



# Bay Shore Union Free School District

## Financial Condition and Audit of Claims

### Report of Examination

Period Covered:

July 1, 2012 – June 30, 2014

2015M-57



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## Division of Local Government and School Accountability

July 2015

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Bay Shore Union Free School District, entitled Financial Condition and Audit of Claims. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*



## State of New York Office of the State Comptroller

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# EXECUTIVE SUMMARY

The Bay Shore Union Free School District (District) is governed by the Board of Education (Board), which comprises five elected members. The Board is responsible for the general management and control of District financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Assistant Superintendent for Business is responsible for accounting for the District's finances, maintaining accounting records and preparing financial reports.

The District operates seven schools with approximately 5,860 students and 1,430 employees. The District's budgeted general fund appropriations for the 2014-15 fiscal year were \$143.9 million, funded primarily with real property taxes and State aid.

The Board created the position of claims auditor in 1987. The claims auditor is responsible for formally examining and allowing or rejecting all accounts, charges, claims or demands against the District. From July 1, 2012 through March 31, 2014, the District paid over 22,000 claims totaling \$464.7 million.<sup>1</sup>

### **Scope and Objective**

The objective of our audit was to examine the District's financial condition and claims auditing function for the period July 1, 2012 through June 30, 2014. We extended our scope back to July 1, 2009 to review the District's financial condition. Our audit addressed the following related questions:

- Did District officials appropriately manage the District's financial condition?
- Did the District's claims auditor audit claims for accuracy and completeness and report to the Board on a periodic basis?

### **Audit Results**

The District's total general fund balance declined by more than \$21.4 million (70 percent) from 2009-10 through 2012-13. As of June 30, 2013, the District's unrestricted fund balance was less than \$320,000 and total fund balance totaled less than \$9.3 million. Additionally, during 2012-13 the District used \$4 million of employee benefit accrued liability reserve money to fund District operations, which was

<sup>1</sup> During 2012-13, the District disbursed 12,592 checks totaling \$375.1 million, and from July 1, 2012 through March 31, 2014 the District disbursed 9,487 checks totaling \$89.6 million.

54 percent more than the amount authorized. District officials also have not developed a multiyear financial plan to address the use of fund balance or reserve funds to finance operations. As a result, the Board's ability to effectively monitor District finances was diminished. District officials took action to improve the District's financial condition by cutting costs in the 2013-14 budget.

We also found that the District's claims auditor did not report to the Board or prepare any written reports for the Board showing the claims audit results. In addition, budget transfers were not made in a timely manner and budget account codes were overspent before the transfers were made. The claims auditor approved claims for payment without ensuring that sufficient budget appropriations existed to fund the cost of goods or services purchased. Our review of the District's 2012-13 budget codes showed that District officials overspent 77 budget appropriation codes by more than \$4.3 million. As a result of these deficiencies, District officials do not have adequate assurance that all claims are properly approved for appropriate District purposes and there is a risk that the District could incur expenditures in excess of available appropriations.

### **Comments of District Officials**

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our recommendations and indicated they planned to initiate corrective action.

# Introduction

## Background

The Bay Shore Union Free School District (District) is located in the Town of Islip, in Suffolk County. The District is governed by the Board of Education (Board), which comprises five elected members. The Board is responsible for the general management and control of District financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Assistant Superintendent for Business is responsible for accounting for the District's finances, maintaining accounting records and preparing financial reports.

The District operates seven schools with approximately 5,860 students and 1,430 employees. The District's budgeted general fund appropriations for 2014-15 were \$143.9 million, funded primarily with real property taxes and State aid.

The Board created the position of claims auditor in 1987. The claims auditor is responsible for formally examining and allowing or rejecting all accounts, charges, claims, or demands against the District. From July 1, 2012 through March 31, 2014, the District paid more than 22,000 claims totaling \$464.7 million.<sup>2</sup>

## Objective

The objective of our audit was to examine the District's financial condition and claims auditing function. Our audit addressed the following related questions:

- Did District officials appropriately manage the District's financial condition?
- Did the District's claims auditor audit claims for accuracy and completeness and report to the Board on a periodic basis?

