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January 14, 2010

Mr. James Knowles, Interim Superintendent
Members of the Board of Education
Warsaw Central School District
153 W. Buffalo Street
Warsaw, NY 14569

Report Number: 2006M-143-F

Dear Superintendent Knowles and Members of the Board of Education:

One of the Office of the State Comptroller's primary objectives is to identify areas where school district 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 to assess the financial operations of the Warsaw Central School District (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 objective to provide assistance to school districts, we revisited the District on August 31, 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, we determined that the District has made progress in implementing our recommendations. Of the 12 audit recommendations, eight recommendations were fully implemented, two recommendations were partially implemented and one recommendation was not implemented. In addition, one recommendation is no longer relevant because the District redesigned its cash handling procedures.

Recommendation 1 – Extra-Curricular Activity Fund Procedures

District officials should thoroughly review the processes and procedures used to account for Extra-Curricular Activity (ECA) Funds. This review should emphasize the Business Administrator's role in supervising ECA financial activities.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Business Administrator provided us with written cash receipt and disbursement procedures for the ECA Fund. The procedures adequately provide for oversight of the ECA Treasurer's work, including having the Business Administrator sign ECA checks. The Business Administrator also informed us that she will be requiring the ECA Treasurer to meet with her on a monthly basis to discuss any problems or issues that may have occurred during the month. The Business Administrator also informed us that ECA advisors will be receiving training annually on their duties.

Recommendation 2 – Segregation of Duties

District officials should segregate the recordkeeping activities from the custody of cash.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Secretary/ECA Treasurer no longer has access to ECA cash. ECA advisors are now responsible for preparing deposits. They put monies into bags, which are then locked. An office clerk takes the bag to the bank, where it is opened by a bank employee. Subsequent to deposit, the ECA Treasurer posts deposit information to the accounting records.

Recommendation 3 – Receipt Issuance

District officials should ensure that the Secretary issues pre-numbered duplicate receipts for all funds at the point where they are remitted to another individual, after verifying the accuracy of the amount.

Status of Corrective Action: No Longer Relevant

Observations/Findings: Since the Secretary/ECA Treasurer no longer has access to ECA cash, this recommendation is no longer relevant.

Recommendation 4 – Timely and Secure Deposits

District officials should deposit and record all money in a timely manner in the proper bank account. Cafeteria money prepared for deposit should be stored in locked bags in a secure location.

Status of Corrective Action: Fully Implemented

Observations/Findings: Cafeteria cashiers are now responsible for preparing the cafeteria deposit, securing the deposit in a locked bag, and making the deposit on a daily basis. We reviewed the April, May and June cafeteria deposit slips and certain 2009 ECA deposit slips and determined that District officials were making deposits in a timely manner. The use of sealed bank bags and a drop box has provided security over monies until they are deposited.

Recommendation 5 – Bank Reconciliations

The ECA Treasurer should properly document all outstanding checks and deposits in transit on the monthly bank reconciliations.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed the June 2009 ECA bank reconciliations and noted that although the total outstanding check amount was listed on the bank reconciliation, there was no individual listing of outstanding checks. The Business Administrator, who reviews the bank reconciliations, stated that she occasionally will scan the bank statement to determine check gaps and will then verify the outstanding check total. To assist in fully implementing this recommendation, the ECA Treasurer should attach a listing of all outstanding checks to the bank reconciliation.

Recommendation 6 – Audit of ECA Disbursements

The District's claims auditor should audit all extra-curricular activity fund disbursements as directed by both resolution and policy of the Board of Education.

Status of Corrective Action: Fully Implemented

Observations/Findings: The claims auditor now authorizes all ECA disbursements. We reviewed the 2009 ECA disbursements and noted evidence of claims auditor approval.

Recommendation 7 – Maintenance of Records

The ECA Treasurer should maintain records in an orderly manner and correct all errors as noted in this report.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed the June 2009 ECA records and determined that the ECA Treasurer maintained ledgers and bank reconciliations in an orderly fashion. However, there were still issues that were not corrected. For example, we noted that while the reconciled high school bank balance agreed with the general ledger report, the bank balance used by the ECA Treasurer did not agree with the bank reconciliation report. The ECA Treasurer stated that she had corrected some errors in previous months (e.g., deposit made into the wrong account, disbursement made from wrong account, etc.) on the books; however, she had not transferred monies between the bank accounts. In addition, she has not made the 2007, 2008 and 2009 year end transfers from the elementary to the high school bank account as required by the District's new procedures. However, she recorded these transfers in the ledgers. We combined the two bank reconciliations and ledgers and, except for a small unidentified amount, the accounts were in balance, in total. District officials should continue to address this improvement opportunity.

