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Mr. Ernest Witkowski, Interim Superintendent of Schools
Members of the Board of Education
Lake Placid Central School District
50 Cummings Road
Lake Placid, New York 12946

Report Number: 2006M-213-F

Dear Superintendent Witkowski 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 officials to reduce cost, improve service delivery and to account for and protect their assets. In accordance with these objectives, we conducted an audit of the Lake Placid Central School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report dated April 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 District on October 21, 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 limited procedures, it appears that the District has made considerable progress in implementing corrective action. Of the 12 recommendations, we found that nine recommendations were fully implemented, one was partially implemented, and two were not implemented.

Recommendation 1 – Tax Levy

The Board should ensure that taxes levied do not exceed the amount required to fund the appropriations approved by District voters.

Status of Corrective Action: Not Implemented

Observations/Findings: The taxes levied for the 2007-08 and 2009-10 school years did not exceed the amounts required to fund appropriations approved by District voters. However, on August 19, 2008, the Board levied taxes for the 2008-09 school year

totaling \$12,899,480, which exceeded the amount required to fund appropriations by \$368,763. Although we had informed district officials that taxes should only be levied to the extent needed to fund appropriations prior to August 19, 2008, the Board still levied excess taxes for the 2008-09 fiscal year.

Recommendation 2 – Monitor Expenditures and Revenues

The Board should monitor actual expenditures and revenues compared to budget estimates during the year to ensure that prompt action is taken to address any over-expenditures or revenue shortfalls.

Status of Corrective Action: Fully Implemented

Observations/Findings: At each monthly Board meeting from July 2008 to September 2009, the Business Manager provided the Board with status of the budget reports which compared actual expenditures and revenues to budget estimates. As a result, the Board was aware of the over-expenditures that occurred and took prompt action to address them through budget transfers throughout the year. In addition, the total expenditures for the 2007-08 and 2008-09 school years remained within the appropriations approved by District voters.

Recommendation 3 – Timely and Complete Budgetary Information

In order to properly monitor the District's fiscal affairs and annual budget, the Board should require timely and complete budgetary information throughout the year.

Status of Corrective Action: Fully Implemented

Observations/Findings: At each monthly Board meeting from July 2008 to September 2009, the Business Manager provided the Board with status of the budget reports. We reviewed all of the reports during this period and found that they provided sufficient information for District officials to monitor the District's fiscal affairs and annual budget.

Recommendation 4 – Claims Processing Procedures

The Board should establish procedures to ensure that:

- The claims auditor reviews all claims to verify expenses are properly documented, itemized, approved and appropriate before approving them for payment.
- No money is paid out by the District Treasurer except on the warrant of the claims auditor.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed fifteen claims processed during the period July 2008 to September 2009 and found that the claims auditor reviewed all of the claims in our sample to verify that the expenses were properly documented, itemized, approved and appropriate before approving the claims for payment. Further, we reviewed payments made by the District Treasurer for the months of July 2008, February 2009 and

September 2009 and found that all payments made during those months were listed on warrants that were approved by the claims auditor.

Recommendation 5 – Documentation for Travel Reimbursement and Credit Card Purchases

The Board should require that all claims for travel reimbursements and credit card purchases are submitted with sufficient documentation. District officials should provide staff with proper identification and tax exempt forms to be used when traveling.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed 15 claims for travel reimbursement and ten claims for credit card purchases and found that all of them were submitted with appropriate documentation. In addition, school employees have been issued pictured identification cards and are provided with tax exempt forms when in travel status. Finally, our review of travel claims revealed that taxes were not being paid as is appropriate given the District's tax exempt status.

Recommendation 6 – Payroll Policies and Procedures

The Board should adopt written policies and procedures as guidance for the employees responsible for processing and distributing payroll.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed Board minutes and Board policies, and interviewed District officials. We found that the Board has adopted written payroll policies on September 15, 2009 and implemented written policies and procedures for the employees responsible for processing and distributing payroll.

Recommendation 7 – Approved Time Records

The Board should ensure that compensation to employees for time worked can be adequately substantiated by approved time records.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed three payrolls for hourly employees dated August 8, 2008, February 20 and September 18, 2009. We found that the compensation paid to employees during these three payroll periods was substantiated by time records which were approved by the appropriate supervisors.

Recommendation 8 – Leave Records

The Board should ensure that District personnel maintain accurate and complete leave records for all officers and employees as provided for in applicable collective bargaining agreements.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed the leave records for ten employees for the period June 30, 2008 to September 30, 2009 and found that all ten employees' records were accurate, complete and in compliance with collective bargaining agreements.

Recommendation 9 – Payroll Review

Someone independent of the payroll process should review final payrolls to verify that they are based on actual hours worked, or authorized leave charged; confirm that the hourly rates or annual salaries paid were authorized; compare net payroll checks to the payroll journals; and review the payroll for overall reasonableness.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed three payrolls and interviewed the Business Manager and the Interim Superintendent. We found that the Business Manager reviews final payrolls and verifies that they are based on actual hours worked or authorized leave charged, confirms that the hourly rates or annual salaries are authorized and verifies that payroll checks agree with payroll journals. In addition, the Interim Superintendent certifies each payroll after verification by the Business Manager and his own review for reasonableness. Both school officials signed off on each of the three payrolls we reviewed.

Recommendation 10 – Segregate Payroll Duties

The Board should assign payroll duties to employees in such a manner that incompatible duties are segregated. The payroll clerk should not sign payroll checks and distribute signed payroll checks to employees.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board has assigned payroll duties in such a manner that incompatible duties are segregated. The payroll clerk no longer signs payroll checks or distributes signed payroll checks to employees. In addition, both the Business Manager and the Interim Superintendent review payrolls to provide independent oversight.

Recommendation 11 – Extra-Classroom Policy

The Board should establish policies and procedures for the extra-classroom activity fund and approve only those activities that conform to the Regulations of the Commissioner.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board has not established policies and procedures for the extra-classroom activity fund. Due to this control weakness, we scanned the 54 extra-classroom activities and found that 20 did not conform to the Regulations of the Commissioner as outlined in Finance Pamphlet #2. Of these 20 activities, six were for elementary school purposes (grades K-5), 12 were no longer active and two lacked student participation.

Recommendation 12 – Extra-Classroom Pre-paid Store Card

The Board should determine whether the payments made with the pre-paid store card were appropriate. If the Board determines that any payment was unauthorized and/or inappropriate, the Board should seek reimbursement to the corresponding activity fund by the staff member responsible for those purchases.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Board reviewed all payments made with the prepaid store card that were identified during our audit period and determined that all payments were appropriate. However, we reviewed all payments that were made with the pre-paid store card for the 2008-09 school year and found the Board did not continue reviewing these payments or have an adequate process in place to determine if these payments continued to be appropriate.

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 Karl Smoczynski, Chief Examiner of our Glens Falls Regional Office, at (518)-793-0057.

Sincerely,

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