## Scope and Methodology

We examined District operations for the period July 1, 2012 through June 30, 2014. We extended our scope back to July 1, 2009 to review the District's financial condition.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

<sup>2</sup> During 2012-13, the District disbursed 12,592 checks totaling \$375.1 million, and from July 1, 2012 through March 31, 2014, the District disbursed 9,487 checks totaling \$89.6 million.

**Comments of  
District Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

## Financial Condition

A school district in fiscal stress usually struggles to balance its budget, may experience disruptive service level declines, has limited resources to finance future needs and often has minimal cash available to pay current liabilities as they become due. The Board, Superintendent and Assistant Superintendent for Business are responsible for the financial planning and management necessary to maintain the District's fiscal health. To fulfill this responsibility, it is essential that District officials develop reasonable budgets and manage fund balance responsibly.

The Board may establish reserve funds, pursuant to various laws, to finance the cost of a variety of objects or purposes. Generally, the amount of money school districts can maintain in reserves is not limited. However, it is important that District officials maintain reasonable reserve balances and use reserve balances as authorized by law. Finally, District officials should develop detailed multiyear plans to allow them to set long-term priorities and work toward specific goals.

The District's total general fund balance declined by more than \$21.4 million (70 percent) from 2009-10 through 2012-13. As of June 30, 2013, the District's unrestricted fund balance was less than \$320,000 and total fund balance was less than \$9.3 million. During the 2012-13 fiscal year, District officials used \$4 million from an employee benefit accrued liability reserve (EBALR) to fund operations, which was 54 percent more than the amount authorized. District officials have not developed a multiyear financial plan to address the use of fund balance or reserve funds to finance operations. District officials took action to improve the District's financial condition in 2013-14 by cutting costs. District officials should continue to monitor the use of fund balance and develop a plan to improve the District's financial condition.

### Fund Balance

The Board and District management are responsible for making sound financial decisions in the best interests of the District, the students it serves and the taxpayers who fund its programs and operations. Sound budgeting practices based on accurate estimates, together with prudent fund balance management, can help ensure that sufficient funding will be available to sustain operations, address unexpected occurrences and satisfy long-term obligations or future expenditures. Fund balance represents the cumulative residual resources from prior fiscal years. Unrestricted fund balance retained at the end of each fiscal year can serve as a financial cushion for unexpected events and can help officials manage the District's cash flow.

When appropriating fund balance, a district uses unexpended resources from prior years to finance the next year’s budget, reducing the real property tax levy while using excess unrestricted funds. However, when a board continuously appropriates fund balance, which results in a planned operating deficit, fund balance can be depleted until nothing is available to finance successive budgets. In this case, the board must then either increase revenues (i.e., real property taxes) or decrease appropriations (i.e., services) to balance budgets. District officials should monitor available fund balance to ensure that it is not diminished below reasonable levels.

**Figure 1: Fund Balance - General Fund**

	2009-10	2010-11	2011-12	2012-13	2013-14
Beginning Fund Balance	\$27,811,583	\$30,726,378	\$28,883,355	\$20,987,607	\$9,262,717
Revenues	\$129,155,189	\$128,554,074	\$130,039,865	\$133,071,318	\$140,488,581
Expenditures	\$126,240,394	\$130,397,097	\$137,935,613	\$144,796,208	\$138,416,994
Operating Surplus/(Deficit)	\$2,914,795	(\$1,843,023)	(\$7,895,748)	(\$11,724,890)	\$2,071,587
<b>Total Year-End Fund Balance</b>	<b>\$30,726,378</b>	<b>\$28,883,355</b>	<b>\$20,987,607</b>	<b>\$9,262,717</b>	<b>\$11,334,304</b>
Less: Fund Balance Appropriated to Next Year	\$5,700,000	\$6,500,000	\$7,400,000	\$0	\$0
Less: Appropriated EBALR	\$0	\$6,000,000	\$4,000,000	\$0	\$0
Less: Fund Balance Restricted for Reserves and Encumbrances	\$20,677,802	\$14,473,677	\$10,017,829	\$8,945,715	\$9,471,288
<b>Total Year-End Unrestricted Fund Balance/(Accumulated Fund Deficit)</b>	<b>\$4,348,576</b>	<b>\$1,909,678</b>	<b>(\$430,222)</b>	<b>\$317,002</b>	<b>\$1,863,016</b>

