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January 29, 2010

Dr. Donna J. DeSiato, Superintendent
Members of the Board of Education
East Syracuse-Minoa Central School District
407 Fremont Road
East Syracuse, NY 13057

Report Number: 2008M-017-F

Dear Dr. DeSiato and Members of the Board of Education:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage district officials to reduce costs, improve service delivery and to account for and protect their district's assets. In accordance with these objectives, we conducted an audit of the East Syracuse-Minoa Central School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report, dated March 2008, identifying certain conditions and opportunities for District management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the District in August 2009 to review the District's progress in implementing our recommendations. Our follow-up review was limited to interviews with District personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the District has made significant progress in implementing our recommendations. Of the 10 audit recommendations, seven recommendations were fully implemented, two recommendations were partially implemented, and one recommendation was not implemented.

Recommendation 1 – Custody of Signature Disk

The Treasurer should maintain custody of the Treasurer's signature disk.

Status of Corrective Action: Fully implemented

Observations/Findings: Both the Treasurer and the Deputy Treasurer retain custody of their signature disks and store them in a lock box that is only accessible to them.

Recommendation 2 – Supervision of Treasurer’s Facsimile Signature

District officials should discontinue the practice of allowing checks to be imprinted with the Treasurer’s facsimile signature without the direct supervision of the Treasurer. In the Treasurer’s absence, computer-generated checks may be imprinted with the Deputy Treasurer’s facsimile signature under her direct supervision.

Status of Corrective Action: Fully implemented

Observations/Findings: Either the Treasurer or the Deputy Treasurer is present when their respective signature is being affixed to checks and they also directly supervise the check printing operation. We observed a check run August 11, 2009 that was supervised by the Deputy Treasurer which confirmed our understanding of the process described to us in our interviews with District personnel.

Recommendation 3 – Check Comparison

The Treasurer or Deputy Treasurer should compare actual checks before they are issued to the claims or warrants certified by the claims auditor and payrolls certified by the Superintendent.

Status of Corrective Action: Partially implemented

Observations/Findings: Neither the Treasurer or the Deputy Treasurer is comparing the actual checks to the certified warrants and payrolls that authorize payment. District officials partially implemented our recommendation by establishing a procedure that has the claims auditor comparing the checks to the certified warrants. However, this procedure does not adequately mitigate the risk that inappropriate payments could be made because it transfers the Treasurer’s responsibility for all check disbursements to the claims auditor and it creates an additional step in the check issuance process. Payroll checks are still not being compared to the certified payrolls, which increases the risk for inaccurate check payments to be disbursed without the Treasurer’s knowledge.

Recommendation 4 – Review of Audit Logs

A District official or employee who does not make entries on the computerized accounting system should review the system’s audit logs on a regular basis to help ensure that no unauthorized disbursements have been made.

Status of Corrective Action: Fully implemented

Observations/Findings: The Executive Director of School Business Administration now reviews the system’s audit logs on a monthly basis and follows up on questionable activities. The Executive Director told us she does not make entries on the computerized accounting system.

Recommendation 5 – Providing Signed Statements for Authorization of Payment

The claims auditor should provide the Treasurer with a signed statement on a claim or warrant authorizing the Treasurer to pay the claimant(s). If the claims auditor signs such statement on a warrant, he or she should compare the actual audited claims to the warrant.

Status of Corrective Action: Fully implemented

Observations/Findings: The claims auditor now provides the Treasurer with a properly certified warrant authorizing the Treasurer to pay claimants. We selected two check runs dated July 31, 2009 and December 12, 2008 and verified that they were supported by properly certified warrants that were signed by the claims auditor prior to the date the checks were printed. The claims auditor told us that she receives a claims package, warrant, and checks. She approves each claim and verifies it to the warrant and check. The warrant is signed after all claims have been approved and traced to the warrant and check.

Recommendation 6 – Authorizing Treasurer to Pay the Claimant(s)

The Treasurer should pay claims only after receiving a statement, signed by the claims auditor on the claims or warrants, authorizing the Treasurer to pay the claimants.

Status of Corrective Action: Fully implemented

Observations/Findings: The Deputy Treasurer told us that she and the Treasurer now require a certified warrant from the claims auditor prior to permitting their signatures to be affixed to checks. Our review of the warrants supporting the check runs dated July 31, 2009 and December 12, 2008 produced results that are consistent with the Deputy Treasurer's assertions.

Recommendation 7 – Review of Warrants by the Board

The Board should receive and review copies of the warrants after the claims have been audited by the claims auditor.

Status of Corrective Action: Fully implemented

Observations/Findings: Board members began receiving copies of the certified warrants in July 2008 as part of the documentation that District officials routinely distribute to members in advance of their meetings. We verified that distribution of copies of certified warrants and payrolls to the Board members were referenced in the minutes of Board meetings held on August 18, 2008 and February 9, 2009. Copies of the documents were also included in the file copy of the documentation packages that the clerk provided to Board members in advance of those meetings.

Recommendation 8 – Segregation of Payroll-Related Duties

District officials should segregate payroll-related duties to the extent possible or establish additional supervisory review procedures to mitigate specific risks.

Status of Corrective Action: Partially implemented

Observations/Findings: The District's corrective action plan and a subsequent status report indicate that the payroll clerk's ability to add new employees to the payroll system and modify records for existing employees has been reassigned to another department and that payroll distribution duties have been reassigned to another employee. However, a system permissions report dated August 7, 2009 indicates that the payroll clerk still retains the ability to add to, delete or otherwise modify employee records. Furthermore, the payroll clerk is still responsible for distributing the payroll. The District partially implemented our recommendation and mitigated risks by establishing a review procedure that has an account clerk in the Business Office verify the validity of 20 employee payments on each payroll and report the results to the internal auditor. We reviewed documentation for 40 employees in two payroll periods during January 2009 and determined that the clerk verified the validity of the payments.

Recommendation 9 – Periodic Review of Payroll

The internal auditor or other District official who is not involved in the payroll process should periodically perform random checks of individual employees' pay to identify variances or irregularities, and periodically review the details of direct deposits to confirm they are proper.

Status of Corrective Action: Fully implemented

Observations/Findings: District officials assigned an account clerk, who is not involved in the payroll process, to periodically perform random checks of individual employees' payroll. The designated account clerk verifies the validity of 20 employee payments on each payroll and reports the results to the internal auditor. We reviewed documentation of the clerk's testing of 40 employees for two payroll periods during January 2009 and confirmed that the clerk's review was completed.

Recommendation 10 – User Access Rights

The user access rights of District personnel should be limited to those areas of the accounting system that are necessary for them to perform their job duties. District officials should periodically monitor the assignment of user access rights and adjust them as necessary.

Status of Corrective Action: Not implemented

Observations/Findings: The Executive Director of School Business Administration told us that she initially authorizes and periodically reviews each employee's user access rights to areas of the accounting system to ensure that access rights are appropriate and

necessary based on job duties. While the Executive Director provided us with a report of user access rights dated August 7, 2009 during our visit, she was unable to provide us with any evidence of her authorization or review of such documents; therefore, we cannot conclude that this recommendation has been implemented.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage you to continue with your efforts to implement our recommended improvements in your fiscal management.

I trust that our follow-up review was of assistance to you. If you have any further questions, please contact Eugene Camp, Chief Examiner of our Syracuse Regional Office, at (315) 428-4192.

Sincerely,

Steven J. Hancox
Deputy Comptroller
Office of the State Comptroller
Division of Local Government
and School Accountability