



Tuckahoe Union Free School District Internal Controls Over Selected Financial Activities

Report of Examination

Period Covered:

July 1, 2006 — July 18, 2007

2008M-37



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 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 Tuckahoe Union Free 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 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 Tuckahoe Union Free School District (District) is governed by the Board of Education (Board) which comprises five 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 Director of Finance (Finance Director) is responsible for preparing and implementing the District's annual budget and overseeing the District's financial operations. The Board also appointed the Finance Director as the District's purchasing agent in charge of procurement. As the purchasing agent, the Finance Director is responsible for procuring all goods and services in compliance with the District's purchasing policy. Two individuals served as the Finance Director at different times during our audit period. The current Finance Director was hired in December 2006.

The District's student enrollment is approximately 990 students. The District's 2006-07 fiscal year budget was approximately \$23 million, which was funded primarily with real property taxes, State aid, and grants.

Scope and Objective

The objective of our audit was to examine internal controls over selected financial activities for the period July 1, 2006 to July 18, 2007. Our audit addressed the following related questions:

- Are management controls over District finances adequate?
- Are internal controls over payroll appropriately designed and operating effectively?
- Are internal controls over purchasing appropriately designed and operating effectively?

Audit Results

District officials made \$1.2 million in budget transfers without Board approval, and the District's accounting records were significantly deficient. The lack of adequate policies and procedures governing budget transfers coupled with poor accounting records can result in poor financial decisions which can adversely affect the District's financial condition.

District officials need to improve the District's procedures for monitoring and certifying the payroll. After November 2006, the Superintendent did not pre-approve overtime hours, and the District had

no written documentation to show that overtime was authorized. Due to payroll miscalculations, the District overpaid \$3,759 to two head custodians for overtime. Because the District had weak internal controls over its payroll certification process, these miscalculations went undetected. Also, District officials who were responsible for the payroll certification process did not identify that the District paid 11 hours of overtime to a head custodian during the week that he was on vacation. As a result, the District overpaid the head custodian by approximately \$514. District officials did not implement necessary controls to properly track overtime costs associated with non-District events. Therefore, District officials have no assurance that the rent the District receives from non-District activities covers the costs incurred by the District for such activities as required by the District's policy.

We found that the District did not use the request for proposal (RFP) process or obtain written or verbal quotations when procuring physical therapy and rehabilitation services for special education students totaling \$186,545 during fiscal year 2006-07. District officials also did not comply with the purchasing policy by failing to obtain quotes prior to hiring five contractors for services totaling \$56,680 during the 2006-07 fiscal year. Because the District did not have written agreements with all five of the contractors, District officials cannot be sure that the services were procured in the most economical manner. District officials also did not comply with the District's purchasing policy when they allowed a building principal to make equipment and supplies purchases in excess of \$80,000.

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 Tuckahoe Union Free School District (District) is located in the Town of Eastchester (Town) in Westchester County. The District is governed by the Board of Education (Board) which comprises five 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 Finance Director is responsible for preparing and implementing the District's annual budget and overseeing the District's financial operations. The Board also appointed the Finance Director as the District's purchasing agent in charge of procurement. As the purchasing agent, the Finance Director is responsible for procuring all goods and services in compliance with the District's purchasing policy. Two individuals served as the Finance Director at different times during our audit period. The current Finance Director was hired in December 2006.

There are three schools in operation within the District, with approximately 990 students and 143 employees. The District's budgeted expenditures for the 2006-07 fiscal year were approximately \$23 million and were funded primarily with real property taxes, State aid, and grants.

Objective

The objective of our audit was to examine internal controls over budgetary controls, financial activities, payroll, and purchasing. Our audit addressed the following related questions:

- Are management controls over District finances adequate?
- Are internal controls over payroll appropriately designed and operating effectively?
- Are internal controls over purchasing appropriately designed and operating effectively?

Scope and Methodology

We examined the District's internal controls over budgetary controls, financial activities, payroll, and purchasing for the period July 1, 2006 to July 18, 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, the Board must approve a corrective action plan that addresses the findings in this report, forward the plan to our office within 90 days, forward a copy of the plan to the Commissioner of Education, and make the plan available for public review in the District Clerk's office. For guidance in preparing the plan of action, the Board should refer to applicable sections in the publication issued by the Office of the State Comptroller entitled *Local Government Management Guide*.

