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Mr. Seth Turner, Superintendent
and Members of the Board of Education
Saugerties Central School District
Call Box A
Saugerties, NY 12477

Report Number: 2006M-105-F

Dear Superintendent Turner 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 Saugerties Central School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report, dated December 2006, 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 Saugerties Central School District in October 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 taken partial corrective action in the more than three-year period since the release of our report. Of the nine audit recommendations included in the report, four recommendations were fully implemented, one recommendation was partially implemented, and four recommendations were not implemented.

Recommendation 1 – Procurement Practices

The Board and District administrators should monitor and enforce compliance with adopted policies and regulations relating to competitive bidding requirements and requests for proposals when procuring goods and services.

Status of Corrective Action: Not implemented

Observations/Findings: We found that the Board and District administrators have not adequately monitored and enforced compliance with purchasing policies and regulations. We reviewed nine purchases totaling \$329,000 subject to the solicitation of competition to determine if the District procured goods and services from vendors in compliance with the requirements established by General Municipal Law and the District's competitive bidding and quotation policy.

The District did not properly bid one of the four items subject to statutory competitive bidding (repair and replacement of wood flooring totaling \$46,779) and two of the five items subject to the District's purchasing policy bidding requirements (reconditioning and repairing of football equipment at a total cost of \$6,554¹ and printing of student forms at a cost of \$3,250²). To ensure that the District is obtaining goods and services at the lowest possible prices, we encourage the Board and District administrators to ensure that District staff comply with competitive bidding requirements and the District's purchasing policy.

Recommendation 2 – Claims Processing

The Board should ensure that the internal claims auditor conducts a proper audit of claims in accordance with laws, regulations and District policies.

Status of Corrective Action: Fully implemented

Observations/Findings: We tested 10 claims and found that there was enough documentation attached to the claim packets to support that expenditures were actual, necessary, properly authorized, and were for proper school district purposes, and that items were received or services rendered. The claims auditor's signature also appeared on the July 16, 2009 warrant which contained the claims tested. This signature was also present on previous and subsequent warrants.

Recommendation 3 – Travel and Conference Expenses

The Board and District administrators should monitor and enforce compliance with District policies and regulations governing travel and conference expenses, and ensure that required conference approval request forms are obtained.

Status of Corrective Action: Fully implemented

Observations/Findings: Board members, District officials, and employees are reimbursed for actual and necessary travel-related expenses incurred while traveling for school-related activities. We reviewed five claims, totaling \$581, for travel-related expense reimbursements and determined that approval was obtained prior to incurring those expenses and reimbursements were for actual and necessary travel-related expenses incurred while traveling for school-related activities.

¹ Items costing over \$5,000 but less than \$10,000 require two written quotes

² Items costing between \$3,000 and \$5,000 require documented telephone calls from at least two different vendors

Recommendation 4 – Meals and Refreshments

The Board should establish a written meal and refreshment policy that states when the District will pay for Board and District employees' meals and refreshments, and identifies the documentary evidence needed to support and justify these expenses.

Status of Corrective Action: Fully implemented

Observations/Findings: The District implemented a meal and refreshment policy in February 2007 which outlines the procedures for approval, defines acceptable purposes for District-paid meals and refreshments, and addresses how to document the expenditure. We reviewed two meal and refreshment claims for expenditures during the 2008-09 fiscal year. The claims were appropriately documented with an itemized receipt, the date and the purpose of the meeting, food served, meeting attendees, and the reasons for providing attendees with meals and refreshments.

Recommendation 5 – Superintendent Reimbursement

The Board should consider obtaining reimbursement from the Superintendent for the inappropriate \$160 travel reimbursement.

Status of Corrective Action: Not implemented

Observations/Findings: The District's legal counsel disagreed with the audit report's recommendation regarding seeking repayment of a \$160 travel reimbursement from the former Superintendent. Although we did not agree with the District's response, the former Superintendent left employment as of June 30, 2009. We reviewed the contract for the current Superintendent, and have determined that the language within the employment contract contains enough clarity to prevent a recurrence of the situation.

