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January 22, 2010

Mr. Ryan Sherman, Superintendent
Members of the Board of Education
Schuylerville Central School District
14-18 Spring Street
Schuylerville, NY 12871

Report Number: 2006M-67-F

Dear Superintendent Sherman 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 school district's assets. In accordance with these objectives, we conducted an audit of Schuylerville Central School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report, dated September 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 Schuylerville School District on September 14, 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 twelve audit recommendations, the District fully implemented 10 recommendations and did not implement two recommendations.

Recommendation 1 – Computer Equipment Operations

The Board should establish a comprehensive policy for the effective management of the District's capital assets, including computers and electronic equipment, and designate someone to be responsible for inventories. The Policy should describe how assets will be identified and how records will be maintained and updated for asset changes, require regular inventory counts, and limit physical access to assets to authorized persons.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board adopted an adequate inventory and fixed asset policy on May 11, 2006. The Assistant to the Director of Computer Services is now responsible

for preparing and keeping an accurate and current inventory list, in conjunction with the Business Manager, who tracks the District's fixed assets in the accounting system.

Recommendation 2 – Computer Equipment Operations

District officials should implement procedures to ensure that equipment purchases, student-built computers and disposals are properly reflected on inventory records in a timely manner.

Status of Corrective Action: Fully implemented

Observations/Findings: The District is now listing student-built computers on the inventory. The Assistant to the Director of Computer Services enters the serial number from each computer kit¹ onto the inventory list and tags the final computer with an asset tag number.

Recommendation 3 – Computer Equipment Operations

District officials should ensure that each computer or electronic equipment item is assigned an identification number. Whenever possible, the name of the District should be prominently displayed on property or equipment.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed the inventory list and walked through various classrooms. The computers we tested were on the inventory list, had asset tags affixed and were located in the correct classrooms noted on the inventory list.

Recommendation 4 – Computer Equipment Operations

District officials should complete a comprehensive inventory of computer and electronic equipment and investigate any differences between counts and inventory records. Thereafter, officials should conduct physical inventory counts on a periodic basis and reconcile count results with asset records.

Status of Corrective Action: Fully implemented

Observations/Findings: The Board adopted an Inventory and Fixed Asset Policy in May 2006 which we reviewed. The District completed an inventory of computers and electronic equipment. We traced 10 items from the inventory list and noted that all were in the location noted on the inventory list. The Assistant to the Director of Computer Services and the Business Manager informed us that all technology items are now taken out of the classrooms when the schools are cleaned in the summer. A physical inventory of the items removed during the summer is taken and compared to the inventory list, before the items are returned to the classrooms. Any discrepancies are investigated and the inventory list is updated to reflect the correct location of the items.

¹ The District purchases kits, which students, under the direction of an instructor, use to build computers. Each kit has a unique serial number on its case.

Recommendation 5 – Computer Equipment Operations

District officials should investigate the circumstances surrounding the two missing computers and three missing palm pilots and report the results to the Board.

Status of Corrective Action: Not Implemented

Observations/Findings: The Business Manager informed us that, after the completion of our audit, they found one of the missing laptops and the missing palm pilots in the rear of a storage room. They were not able to show us the laptop or the palm pilots. They indicated that they filed a police report for the other missing items; however, the equipment was never found. We requested a copy of the police report and District officials were not able to provide it to us. Therefore, we conclude that this recommendation was not implemented.

Recommendation 6 – Computer Equipment Operations

District officials should ensure that access to equipment storage rooms is restricted to authorized personnel, and that storage rooms are locked when unattended.

Status of Corrective Action: Fully Implemented

Observations/Findings: We viewed the equipment storage room and determined that the District had secured the area. The two doors used to access the room were locked when no one was present and the room was fitted with alarms and motion detectors. Also, District officials secured the school's servers by enclosing them in a locked area.

Recommendation 7 – Employee Expense Reimbursement

The Board should adopt formal written policies that define reimbursable costs, identify the documentation needed to support the necessary and appropriate nature of the costs, and set meal and lodging limitations that cannot be exceeded without prior approval.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board adopted policies on May 11, 2006 for both meal and lodging reimbursements.

Recommendation 8 – Employee Expense Reimbursement

The Board should investigate the camera equipment and other reimbursements claimed by the Superintendent. The Superintendent should reimburse the District for any expenses that cannot be documented as appropriate District expenditures.

Status of Corrective Action: Not Implemented

Observations/Findings: While the Business Manager stated that the Board looked into the previous Superintendent's purchases and determined that the reimbursements for such purchases were appropriate District expenses, District officials did not provide any documentation that would allow us to verify that the Board thoroughly investigated the

camera equipment and other reimbursements claimed by the Superintendent. Therefore, we conclude that this implementation was not implemented.

Recommendation 9 – Employee Expense Reimbursement

The Board should investigate the various staff dinners and luncheons, especially the expenditures labeled “bar sales,” and seek reimbursement as appropriate.

Status of Corrective Action: Fully Implemented

Observations/Findings: Because the expenditures labeled “bar sales” included both alcoholic and non-alcoholic drinks and the attendees were not all District employees or officials, it was not practicable to seek reimbursement. However, the Business Manager stated that the District, as per their “Reimbursement for Meals and Refreshments Policy” adopted May 11, 2006, no longer funds unnecessary staff dinners and luncheons.

Recommendation 10 – Employee Expense Reimbursement

The Board should review the practice of reimbursing District officials for their internet service costs. If such reimbursement is determined to be appropriate, the Board should include guidelines for this practice in its formal policies.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board adopted a policy on September 28, 2006 that allows Board members, the Superintendent, the Director of Facilities, and other employees designated by the Board to be reimbursed \$25 per month for internet access.

Recommendation 11 – Employee Expense Reimbursement

The Board should ensure the practice of providing gifts for staff at District expense is discontinued.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Business Manager stated that the District has ended the practice of using District funds to purchase gifts for staff.

Recommendation 12 – Employee Expense Reimbursement

The Board should appoint as claims auditor an individual who is independent of District business functions. The claims auditor should review every claim to ensure it is properly authorized and contains adequate supporting documentation to confirm that the expenses are necessary and appropriate District costs before approving the reimbursement.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board appointed a claims auditor in July 2007. She, along with the Business Manager, have attended the OSC sponsored training for claims

auditing. We reviewed the June 2009 warrant and corresponding claims and found that the claims auditor properly reviewed and initialed each claim and certified the warrant.

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 office, at (518) 793-0057.

Sincerely,

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