Management Oversight

District management is responsible for overseeing the District's fiscal affairs and safeguarding its resources. This responsibility includes establishing a system of internal controls that consists of policies and procedures which provide reasonable assurance that cash and other resources are properly safeguarded; transactions are authorized and properly recorded; financial reports are accurate and submitted to the Board in a timely manner; and that applicable laws, rules and regulations are observed. In addition, it is important for the District to have controls in place that prevent District officials from incurring expenses that exceed available appropriations. All financial records and reports must be complete, accurate, and current to be relevant and useful for the Board and other officials to manage District operations properly. Sufficient accounting records include detailed cash receipt and disbursement records that provide a chronological and complete list of all transactions. Also, the Treasurer must routinely reconcile bank account balances to general ledger cash balances.

The Board did not develop and implement a budget transfer policy to limit the dollar amount of budget transfers that can be made without Board approval. In addition, the Treasurer did not prepare and provide adequate monthly reports to the Board or maintain a check register to track District checks. The Board also did not review the financial data provided by District officials to ensure that the data were accurate. As a result, the Board is at risk of making improper decisions based on inadequate records and reports.

Budget Transfers

Pursuant to the New York State Commissioner of Education's Regulations, the Board may authorize the Superintendent to make budget transfers between line item accounts within set limits without prior Board approval. The Board did not develop and implement a budget transfer policy to limit the dollar amount of budget transfers that can be made without Board approval. We found that \$1.2 million of transfers were made during the 2006-07 fiscal year without Board approval.

We reviewed bank statements and budget transfers from July 1, 2006 to July 18, 2007, and found no improprieties. Although these transfers did not have an adverse effect on the District's financial condition, the District's budget transfer practices could potentially cause the District future financial distress. Lack of budgetary control increases the risk that the Board will not be aware, in a timely

manner, that individual appropriation accounts are over-expended or close to being over-expended.

Accounting Records

Complete and accurate accounting records maintained on a current basis provide the Board with essential information it needs to effectively manage and safeguard cash and properly monitor the District's fiscal affairs. It is important that District officials prepare complete and accurate records and reports, and that they summarize the accounting records on a monthly basis.

The Finance Director did not provide adequate oversight of the Treasurer to ensure that she properly performed her duties. As a result, the Treasurer did not prepare and provide adequate monthly reports to the Board or maintain a check register to track District checks. Although the Treasurer submitted monthly reports to the Board, the reports did not include bank reconciliations, budget transfers, or accurate cash reports. The bank reconciliations that the Treasurer did prepare were inaccurate because she did not carry the cash balance forward from one month to the next. The Treasurer did not reconcile cash book balances to the bank balances on a monthly basis to ensure that the District's cash assets were properly accounted for. Also, the Board did not adequately review the financial data contained in the monthly reports to ensure that the data were correct.

Because the Treasurer did not maintain a check register to track District checks, the District did not have a means to support all cash transfers, withdrawals and disbursements identified in bank statements. It is doubtful that the Treasurer could properly reconcile cash records to the bank statements when all transactions were not entered into the records. Although we found no improprieties during our review of bank statements, inadequate recordkeeping and reporting puts the District's Board at risk of making improper decisions based on inadequate records and reports.

Recommendations

1. The Board should develop a policy that sets a limit on the dollar amount of budget transfers that can be made without Board approval.
2. The Board should carefully review the financial data provided to it by District officials to ensure that the data are accurate and that they allow the Board to fulfill its fiduciary responsibility to monitor the District's fiscal operations.
3. The District should provide additional training to the Treasurer and key accounting personnel and monitor their performance to ensure that they maintain the accounting records completely and accurately and update the records in a timely manner.