In recent years, the District struggled with fiscal challenges, and the Board adopted budgets with planned operating deficits<sup>3</sup> from 2010-11 through 2012-13 that relied on significant amounts of appropriated fund balance and reserves to finance operations. By the end of 2013-14, the amount of general fund total fund balance declined by more than \$19.4 million (63 percent).

The State Comptroller’s Fiscal Stress Monitoring System identified the District as being in significant fiscal stress in 2013 due to the decrease in total fund balance<sup>4</sup> and insufficient unrestricted fund balance. The Board relied on appropriated fund balance and reserves as financing sources in annual budgets. As a result, there was a significant reduction in the District’s general fund balance. The Board’s extensive use of fund balance to fill budget gaps resulted

<sup>3</sup> A planned operating deficit occurs when a board intentionally adopts a budget in which appropriations exceed budgeted revenues with the difference to be made up by the appropriation of unrestricted fund balance.

<sup>4</sup> Attributed to three consecutive years of progressively increasing operating deficits

in an unrestricted accumulated fund deficit of \$430,222 as of June 30, 2012. The Board's over-reliance on appropriating fund balance and reserves to finance operations caused the general fund to become fiscally stressed.

The Board initially planned to appropriate \$1 million of fund balance in the 2013-14 budget but did not do so because the District had insufficient unrestricted fund balance due to the 2012-13 operating deficit. To help improve the District's financial condition, in 2013-14 the Board cut costs, which increased total fund balance by more than \$2 million.

District officials told us they made significant cost reductions through various cost-saving efforts, which included renegotiating all collective bargaining agreements, merging certain administrative positions and creating three special education programs.<sup>5</sup> As a result, the District reduced instructional expenditures, including teacher salaries and special education costs, by more than 7 percent from approximately \$86.3 million in 2012-13 to approximately \$79.9 million in the 2013-14. The District's general support expenditures, including administrative salaries, have also decreased over the last three years, from approximately \$12.2 million in 2011-12 to approximately \$11.6 million in 2013-14.

## **EBALR Balance**

By law, school districts can establish a reserve fund to finance cash payments to employees for accrued leave time due to them upon termination of District employment. Liabilities for which resources can be accumulated in an EBALR include the cash value of compensated absences, such as accrued and accumulated but unused vacation, sick leave and comparable types of compensated absences (such as personal leave and holiday leave).

The Board formally established an EBALR in July 2002 with an opening balance of \$8.3 million. By the end of 2010-11, the balance increased to over \$18 million. As a result, the District accumulated \$8.6 million more in the EBALR fund than was required to meet future cash payments to employees.

Special New York State Legislative<sup>6</sup> action for the 2011-12 through 2013-14 fiscal years permitted school districts to use excess EBALR money to fund annual budgets. The District used \$6 million in excess

<sup>5</sup> These programs reduced the District's placement of special education students into outside special education programs.

<sup>6</sup> The legislative amendment allows a school district to withdraw from the EBALR an amount not to exceed the lesser of the dollar value of excess funding in the fund as determined by the State Comptroller or the amount of the school district's remaining gap elimination adjustment as calculated by the Commissioner of Education.

EBALR money to help fund 2011-12 operations. For the 2012-13 fiscal year, the District was authorized to use \$2.6 million of excess EBALR money to fund operations. However, the District used \$4 million of excess money, or \$1.4 million more than was authorized to fund operations.

