- We reviewed a listing of all newly hired employees during our audit period. We identified which of the new employees had been paid via paychecks and verified payee names and endorsements on at least one payroll check for each employee paid by paycheck. We identified which of the new employees had been paid via direct deposit and reviewed the direct deposit authorization and Board appointment. For the December 20, 2007 payroll, we verified that the total amount remitted to each of the banks agreed with the direct deposits listed on the payroll. For 18 new employees paid by direct deposit, we verified that the net pay designated as a direct deposit to a bank was included in the amount transmitted to that bank, and the account number on the direct deposit authorization agreed with the account number listed in the payroll.
- We judgmentally selected 25 employees and examined the supporting documentation in personnel files and verified that Board approval of each employee's appointment was documented in the minutes of the Board's proceedings. Additionally we verified the rate paid to the 25 employees for a pay period was approved by the Board and negotiated contract agreements if applicable.
- We also accounted for all salary payments to the accounts payable/payroll clerk, Business Administrator/Treasurer and Superintendent and verified that the payments were consistent with the terms of District authorizations.
- We reviewed the District's procedures for the payroll payout audit.
- We reviewed the systems in place for the safeguarding of District data stored on a third-party provider's computer system, including reviewing the contract between the District and the third-party provider.

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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Steven J. Hancox, Deputy Comptroller
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