Payroll

A good system of internal controls consists of adopted policies, practices and procedures that provide reasonable assurance that resources are being properly accounted for and safeguarded. The Superintendent, as chief executive officer, is responsible for implementing the policies under the Board's oversight. An important component of any internal control system, and a requirement of Education Law, is to certify that the persons included in the payroll have regularly performed their duties in accordance with the terms of their employment contracts. Another component of internal controls is to ensure that all overtime payments to employees are pre-approved and properly documented, and that building rental fees to outside organizations offset the costs of employee overtime costs incurred as a result of the building rentals.

District officials need to improve controls related to documenting, monitoring, and tracking overtime expenditures. After November 2006, the Superintendent did not pre-approve overtime hours, and the District had no written documentation to show that overtime was authorized and that employees actually worked the overtime hours that they claimed to have worked. Due to payroll miscalculations, the District overpaid \$3,759 to two head custodians for overtime hours worked. In addition, because 11 hours of overtime was programmed into the payroll software application and because no one identified that there was dual overtime coverage during the week that a head custodian was on vacation, the District overpaid the head custodian by approximately \$514.

In addition, District officials did not implement necessary controls to properly track overtime expenditures associated with non-District events and did not ensure that the fee charged for these events covered overtime costs as required by the District's policy.

Overtime Approval

Effective internal controls over payroll include written overtime policies and procedures that require all overtime work to be pre-approved, justified, and certified by employees' supervisors. To ensure that the District incurs only necessary overtime costs, it is important for employees to have written pre-approval for overtime hours worked and that their supervisors approve the employees' timesheets to provide approval for the overtime payments. Overtime logs indicate the date, time of day, and purpose of overtime, and when combined with proper authorization, provide an acceptable method of documenting overtime records. Proper coding of

overtime expense along with detailed logs of work performed can further provide for budgetary control of overtime costs and allow for analysis of additional staffing needs or revision of work priorities and scheduling.

The Board has not established an overtime policy and District officials did not implement controls to properly document overtime expenditures. The District has a staff of 13 custodians (two full-time head custodians, seven full-time custodians, and four part-time custodians) and five substitute cleaners. During the 2006-07 fiscal year, the District paid the custodians a total of \$493,491, which included approximately \$126,000 paid in overtime wages to seven full-time custodians. The majority of this overtime (\$78,491) was paid to the two head custodians. The total overtime the District paid the full-time custodians was equal to approximately 44 percent of their total authorized salaries.

We examined the full-time custodians' timesheets for the 2006-07 fiscal year to determine if overtime was authorized, pre-approved, and documented. The Superintendent authorized and pre-approved overtime from July to November 2006. During this period, the former Finance Director required staff to submit an overtime authorization form, that included the actual number of overtime hours worked, with their timesheets. However, after November 2006, the Superintendent did not require District personnel to submit overtime authorization forms when they worked overtime hours. Consequently, after November 2006, the District had no documentation of pre-approval for overtime hours.

The Superintendent currently approves overtime hours worked when he certifies the payroll. However, this means that the Superintendent approves the overtime after employees actually work the overtime hours. The Superintendent told us that he felt that it was not necessary for employees to receive written pre-approval for overtime hours because they had already been given verbal approval to work the overtime hours and the facilities usage form documents the need for overtime. Without written policies and procedures for pre-approval and documentation of overtime hours, the District is at risk of incurring unnecessary overtime expenditures.

Payroll Certification

Education Law requires that districts certify payrolls. A certified payroll is one that has been examined and approved by an administrator who certifies that any additions to, or deductions from, normal salary payments have been made pursuant to the District's bylaws and based on personnel records maintained by the District. The Superintendent is responsible for certifying the District's payroll.

District officials need to improve the District's process for monitoring and certifying the payroll. As part of our risk assessment process, we identified concerns with the payroll records for the two head custodians for the 2006-07 fiscal year.¹ We examined their payroll records to determine if the custodians were paid according to the union contract overtime rate and found that they were paid an extra \$3,759 due to a series of miscalculations that occurred throughout the year when payroll staff incorrectly calculated double-time payments for overtime work. District officials who were responsible for the payroll certification process did not detect these miscalculations, and as a result, the District incurred this unnecessary cost.

Permanent Overtime Hours

The union contract requires the District to pay custodians an overtime rate of time and a half for week days and Saturdays, and double time for Sundays and paid holidays. The two head custodians report to work and check the school buildings on weekends to ensure that the buildings are locked and that the refrigeration and heating equipment is working properly, among other issues. The Superintendent authorizes overtime and approves the head custodians' timesheets.