Recommendation 6 – Cellular Telephones and District Credit Cards

The Board should establish a written policy and related procedures to address the assignment, usage and control of District-issued cellular phones and credit cards.

Status of Corrective Action: Partially implemented

Observations/Findings: The Board adopted policies for the use of credit cards and cellular phones in March 2006. However, the Board and District officials have not formalized any procedures to ensure that the guidelines established in the policy are being followed. The District relies on undocumented monthly reviews by the accounts payable clerk of credit card statements and cellular telephone bills.

During the 2008-09 fiscal year, the District spent \$10,858 through the use of credit cards. We examined four claims containing seven credit card charges to determine who had custody of the credit cards, if the charges incurred were supported with sufficient documentation, and if the expenses were incurred for proper school district business. We found that the two authorized

users of District credit cards were consistent with the policy. However, we found that a charge for \$249 for an administrator's luncheon lacked sufficient supporting documentation. The receipt submitted to support the purchase was a summary receipt, not an itemized receipt, so it could only be determined that the purchase was actual but determining whether or not it was necessary could not be concluded. We encourage District administrators to ensure that they adhere to the documentation requirements set forth in the District's credit card policy.

The District spent \$10,170 on cellular phone services during the 2008-09 fiscal year. We judgmentally selected three months of service, one for general review and two in which charges were more than the average month's bill of about \$800 to determine if the phones were used according to the District's cell phone policy. The claims reviewed included detailed records per user and did not indicate any evidence suggesting excessive or abusive use; the District did not incur charges for minute-overages nor related usage charges.

Recommendation 7 – Budgetary Control

The Board and Superintendent should establish procedures to effectively monitor the District's budget and ensure that expenditures are limited to available appropriations.

Status of Corrective Action: Not implemented

Observations/Findings: District officials are not effectively monitoring budgetary appropriations to ensure that expenditures are limited to available appropriations. We reviewed 'Appropriation Status Reports' for the general fund and found that 27 of approximately 300 budgetary line item accounts were over-expended between the period July 1, 2008 and September 30, 2008. We also found that actual accounting records documented some budgetary transfers with a description "to cover negative balance." To ensure effective budgetary control, we encourage the Board and Superintendent to establish procedures to continuously monitor the District's budget and ensure that expenditures are limited to available appropriations.

Recommendation 8 – Capital Asset Records

The Board and District administrators should monitor and enforce compliance with the District's policies relating to capital asset and perpetual inventory records. In addition, periodic physical inventories should be taken and the results reconciled with the capital asset records.

Status of Corrective Action: Not implemented

Observations/Findings: The District hired an independent contractor to perform a physical inventory of all District assets and to update the contractor's prior year's capital asset report, which serves as the District's capital assets record. The contractor was responsible for physically inspecting buildings, land improvements, equipment and furnishings, and accounting for all equipment by scanning previously tagged equipment, and affixing new bar code tags to untagged equipment. We reviewed the capital asset reports provided to the District for the fiscal years ending June 30, 2007, 2008 and 2009.

We found that the District is not reconciling current year capital asset reports with the previous years' reports. As a result, we found items listed as being disposed of on the current year capital asset report that were still in the District's equipment inventory. For example, two floor polishers taken off of the 2009 capital asset report and recorded as disposed of by the contractor were not disposed of; both floor polishers were located in another building. Upon further review, District officials discovered other discrepancies with the contractor's report, thus making the report an unreliable record of the District's capital assets.

Recommendation 9 – Disposition of Capital Assets

Board and District administrators should monitor and enforce compliance with the District's policy for disposal of obsolete capital assets.

Status of Corrective Action: Fully implemented

Observations/Findings: The District's disposal of obsolete capital assets policy focuses on whether or not the Board approves the disposition of the capital assets and obtains the greatest return on the disposition of the assets. We reviewed two instances when the Board declared lists of equipment as obsolete prior to their removal from District property. These items, including computers, printers, monitors, and other miscellaneous electronics, were taken away by a recycling company.

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

Sincerely,

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