Because the District used more EBALR funds than authorized, the District may no longer have enough EBALR money available to fund the compensated absences liability. Further, using this reserve to fund operations masked the 2012-13 operating deficit's actual effect. The unrestricted fund balance of \$317,000 would have been an accumulated funding deficit of more than \$1 million, had the Board not used \$4 million in EBALR money to fund operations.

### **Multiyear Financial Plan**

Multiyear financial planning is a tool school districts can use to improve the budget development process. Planning on a multiyear basis helps District officials to identify developing revenue and expenditure trends, establish long-term priorities and goals and consider the impact of current budgeting decisions on future fiscal years. It also allows District officials to assess the merits of alternative approaches (such as using unrestricted fund balance or establishing and using reserves) to finance operations. Any long-term financial plan should be monitored and updated on a continuing basis to provide a reliable framework for preparing budgets and ensure that information used to guide decisions is current and accurate.

The Board and District officials did not develop a multiyear financial plan to address the use of fund balance and reserves to fund operations. Had such a plan been in place, it would have been a useful tool for the Board to use to address budgeting deficiencies and the dependence on appropriating fund balance and the EBALR (non-recurring revenues) to fund ongoing District operations.

### **Recommendations**

District officials should:

1. Carefully consider the amount of fund balance available to appropriate to fund future budgets and retain a reasonable amount of unrestricted fund balance to address unanticipated needs and provide necessary cash flow for operations.
2. Review the use of EBALR money to ensure that any amounts are used in accordance with the law and determine if any unauthorized amounts used should be returned to the fund.
3. Develop and implement a multiyear plan to provide a framework for future budgets and facilitate management of District operations. The plan should be updated annually.

## Audit of Claims

Education Law requires that the Board audit all claims before payment or appoint a claims auditor to assume the Board's powers and duties for examining and approving or disapproving claims. When a claims auditor is appointed to assume the Board's claims auditing duties, the claims auditor must report directly to the Board.

An effective claims processing system ensures that every claim against the District contains enough supporting documentation to determine whether the goods or services purchased comply with statutory requirements and District policies and if the amounts claimed represent actual and necessary District expenditures. Before approving a claim for payment, the claims auditor must ensure that sufficient appropriations exist to fund the cost for goods or services purchased. If sufficient appropriations are not available to pay claims, it is essential the Board approve budget transfers before payment is made to prevent budget codes from becoming overexpended.

The Board delegated its responsibility to audit District claims to a claims auditor. However, the claims auditor did not report directly to the Board or prepare any written reports for the Board showing the claims audit results. In addition, budget transfers were not made in a timely manner and budget account codes were overspent before the transfers were made. Further, the claims auditor approved claims for payment without ensuring that sufficient budget appropriations existed to fund the cost of goods or services purchased. As a result, District officials do not have adequate assurance that all claims are properly approved for appropriate District purposes and there is a risk that the District could incur expenditures in excess of available appropriations.

### Board Oversight

The Board must provide the claims auditor with proper guidance through adopted policies and procedures or a comprehensive job description to explain its expectations for the claims auditor to routinely report on the claims audit results. The claims auditor should periodically report to the Board the claims auditing process results so, if a problem arises, the problem and potential solutions can be discussed with the Board.

Instead of reporting claim-related issues directly to the Board, the claims auditor reported such issues to the Assistant Superintendent for Business. The Board did not adopt any policies and procedures or a comprehensive job description explaining the Board's expectations for routine reporting. Further, District officials did not take corrective

action to have the claims auditor report directly to the Board on a regular basis as identified by the District's external auditor during the annual audit for the last two years.

When the Board does not provide proper oversight for the claims auditing process, there is an increased risk that errors or irregularities could occur and remain undetected and uncorrected.