District officials did not implement controls to properly monitor overtime expenditures. The District's payroll software is programmed to include 11 hours of overtime per week in each of the head custodian's salary. The 11 hours includes one hour per day for opening the school buildings and six hours during the weekend for building checks. The payments to the two head custodians for the 11 permanent overtime hours totaled \$2,087 every two weeks and \$54,263 for the 2006-07 fiscal year. Because the 11 hours are pre-programmed into the software application, the District does not have adequate assurance that the two head custodians actually work the 11 overtime hours each is paid. We examined six months of overtime logs to determine if the head custodians worked at least 11 overtime hours per week. We found one instance where one of the head custodians was on vacation and did not work the 11 overtime hours but was paid overtime wages, which totaled almost \$514. In addition, another custodian was paid for the 11 overtime hours to cover for the head custodian while he was on vacation; therefore, the District paid twice for the same service.

Non-District Overtime

The District rents facilities to the Town and other community groups to use for sports and other social events. To address the costs of public use of District facilities, the Board adopted a policy

¹ Because the risk assessment did not identify any concerns with payroll payments made to the District's other five full-time custodians who received overtime, we did not audit the District's overtime payroll payments made to those individuals.

to define the acceptable uses of District property and required conditions for that usage. The policy states that those who want to use District facilities must pay the District a fee to “cover the costs of heat, electricity, maintenance, custodial services and any other expenses associated with the requested use.” When District facilities are used for non-District purposes and cause custodians to work overtime hours for these events, it is important for District officials to track the costs associated with the overtime hours and ensure that, at a minimum, the rental costs charged offset the overtime costs incurred.

District officials did not implement necessary controls to properly track overtime expenditures associated with non-District events and did not ensure that the fee charged for these events covered overtime costs as required by the District’s policy. The use of the District’s facilities generates additional overtime work for the District’s custodial staff. Although the District received a total of \$130,730 for renting its facilities and used the revenue to defray part of the \$126,000 overtime cost incurred for the custodians’ overtime pay during the 2006-07 fiscal year, District officials do not maintain separate records of the overtime costs associated with non-District events. As a result, District officials have no assurance that the rent the District receives from non-District activities is reasonable when compared to the overtime costs incurred by the District for such activities. The Finance Director told us that the District will begin to maintain records of costs associated with facility rentals and review these records to ensure that the rental amounts charged are adequate to offset the overtime costs.

Recommendations

4. The Board should develop an overtime policy and District officials should implement controls to properly document, monitor, and code overtime expenditures and to pre-approve overtime.
5. The Superintendent should review, monitor and properly certify the District’s payroll.
6. District officials should eliminate the pre-programmed overtime hours in the payroll system.
7. The Finance Director should account for overtime costs associated with the rental of facilities to the Town and other organizations and ensure that rent payments are reasonable compared to the associated overtime costs incurred by the District for the rentals.

Purchasing

District officials are responsible for designing internal controls that help safeguard the District's assets and ensure the prudent and economical use of its moneys when procuring goods and services, and protect against favoritism, extravagance, fraud, and corruption. The objectives of a procurement process are to obtain services or materials, supplies, and equipment of the desired quality, in the quantity needed, at the lowest price in compliance with applicable Board and legal requirements. General Municipal Law requires the Board to adopt written policies and procedures for the procurement of goods and services that are not subject to competitive bidding requirements. It is important for these policies and procedures to set forth each method of procurement and the procedures for determining which method will be used and to provide for adequate documentation of the actions taken.

We found that District officials did not use the request for proposal (RFP) process or obtain written or verbal quotations when procuring physical therapy and rehabilitation services for special education students totaling \$186,545 during fiscal year 2006-07. District officials also did not obtain quotes as required by the purchasing policy prior to hiring five contractors for services totaling \$56,680 during the 2006-07 fiscal year. In addition, the District did not have written agreements with all five of the contractors. District officials also did not comply with the District's purchasing policy when they allowed a building principal to make equipment and supplies purchases in excess of \$80,000. As a result, the District has an increased risk that it has made purchases without the most prudent and economical use of public moneys.

