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Mr. Timothy Lawson, Superintendent of Schools  
Members of the Board of Education  
Warrensburg Central School  
103 Schroon River Road  
Warrensburg, New York 12885-4803

Report Number: 2007M-35-F

Dear Superintendent Lawson 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 Warrensburg Central School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report dated June 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 in August 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. We reviewed the District's records and documentation for the period July 2008 through August 2009. Based on limited procedures, it appears that the District has made considerable progress in implementing corrective action. Of the 11 audit recommendations, eight recommendations were fully implemented and three recommendations were partially implemented.

### **Recommendation 1 – Cash Disbursements**

The Board should ensure that claims are properly processed, supported, reviewed and approved prior to payment. In addition, the Board should either officially designate a claims auditor or ensure that the Board itself properly audits all claims.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Board appointed a claims auditor on November 11, 2007. However, after a review of three warrants and corresponding claims for May 2009, it did not appear that the corrective action plan had been fully implemented. Purchase orders were not attached to a majority of the claims, invoices were not all reviewed by the

claims auditor and the warrants were not certified by the claims auditor. In July 2009, the Board appointed an Interim Business Administrator. After a review of the August 2009 and September 2009 warrants and corresponding claims we found that purchase orders were attached and approved by the purchasing agent, the claims auditor approved all claims and the warrants were certified by the claims auditor and the purchasing agent. A new Business Administrator has been appointed and will start September 28, 2009. The Board should ensure that the new Business Administrator continues to execute the corrective action plan.

### **Recommendation 2 – Cash Disbursements**

District officials should establish improved internal controls over Business Office operations including proper oversight of employees' activities, segregation of duties and assigning unique vendor identification numbers.

Status of Corrective Action: Fully Implemented

Observations/Findings: Claims processing and cash disbursement duties are now being segregated. The mail is opened by the Business Office Secretary and given to the Business Administrator who provides oversight by reviewing and approving each invoice. The invoices are then given to the Treasurer who attaches the supporting documentation and gives the claim packets to the claims auditor for review and approval. Once the Board approves the claims/warrants the Treasurer mails out the checks. The bank statements are reviewed and reconciled by the Business Administrator. A review of the May, August and September 2009 warrants found that each vendor was assigned a unique identification number.

### **Recommendation 3 – Purchasing**

The Board should implement procedures to ensure compliance with the policy for obtaining competitive bids or written and oral quotes when acquiring goods or services.

Status of Corrective Action: Fully Implemented

Observations/Findings: The District purchased fuel oil for the Elementary and Jr./Sr. High School on State contract, used a Request for Proposal (RFP) process for obtaining insurance, and obtained quotes for fuel for the bus garage. We reviewed the purchase of a water heater that required written quotes and noted that the two quotes obtained were attached to the claim packet.

### **Recommendation 4 – Purchasing**

The claims auditor should be instructed to verify compliance with the procurement policy as part of the claims audit approval process.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed all of the claims that the District paid in July and August 2009 and found that claims that were approved by the claims auditor were in accordance with the District's procurement policy.

### **Recommendation 5 – Payroll and Personnel Contracts**

The Board should establish adequate internal controls over the District's payroll procedures, including segregation of duties, certification of payrolls prior to paychecks being distributed, and limiting access to the payroll program to only authorized employees.

Status of Corrective Action: Fully Implemented

Observations/Findings: The District has upgraded its computer system so that each employee has an individual user account and password. The Payroll Clerk/Treasurer and the Business Administrator have full access to the payroll module while the Business Office Secretary now has read-only access. We reviewed the two most recent salary changes (non-union) and noted that both were approved by the School Superintendent and that the documentation for the changes was filed in the applicable personnel files. In July 2009, the Board appointed an Interim Business Administrator who did certify the July 2009 and August 2009 payrolls, and the Board has appointed a new Business Administrator who will start effective September 28, 2009. The District should ensure that the corrective action plan continues to be addressed and executed.

### **Recommendation 6 – Payroll and Personnel Contracts**

The Board should ensure that all employees' compensation and benefits are clearly authorized and documented in applicable employment contracts, resolutions or written policies.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed seven employee contracts and found that one contract did not have a salary listed, four contracts were signed by the employees but not by an authorized school official, two contracts were signed by the District Clerk who does not appear to be an appropriate official to approve employee contracts, and six contracts expired on June 30, 2009.

### **Recommendation 7 – Payroll and Personnel Contracts**

The Board should ensure that employees only receive the compensation and benefits to which they are entitled under the terms of their contracts.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed a May 2009 payroll and found that the administrators were receiving the compensation to which they were entitled under the terms of their contracts.

### **Recommendation 8 – Payroll and Personnel Contracts**

The Board should ensure only eligible employees are reimbursed under the terms of the District’s Benefit Pool and that Benefit Pool moneys are expended only for allowable purposes.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed four reimbursements and found that only eligible employees were reimbursed and that the reimbursements were for allowable purposes.

### **Recommendation 9 – Payroll and Personnel Contracts**

The Business Office should establish adequate records to maintain the individual account balances of the Benefit Pool participants.

Status of Corrective Action: Partially Implemented

Observations/Findings: Although spreadsheets for each Benefit Pool employee were in place, individual files have not been maintained for each employee with copies of their claims to ensure that claims have not been previously submitted.

### **Recommendation 10 – Residency and Tuition**

The Board should establish improved procedures to ensure that all students not residing within the District boundaries are charged tuition.

Status of Corrective Action: Fully Implemented

Observations/Findings: After a discussion with the Superintendent’s Secretary and review of current files, the District has procedures for checking the residency of new students and for following up on students whose residency is in question. At the time of our review, there were four non-resident students, all of whom attended tuition free as the children of District employees. While the District had no formal policy allowing the children of employees to attend tuition free, this practice had been in effect for many years.

### **Recommendation 11 – School to Work Program**

The Board should ensure that proper procedures are maintained over the program.

Status of Corrective Action: Fully Implemented

Observations/Findings: After a discussion with the Senior Account Clerk/Treasurer and a review of current files, time cards are being filled out by each student, time cards are being approved by the Cafeteria Manager and students are being compensated through the payroll process. Money withheld for use on future field trips is now being deposited into the Extra Classroom Fund.

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