### **Available Appropriations**

Effective budgetary controls limit expenditures to the specific purposes and amounts authorized by the Board in the annual operating budget.<sup>7</sup> Therefore, it is important when conducting an audit of claims that the claims auditor determine whether sufficient appropriations are available to pay the claims. Generally, the claims auditor should not approve claims without sufficient budgetary appropriations for payment, so it is essential for the Board to regularly monitor actual expenditures against budget appropriations to ensure that appropriations are not overspent. The Board may, by resolution, authorize the Superintendent to make transfers within limits it has established. The Board should ultimately approve all budget transfers.

We reviewed all of the District's 2012-13 budget codes with \$1.6 million in available appropriations at year-end and found that the District overspent 77 budget codes by \$4.3 million more than the amounts budgeted. Budget transfers were not generally made before these budget codes were exceeded. Of \$3.6 million in budget transfers made, \$3.1 million were made at year-end. Making budget transfers when the fiscal year is complete serves no budgetary control purpose, but hides the overexpenditures that occur during the year.

This occurred because the Board did not regularly monitor actual expenditures against budget appropriations or approve budget transfers to ensure that appropriations were not overspent during the school year. In addition, the claims auditor did not determine if there were enough available appropriations to pay the claims before approving them.

We also reviewed 20 claims paid during 2012-13 totaling \$692,644 to determine if these claims were for legitimate District purposes, audited before payment and paid with sufficient budgetary appropriations. All the claims we reviewed appeared to be for proper District purposes and were audited before payment. However, the claims auditor approved three claims for Medicare reimbursements without sufficient budget appropriations. Further, in 2013, the District's external auditors indicated the District overspent appropriation codes and failed to make budget transfers in a timely manner.

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<sup>7</sup> Education Law prohibits a board from incurring liabilities in excess of amounts appropriated.

Because the Board and Superintendent did not adequately oversee the District's budget transfer activity and the claims auditor approved claims without an available appropriation, District officials spent more than was budgeted. This places the District at significant risk of future operating deficits and increases the risk that expenditures can exceed what the Board intended when it prepared the annual budget that was approved by District voters. During the 2013-14 fiscal year, District officials improved their monitoring of available appropriations. However, the Board did not authorize any budget transfers, as required.

## **Recommendations**

The Board should:

4. Adopt a policy that requires the claims auditor to report the claims audit findings directly to the Board on a regular basis.

The Board and the Superintendent should:

5. Conduct a careful and thorough review of the monthly budget status report and determine when it is necessary to authorize budget transfers to prevent overspent budget lines.

The claims auditor should:

6. Determine if there are enough available appropriations to pay for claims before approving them.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

The District officials' response to this audit can be found on the following pages.



# Bay Shore Union Free School District

DISTRICT ADMINISTRATIVE OFFICES  
75 West Perkal Street, Bay Shore, New York 11706  
Phone (631) 968-1115 Fax (631) 968-4131

## Board of Education

Gregory Nardone, President  
Louis Bettinelli, Vice President  
Andrew A. Arcuri  
Mary Louise Cohen  
Guy Leggio

**Karen B. Salmon, Ph.D.**  
*Superintendent of Schools*

June 26, 2015

Office of the State Comptroller  
Division of Local Government and  
School Accountability  
PSU – CAP Submission  
110 State Street, 12<sup>th</sup> Floor  
Albany, NY 12236

RE: Bay Shore Union Free School District  
Financial Condition and Audit of Claims  
Report of Examination 2015M-57, 7/1/12-6/30/14

Dear Sir/Madam:

The Bay Shore Union Free School District is in receipt of the draft audit report, "Financial Condition and Audit of Claims", prepared by the Office of the New York State Comptroller.

In response, we respectfully submit the attached certified Resolution and Corrective Action Plan which was adopted by the Bay Shore Schools Board of Education on June 25, 2015.

We would like to thank the auditors for their patience and professionalism.