Requests for Proposal

According to the District's purchasing policy, contracts for professional services that are not required by law to be procured by the District through competitive bidding must be procured through an RFP process. If the Finance Director (purchasing agent) determines that it is impractical to issue RFPs for these services, then the policy requires the Finance Director to solicit quotes, but it does not indicate how many quotes that he must obtain or whether they should be verbal or written quotes.

We tested payments made to 10 professional service providers who provided construction, transportation, legal, architectural, and physical therapy and rehabilitation services totaling \$2,958,701 during the 2006-07 fiscal year. We found that District officials did not use the RFP process or obtain written or verbal quotations when

procuring physical therapy and rehabilitation services for special education students totaling \$186,545 during fiscal year 2006-07. District officials did use the RFP process when procuring the construction, transportation, legal, and architectural services.

The Finance Director told us that the number of students requiring special education fluctuates during the school year, and as a result, the District is never certain of the number and type of special education services that students may need from year-to-year. Therefore, he believes it is impractical to issue RFPs for these services. In this case, because District officials believed RFPs were impractical, they did not obtain quotes prior to hiring the physical therapy and rehabilitation service provider.

Without the solicitation of competition, there is an increased risk that goods and services are not obtained at the lowest possible price and that purchases are not made with the most prudent and economical use of public moneys in the best interest of the taxpayers.

Price Quotes

The District's purchasing policy states that when contracting for public works with a cost between \$5,000 and \$10,000, District staff must obtain a minimum of three telephone, fax or written quotations. The purchasing policy's requirements to obtain quotes are designed to protect the District's resources and ensure that the District receives the best possible services at the lowest prices. In addition, a written public works agreement or contract provides the District and the contractor with a clearly defined and mutually agreed-on basis for determining entitlement to payments. Contracts may be used to verify that the amounts charged by the contractor are in accordance with Board resolutions. It is necessary that the contracts indicate the period, the materials and services to be provided, and the basis for compensation.

We reviewed payments to five public work contractors for landscaping and snow removal, electronics maintenance, gym floor maintenance, BOCES data communication maintenance, and security camera maintenance services totaling \$56,680 during the 2006-07 fiscal year. We found that District officials did not comply with the District's purchasing policy when they failed to obtain quotes prior to hiring the five contractors. In addition, the District did not have written agreements with all five of the contractors.

Without quotes, District officials have no way of knowing if the District received the best prices and quality for the services provided. Furthermore, without written agreements that specify the responsibilities of both parties and define a mutually agreed-upon basis for compensation, District officials cannot properly audit

claims for payment and determine if providers were entitled to payment for billed services.

District Grant

District policy requires that all purchases are to be made centrally through the District's purchasing agent to ensure District funds are spent in a manner that provides optimal benefit² to the District. District policy also requires that personnel record equipment purchases and include the equipment on the District's inventory list.

The District received an \$80,000 grant in the form of a store credit to be used in a major office supply store for participating in a film production. Although the District's purchasing policy requires the Finance Director to make all District purchases, District officials allowed a building principal to purchase equipment and supplies using the grant funds. We obtained invoices listing all the items the principal purchased. We identified 34 computers with a value of \$43,704 that the principal had purchased and verified that the computers were located at the schools. However, none of the equipment and supplies that the principal purchased with the grant funds had been included in the District's inventory.

When District personnel other than the Finance Director procure equipment and supplies and fail to record them in the District's inventory record, District officials cannot be sure that those purchases provide optimal benefit to the District. Furthermore, because the computers and other equipment were not recorded on the District's inventory record, if this equipment is lost or stolen the losses may not be detected.

Recommendations

8. District officials should comply with the District's policy and use RFPs or obtain written quotes.
9. District officials should secure written agreements with all vendors that clearly define the amount of compensation and type of services and duration of the work to be performed.
10. District officials should ensure that only the Finance Director (purchasing agent) makes District purchases.
11. The Finance Director should ensure that equipment purchased with the \$80,000 grant is included on the District's inventory list.