Recommendation 8 – Capital Asset Policies and Procedures

The Board should adopt a comprehensive capital asset policy to track and account for all acquisitions and dispositions. This policy should designate individuals to perform periodic physical inventories of District assets and reconcile the items viewed with the property records, including investigating and resolving any discrepancies in a timely manner.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board adopted a comprehensive capital asset policy in December 2006. The policy assigned responsibility of asset oversight to the Business Administrator. The District also hired an asset management firm that completed a physical inventory of all District assets in 2007. The firm has reviewed and updated the inventory records in each of the last two years. In addition, the Business Administrator informed us that she sends a listing of all fixed assets purchased during the year to the vendor to update the records. The District does not anticipate that the vendor will be on-site every year, but in those years that the vendor is not on-site, the Business Administrator will conduct a review of fixed assets. Further, the District's internal and external auditors both complete on-site inventory testing. The Business Administrator indicated that neither auditor identified significant findings during their last audit.

Recommendation 9 – Fixed Asset Identification

District officials should ensure that all capital assets have a tag affixed to them identifying them as District properties.

Status of Corrective Action: Fully Implemented

Observations/Findings: Asset tags were attached to all items during the physical inventory completed in 2007. According to the Business Administrator, Buildings and Grounds personnel tag new items purchased when they install or deliver an item. The technology coordinator is responsible for tagging all technology equipment. We scanned items in the Business Office, elementary school library, computer lab and technology office and noted that all had an identification tag that indicated they were District assets.

Recommendation 10 – Missing Equipment

District officials should determine if the missing computer has been stolen and, if so, they should notify appropriate law enforcement officials.

Status of Corrective Action: Fully Implemented

Observations/Findings: District officials stated in their response to our initial audit report that the missing computer was stolen and they had contacted local law enforcement. The District has also implemented a sign-out process for laptop computers to help prevent this from occurring in the future.

Recommendation 11 – Purchase Orders

District officials should ensure that purchase orders are approved prior to making a purchase.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Business Administrator provided us with the District's written procedures which require the approval of purchase orders prior to an order being submitted. In addition, this requirement is also addressed in the Board policy handbook and administrative regulations. We scanned 2008-09 claims and noted several that had purchase order dates after the order and delivery date. However, the account clerk stated that these claims were for items that were ordered prior to the end of the fiscal year, but the purchase orders were not dated and posted to the accounting system until the beginning of the new fiscal year, since they were budgeted for in the next year. We also reviewed claims related to the Buildings and Grounds department and noted that approved purchase orders were attached. The accounts payable clerk stated that they have started using blanket purchase orders for routine purchases in this department, which has significantly reduced the number of purchases made prior to approval. She stated that individual purchases from blanket purchase orders must be approved and she maintains a record of the purchases made to ensure that total purchases do not exceed the blanket amount. We also noted evidence of approval for individual purchases.

Recommendation 12 – Price Quotations

District officials should ensure that the required number of quotations is obtained for all purchases subject to the Board-adopted procurement policy, prior to initiating a purchase. The quotes obtained should be included with the invoice, purchase order, and other supporting documentation and presented to the claims auditor for review and approval prior to payment.

Status of Corrective Action: Not Implemented

Observations/Findings: We scanned 2008-09 claims and noted instances where there was no evidence that employees obtained the required number of quotes. For example, three purchases, each requiring three verbal quotes, did not have appropriate documentation attached to the claim to indicate this was done. Further, the claims auditor approved all three of these claims for payment, and there was no indication that he requested to see evidence of the required quotes. Prior to approving the requisition, the Business Administrator is responsible for ensuring that employees obtain the required number of quotes. The Business Administrator stated that she issued a memo to staff outlining the process and will monitor this in the future. Further, she stated that the audit committee is updating the claims auditor duty statement and will require the claims auditor to verify that employees obtained the necessary quotes. District officials should ensure that employees obtain and document the required number of quotations in accordance with the District's procurement policy.

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 Robert E. Meller, Chief Examiner of our Buffalo office, at (716) 847-3647.

Sincerely,

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