Respectfully submitted,

Karen B. Salmon, Ph.D.  
Superintendent of Schools

KBS/vw  
attachments



**BOARD OF EDUCATION  
BAY SHORE UNION FREE SCHOOL DISTRICT  
BAY SHORE, NY  
June 25, 2015**

**ASSISTANT SUPERINTENDENT FOR BUSINESS**

**TOPIC: New York State Audit Financial Condition and Audit of Claims  
Corrective Action Plan**

The Office of the NYS Comptroller conducted an audit of the Bay Shore Union Free School District pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

The draft of said audit was released on May 29, 2015 as Report of Examination 2015M-57, *Bay Shore Union Free School District Financial Condition and Audit of Claims*, for the period July 1, 2012 thru June 30, 2014. School districts are required to prepare a corrective action plan addressing each recommendation noted in the report.

The Corrective Action Plan prepared to address each recommendation is attached as Pages C-15a and C-15b. A copy will be appended to the District's written response and placed on file with the Office of the New York State Comptroller.

**RECOMMENDATION:** That the Bay Shore Schools Board of Education accept and place on file the Corrective Action Plan for the Bay Shore Union Free School District as related to the Office of the New York State Comptroller's audit 2015M-57, *Financial Condition and Audit of Claims*, for the period July 1, 2012 – June 30, 2014.

# BAY SHORE UNION FREE SCHOOL DISTRICT

## CORRECTIVE ACTION PLAN

### FINANCIAL CONDITION AND AUDIT OF CLAIMS

REPORT OF EXAMINATION 2015M-57, 7/1/12-6/30/14

Oversight Agency: Office of New York State Comptroller

The Bay Shore Union Free School District respectfully submits the following Corrective Action Plan in response to the Report of Examination (2015M-57) entitled "Financial Condition and Audit of Claims" for the period July 1, 2012 – June 30, 2014.

## RECOMMENDATIONS

### Financial Condition

- 1.) **Recommendation:** District officials should carefully consider the amount of fund balance available to appropriate to fund future budgets and retain a reasonable amount of unrestricted fund balance to address unanticipated needs and provide necessary cash flow for operations.

**Action Taken:** We concur with the recommendation. Although a combination of the Gap Elimination Adjustment (GEA) and contractual obligations has caused the District to appropriate fund balance in the past, the District has recently implemented cost reductions that has virtually eliminated our reliance on reserves, in particular unappropriated surplus, to fund future budgets. The Assistant Superintendent for Business will work with the Board of Education to ensure that a reasonable amount of unrestricted fund balance is available to address unanticipated needs and provide the cash flow necessary for operations.

- 2.) **Recommendation:** District officials should review the use of EBALR money to ensure any amounts are used in accordance with the law and determine if any unauthorized amounts used should be returned to the fund.

**Action Taken:** We concur with the recommendation. The District will work with the Office of the New York State Comptroller in the coming months to determine whether any further action is necessary in this regard.

- 3.) **Recommendation:** District officials should develop and implement a multiyear plan to provide a framework for future budgets and facilitate management of District operations. The plan should be updated annually.

**Action Taken:** We concur with the recommendation. The Assistant Superintendent for Business will develop such a multiyear plan and update it annually. We anticipate compliance by July 1, 2016.

### Audit of Claims

- 4.) **Recommendation:** The Board should adopt a policy that requires the claims auditor to report the claims audit findings directly to the Board on a regular basis.

**Action Taken:** We concur with the recommendation. The Board of Education recently approved a policy whereby the claims auditor will provide a schedule of findings/actions taken to the Board of Education, commencing July 1, 2015. The aforementioned policy delineates the many other responsibilities of the claims auditor as well.

5.) **Recommendation:** The Board and the Superintendent should conduct a careful and thorough review the monthly budget status report and determine when it is necessary to authorize budget transfers to prevent overspent budget lines.

