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January 14, 2010

Mr. Mark Capobianco, Superintendent
Members of the Board of Education
Vestal Central School District
201 Main Street
Vestal, NY 13850

Report Number: 2008M-125-F

Dear Superintendent Capobianco 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 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 Vestal Central School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report, dated October 2008, 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 Vestal Central School District on August 7, 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 implementing our recommendations. Of the seven audit recommendations, five recommendations were implemented, and two recommendations were not implemented.

Recommendation 1 – Staff Compliance With Computer Use Policies for Select Benefit Assets

The director of computer services should monitor employees' compliance with computer use policies.

Status of Corrective Action: Fully Implemented

Observations/Findings: District computers purchased with the Select Benefit contract provision have been confiscated and re-purposed for use in the District. Staff is no longer using computers off-site and therefore bypassing network security controls.

Recommendation 2 – Select Benefit Asset Existence and Recovery

The Board should ensure that all Select Benefits purchases are reviewed to determine the location and existence of assets and recover any assets that are not on District property.

Status of Corrective Action: Fully Implemented

Observations/Findings: In February 2008, the Superintendent initiated an internal investigation into Select Benefit assets' existence and location. This investigation was performed by a non-District employee who interviewed staff and performed an inventory of the assets staff purchased using the Select Benefit provision. The investigator furnished the District with a report of his work so District management could begin the process of recovering assets. The District has recovered assets where possible, required staff to pay the fair market value of assets still in their possession, or have their previous years' W-2 adjusted to account for taking possession of the assets.

Recommendation 3 – Select Benefit Asset Overpayments

The Board should recoup the overpayments made to employees for the extra year's carry-over of Select Benefits balances.

Status of Corrective Action: Not Implemented

Observations/Findings: District management still believes that the overpayments did not occur and that based on the memorandum of understanding (MOU) and the school attorney's review, they should not have to recover any overpayments. We disagree with the payouts for unused benefits and the MOU. We were never presented with additional support indicating that employees could accrue more benefit dollars than previously allowed by the collective bargaining agreement.

Recommendation 4 – Safeguarding Computerized Data

The director of computer services should establish procedures that require password complexity, periodic password changes, limit the number of incorrect log in attempts, and network time-outs for user accounts.

Status of Corrective Action: Fully Implemented

Observations/Findings: The current Information Technology (IT) Director has instituted new password requirements for network users. There is currently a six-month reset time frame and passwords must be longer than five characters and include both letters and numbers. The users will also be locked out for fifteen minutes if they fail to enter the correct password within three attempts. Further security has been added by way of the energy conservation settings. Computers will go into screen saver after one hour and shutdown after three. In each case the user would need to log in again.

Recommendation 5 – Vending Machine Sales

The cafeteria director should develop a process for reconciling vending machine sales to cash collected to ensure all cash from vending machine sales is accounted for properly.

Status of Corrective Action: Fully Implemented

Observations/Findings: Following our audit fieldwork, the cafeteria director instituted new procedures for the collection and reconciliation of cash from vending machines. He provided us with a report starting April 4, 2008 that reconciles vending sales. Using the machine readings of sales, he now reconciles the number of units sold to the cash collected. This provides a mechanism to verify that all cash collected is deposited and accounted for properly.

Recommendation 6 – Appointment of Claims Auditor

The Board should appoint the District's claims auditor in accordance with SED regulations.

Status of Corrective Action: Not Implemented

Observations/Findings: The District still uses an employee of the Broome Tioga BOCES Central Business Office for claims audit services. This is inappropriate and contrary to the SED guidance, because the District has material and significant contract payments to the BOCES.

Recommendation 7 – Classification of employees

District officials should strengthen controls over the employee classification process to help ensure that they correctly determine the status of individuals who work for the District in compliance with the NYS Retirement Employers Guide and the NYS Retirement enhanced regulations posted on the OSC website.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Superintendent has communicated with the NYS Retirement System regarding the attorney's classification. The Superintendent completed Form RS2414 and submitted it to the NYS Retirement System indicating that the District will classify their attorney as an employee. This determination was made based on changes in the attorney's work for the District. Since our audit, he now has an office, an annual performance review, District letterhead, and other components to classify him as an employee of the District. The Superintendent believes that they have acted in good faith and until the NYS Retirement System informs them otherwise, District officials will continue to classify him as a District employee.

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 Patrick Carbone, Chief Examiner of our Binghamton Regional Office, at (607) 721-8306.

Sincerely,

Steven J. Hancox
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