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January 22, 2010

Dr. James McCarthy, Superintendent of Schools
Members of the Board of Education
South Glens Falls Central School District
6 Blue Bird Road
South Glens Falls, NY 12803

Report Number: 2007M-88-F

Dear Superintendent McCarthy 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 South Glens Falls Central School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report, dated August 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 South Glens Falls Central School District on September 21, 2009 to review the District's progress in implementing our recommendations. Our follow-up review was limited to interviews with School District personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the School District has made significant progress in implementing our recommendations. Of the nine audit recommendations, seven recommendations were fully implemented, one was partially implemented and one recommendation was not implemented.

Recommendation 1 – Computer Operations

The Board should designate an employee outside of the Business Office as the District's system administrator.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board reassigned the role of system administrator from the Treasurer to the Business Manager. However, the Business Manager is not an employee outside of the Business Office and, therefore, the risk remains that someone involved in

the financial operations of the District could grant improper user access rights to himself or herself to override transactions, for example, without detection.

Recommendation 2 – Computer Operations

The user rights for Business Office personnel should be limited to those areas of the financial software system that are necessary for them to perform their job duties.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed and discussed the user rights of the Business Manager, payroll clerk, and tax collector and found that their employee user rights are now restricted to only those areas deemed necessary to perform their job duties.

Recommendation 3 – Computer Operations

The Treasurer should control the use of the check signature disk.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Treasurer now maintains her signature disk in a locked cabinet provided by the District. Also, the payroll clerk no longer prints the payroll checks nor uses the Treasurer's signature disk to affix the Treasurer's signature on the checks. The Treasurer currently prints all District checks and affixes her own signature using her signature disk.

Recommendation 4 – Segregation of Duties

District officials should assign someone other than the Treasurer to receive and open the bank statements.

Status of Corrective Action: Fully Implemented

Observations/Findings: District officials took steps to properly segregate these duties. Based on discussions with the Business Manager, accounts payable clerk and the Treasurer, we found that the accounts payable clerk now opens the bank statements, initials them, and gives them to the Treasurer to perform the bank reconciliations. A review of the monthly bank statements for September 2008 through July 2009 found that each was initialed by the accounts payable clerk.

Recommendation 5 – Segregation of Duties

The Business Manager should review journal entries and bank reconciliations prepared by the Treasurer, and review tax collections entered into the financial system by the tax collector.

Status of Corrective Action: Partially Implemented

Observations/Findings: After discussions with the Business Manager and the Treasurer, and our review of journal entries from July 1, 2009 to September 18, 2009, we found the Business Manager reviewed and signed off on each entry. During this time, the Business Manager also signed off on the bank reconciliations after the Treasurer completed them. We were informed that the Business Manager reviews the tax collector's daily reports; however, the Business Manager does not initial the reports to document her review. Without documentation of review of the tax collector's daily reports, such as signing off on the reports, we cannot conclude that this recommendation was fully implemented.

Recommendation 6 – Segregation of Duties

District management should assign payroll and personnel duties to employees in such a manner that the work of one individual independently verifies another's in the course of their regular duties.

Status of Corrective Action: Fully Implemented

Observations/Findings: District management took action to ensure payroll and personnel duties are independently verified. Based on discussions with the Business Manager, accounts receivable clerk, and payroll clerk we found that the accounts receivable clerk enters all new employees and the payroll clerk enters salary changes only after they have been approved by the Business Manager. Further, each payroll period the payroll clerk prints out a payroll audit log showing all changes made to payroll which the Business Manager and Superintendent both review and approve. We verified that both the Business Manager and the Superintendent signed the September 18, 2009 payroll audit trail report to indicate their review and approval.

Recommendation 7 – Purchasing

The Board and responsible District officials should monitor and enforce compliance with all aspects of the District's purchasing/procurement policies and regulations.

Status of Corrective Action: Fully Implemented

Observations/Findings: To verify that District officials are complying with the procurement policy, we reviewed four purchases requiring quotes and found that the required quotes were attached to the claims packages.

Recommendation 8 – Purchasing

The purchasing agent should control the use of her signature disk.

Status of Corrective Action: Fully Implemented

Observations/Findings: Through discussion and observation, we found that the purchasing agent keeps her signature disk locked in her drawer and is the only person who applies her signature to purchase orders.

Recommendation 9 – Claims Processing

The Board, serving as the claims auditor, should conduct a proper audit of claims in accordance with applicable laws, regulations and policies, or provide appropriate guidance to an internal claims auditor appointed to audit and approve claims for payment.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board appointed a claims auditor. We reviewed Warrant #17, dated October 15, 2008, and determined that the associated claim packets had the required documentation attached. We also found that each claim was initialed by the claims auditor, an audit checklist was attached, and the warrant was certified by the claims auditor.

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
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