**Action Taken:** We concur with the recommendation. The implementation of electronic purchase orders in fiscal year 2014 now prevents the accounting system from allowing certain budget line items from being overspent. Additionally, during the creation of the 2015-2016 fiscal year budget, an analysis of prior years' actual expenditures was performed, and adjustments were made to reduce the District's reliance on budget transfers. And finally, a new Budget Transfer policy was recently adopted which requires Board of Education approval for transfers in excess of \$15,000. The Chief Accountant will monitor budget status reports on at least a monthly basis and recommend action where appropriate, and the District Treasurer will continue to include appropriation status reports for all District funds with the monthly Treasurer's Report already provided to the Board of Education.

6.) **Recommendation:** The claims auditor should determine if there were enough available appropriations to pay for claims before approving them.

**Action Taken:** We concur with the recommendation, at least to a degree. While not one of the responsibilities specifically delineated in the new Claims Auditor policy, and outside the scope of our current remuneration, we can appreciate the recommendation as an industry benchmark. Effective immediately, the Chief Accountant will work with the claims auditor to periodically provide appropriation status reports to help guide and inform the claims audit process.



# Bay Shore Union Free School District

DISTRICT ADMINISTRATIVE OFFICES  
75 West Perkal Street, Bay Shore, New York 11706  
Phone (631) 968-1115 Fax (631) 968-4131

## Board of Education

Gregory Nardone, President  
Louis Bettinelli, Vice President  
Andrew A. Arcuri  
Mary Louise Cohen  
Guy Leggio

Karen B. Salmon, Ph.D.  
*Superintendent of Schools*

## CERTIFICATION

I, Nadine Summers, District Clerk of Bay Shore Union Free School District, hereby certify that the Board of Education, at their meeting, June 25, 2015, accepted and placed on file the *Corrective Action Plan* in response to the New York State Comptroller's Audit (2015M-57) for the period of July 1, 2012-June 30, 2014. The audit was conducted pursuant to the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

**Motion made by Andrew A. Arcuri, seconded by Mary Louise Cohen, and Louis Bettinelli, Gregory Nardone and Guy Leggio voted in favor of the resolution.**

(SEAL)

Nadine S. Summers

6/25/15

Date



Bay Shore Schools

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the District's claims auditing function and financial condition for the period July 1, 2012 through June 30, 2014. We extended our scope back to July 1, 2009 to review the District's financial condition. To accomplish our objective and obtain valid audit evidence, we performed the following procedures:

- We interviewed District officials and employees to gain an understanding of District operations.
- We reviewed 10 claims from the 12,592 claims paid by the District from the general fund during the period July 1, 2012 through June 30, 2013. We also reviewed another 10 claims from the 9,487 claims paid by the District from its general fund during the period July 1, 2013 through March 31, 2014. We reviewed the selected claims to determine if each claim voucher was certified by the purchasing agent, the purchases were approved before they were executed, the supporting documentation included in the claims packets was sufficient, the vouchers were audited by the claims auditor, the expenditures were for valid District purposes and the expenditures had sufficient budgetary appropriations. We used a random number generator to select our samples.
- We reviewed cash disbursement reports from the District's accounting system for any payments the District made to the claims auditor during our scope period and reviewed any supporting documentation for those payments to determine if the payments were authorized and for the correct amounts.
- We compared cash disbursement amounts reported in the District's accounting system with bank statements to verify their reliability.
- We reviewed reserve funds to ensure that they were adequately funded and in compliance with applicable laws.
- We reviewed the most recent annual financial statements, the accompanying management letters prepared by the District's independent public accountant and relevant budget reports.
- We compared the amounts reported in the District's externally audited financial statements with voter-approved budgets to verify their reliability.
- We analyzed revenue and expenditure trends and budget-to-actual comparisons for the operating funds for the fiscal years 2009-10 through 2013-14 and calculated the percentage of unexpended surplus funds compared with budget appropriations.
- We reviewed and analyzed reported fund balance levels in comparison to amounts appropriated in adopted budgets.

- We reviewed the real property tax rate and levy increases.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## APPENDIX C

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