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January 29, 2010

Mr. Patrick J. Gabriel, Jr., Superintendent
Members of the Board of Education
Germantown Central School District
123 Main Street
Germantown, NY 12526

Report Number: 2007M-24-F

Dear Superintendent Gabriel 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 school 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 Germantown Central School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report, dated May 2007, 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 Germantown Central School District in September 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 minimal corrective action in the more than two year period since the release of our report. Of the five audit recommendations included in the report, one recommendation was implemented and four recommendations were not implemented.

Recommendation 1 – Competitive Bidding

The Board and the purchasing agent should adhere to the requirements of General Municipal Law (GML) and District policy when procuring goods and services subject to the competitive bidding laws.

Status of Corrective Action: Not implemented

Observations/Findings: We reviewed 10 purchases totaling \$198,263 subject to the competitive bidding statute and found that District officials did not publicly advertise five purchases totaling \$80,893 for bid, as required. District officials stated that they obtained three of those purchases, including 16 graphing calculators, 14 projectors, and a Mimio board, from a sole source vendor. However, there was no supporting documentation to substantiate this claim. In addition, District officials could not explain why they did not competitively bid the other two purchases, which included computer hardware and a water softener. To ensure that the District is obtaining goods and services at the lowest possible prices, we encourage the Board of Education (Board) and Purchasing Agent to adhere to competitive bidding requirements.

Recommendation 2 – Verbal and Written Quotes

District officials should monitor and enforce compliance with the District’s procurement policy as it relates to the required number and type of quotations required for those purchases that fall below the competitive bidding thresholds.

Status of Corrective Action: Not implemented

Observations/Findings: We reviewed claims for three purchases totaling \$12,899 (excavating, sign removal and text books) paid in the 2008-09 fiscal year that were subject to the District’s procurement policy. The District’s Purchasing Agent could not provide documentation that employees had obtained the required three written quotes for these purchases.

In April 2009, the Board replaced the District’s procurement policy that was in effect during the original audit period with a new procurement policy that does not contain parameters for obtaining verbal/written quotes. The Board is currently considering revising the new policy to include quotation requirements for purchases under GML threshold requirements. We encourage the Board to revise the District’s procurement policy to include obtaining multiple verbal and/or written quotes for items that fall below competitive bidding thresholds. Obtaining multiple quotes will help to ensure that the District receives the best price possible for goods and services.

Recommendation 3 – Gasoline Purchases

District officials should require that all credit card charge slips for gasoline/diesel contain information identifying the District vehicle that the fuel was purchased for.

Status of Corrective Action: Fully implemented

Observations/Findings: District officials now require all credit card charge slips to contain the name of the purchaser and the vehicle for which the fuel is purchased. We reviewed two claims totaling \$353 that the District paid in 2008-09, which included multiple charge slips, and found that the vehicle identification and purchaser were documented on the slips.

Recommendation 4 – Computerized Data

District officials should develop a formal disaster recovery plan. This plan should address the range of threats to the District’s information technology system, including the need to adequately

backup all mission-critical data. The plan should be distributed to all responsible parties, periodically tested, and updated as needed.

Status of Corrective Action: Not implemented

Observations/Findings: The District has not adopted a formal disaster recovery plan. District officials stated that they have informal procedures in place; however, these procedures are incomplete and do not satisfy the basics of what a formal disaster recovery plan should include. For example, the District has not formally designated individual responsibilities or the procedures to follow to recover lost data in the event of a disaster. We encourage District officials to adopt a disaster recovery plan to help minimize business cycle interruption and address the process of returning to normal business functioning as soon as possible in the event of a disaster.

Recommendation 5 – Capital Assets

District officials should designate a property control manager to be responsible for tracking capital assets.

Status of Corrective Action: Not implemented

Observations/Findings: As of the date of our follow-up review, District officials had not designated a property control manager. District officials stated that they are now in the process of identifying and designating one. We encourage District officials to strengthen controls over capital assets by designating a property control manager.

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 Kenneth Madej, Chief Examiner of our Albany Regional Office, at (518) 438-0093.

Sincerely,

Steven J. Hancox
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