² This could include providing assurances that the purchases have not been duplicated elsewhere within the District, are used for District purposes, and that the purchases fulfilled District-wide needs and not just the needs of only one school building.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

**TUCKAHOE UNION FREE SCHOOL DISTRICT
29 ELM STREET
TUCKAHOE, NEW YORK 10707**

**Anthony Buonocore, President
Rev. Frank E. Coleman, Jr., Vice President
Patrick Gallo, Trustee
Sheree Raho, Trustee
James Oliverio, Trustee**

**Karen A. Barros
District Clerk**

**(914) 337-6600 X262
(914) 337-5735 FAX**

June 17, 2008

██████████
Office of the State Comptroller
Division of Local Government and School Accountability
33 Airport Center Drive, Suite 103
New Windsor, New York 12533

Dear ██████████:

The Board of Education of the Tuckahoe Union Free School District and the District Administration have reviewed and acknowledges receipt of the "DRAFT" Report of Examination for the period of July 1, 2006 through July 18, 2007 (2008M-37).

Before commenting on the report and the District's corrective action plan, it is important to note that the Comptroller did not find any improprieties during the course of their audit.

Prior to and during the course of the audit the District was made of aware of several issues regarding it's fiscal condition. The Board of Education and Superintendent have taken the following broad measures to ensure the improvement of our financial situation:

- Solicited RFP's and appointed a new independent auditing firm
- Hired a new claims auditor
- Solicited RFP's and appointed a new internal claims auditor
- Hired a new Director of Finance, December 2006
- Hired a new Interim Treasurer, December 2007
- Converted from a cumbersome, outdated software to a new updated program supported by our local Regional Information Center, July 2007

The Board of Education and District Administration appreciate the hard work of the Comptrollers Office and will be taking the recommendations under advisement. Going forward we have implemented the following changes per the recommendations:

Management Oversight

- The Board of Education will be reviewing its policy regarding budget transfers with our independent auditors to consider setting appropriate limits so that the

Board of Education is not inundated with the approval of small dollar transfers. Since the implementation of the new software package, the Board of Education receives comprehensive financial reports on a regular basis for oversight and review.

- Business Office and key accounting personnel attend and participate in workshops and training meetings sponsored by our Regional Information Center and County Organizations.

Payroll

- During the transition between Directors of Finance the Superintendent assumed the responsibility of assigning custodial overtime by combining it with the facilities use approval process eliminating redundancy. We have eliminated the pre-programmed overtime hours as per the recommendation and have been monitoring the overtime costs in relation to the rental of facilities.

Purchasing

- The District has revamped its purchasing procedures and has provided employees and vendors with the policies and procedures to be followed. We have created and secure written agreements with all vendors that clearly define the amount of compensation, type of services and duration of the work to be performed. The District has made it clear that only the Purchasing Agent is authorized to make District purchases.
- It is important to note that during the course of the audit, all of the items purchased with the \$80,000 grant were accounted for by the field auditor. As per the recommendation, this summer the District will be undergoing a complete physical inventory to update our fixed asset inventory and we have invested in an asset management program to be maintained by our Accounts Payable Department.

We would like to thank the Comptrollers Office and the field staff that performed our audit for their cooperation and assistance during our transition. We appreciate their hard work and recommendations to help us improve our practices and procedures.

Sincerely,



Anthony Buonocore,
Board of Education President

C: Michael V. Yazurlo, Superintendent of Schools
Christina Howe, Director of Finance
Domenick Consolo, CPA, O'Connor Davies Munns & Dobbins, llp
Ronald L. Smalls, District Superintendent, Southern Westchester BOCES

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, minutes of the proceedings of the Board, and financial records and reports. In addition, we obtained information directly from the computerized financial database and 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 database to help ensure that the information produced by the system 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 budgetary controls, financial activities, payroll, and purchasing for further audit testing. Our testing included:

- Analysis of annual financial reports, financial statements, and budgets
- Review of bank statements, bank reconciliation, and Treasurer's reports
- Review of vendor files and bidding packets
- Review of outstanding serial bonds
- Examination of timesheets and payroll records
- Review of union contracts.

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
John C. Traylor, Assistant Comptroller

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