



Fishers Island Union Free School District

Five Point Plan

Report of Examination

Period Covered:

July 1, 2014 — June 30, 2015

2015M-320



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2016

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 Fishers Island Union Free School District, entitled Five Point Plan. 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*

Introduction

Background

The Fishers Island School District (District) is located in the Town of Southold in Suffolk County. The District is governed by the Board of Education (Board) that is composed of five elected members. The Board is responsible for the general management and control of the District's 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.

Responsibilities related to the District's finances, accounting records and reports are largely those of the Business Manager, who also serves as the District's purchasing agent. During our audit period, the Business Manager resigned, and District officials hired an independent contractor to function as the interim Business Manager until they could find a replacement. The District hired a permanent Business Manager in August 2015.

The District operates one school with approximately 70 students and 24 employees. Its expenditures for the 2014-15 fiscal year were approximately \$3.7 million, which were funded primarily with real property taxes, nonresident tuition and State aid.

Enhanced fiscal accountability for all school districts, commonly known as the Five Point Plan, was established by State legislation in 2005. The five points of the plan include strengthening the claims auditor function, requiring school board member financial oversight training and instituting more rigorous external audit standards, new internal audit requirements and the appointment of audit committees.

Objective

The objective of our audit was to evaluate the District's claims audit process and compliance with State legislation known as the Five Point Plan. Our audit addressed the following related question:

- Has the Board demonstrated a positive control environment by appropriately complying with the requirements of the Five Point Plan?

Scope and Methodology

We examined the District's claims audit process and compliance with the Five Point Plan for the period July 1, 2014 through June 30, 2015.

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 are

included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**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 take corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of 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.

Five Point Plan

The Five Point Plan (plan) was designed to strengthen auditing, training and financial oversight by school district officials and their boards of education. The plan requires six hours of financial oversight training for all newly elected school board members, strengthens the claims audit function by requiring claims auditors to report directly to the Board, establishes an internal audit function, creates an audit committee, mandates a competitive request for proposal process for selecting audit firms and requires direct school board involvement and a formal response by the board to issues raised in audit reports.

The Board has not demonstrated a positive control environment because it did not appropriately comply with all requirements of the plan. While all Board members have completed the required fiscal oversight training, the Board did not ensure that the claims auditor reported directly to the Board or that all claims were audited and approved before they were paid. The Board improperly appointed an individual as both the Treasurer and internal auditor, creating incompatible duties between these two positions. It also has not established an audit committee because it was unaware of the requirement to do so. In addition, the District did not use a competitive request for proposal process when selecting its external audit firm, and the Board did not prepare a CAP in response to audit reports.

Claims Auditor

Education Law requires the Board to audit and approve all claims against the District prior to payment, or appoint a claims auditor for this purpose. The claims auditor must report directly to the Board. The Board should provide the claims auditor with proper guidance through adopted policies and procedures or a comprehensive job description that explains the Board's expectations for proper claims auditing and reporting to the Board. The claims auditor is responsible for ensuring that only legitimate claims against the District are paid.

In general, the claims auditor must ensure that transactions are properly authorized before vouchers or invoices are approved for payment, proper documentation and itemization is provided, amounts paid are appropriate, claims are proper District expenditures and goods or services have been received. District officials also must retain all warrants listing all claims that have been approved and certified (signed) by the claims auditor. Regardless of whether the Board appoints a claims auditor to review claims, the Board is responsible for ensuring that all claims are audited and approved before they are paid. The Business Manager is responsible for releasing check disbursements after claims are audited and approved.

Although the Board appointed a claims auditor to assume the Board’s powers and duties of approving or denying claims against the District, the Board did not adequately oversee the claims audit function. The District’s policy related to the claims audit function is titled “Internal Auditor.” Although the policy adequately describes the requirements for fulfilling the claims audit function, District officials and the claims auditor were unaware of its existence. Furthermore, the Board did not develop a job description for the claims auditor position.

The Board also did not ensure that the claims auditor reported directly to the Board. We found that the claims auditor signed the warrant each month, indicating that she had reviewed and approved the claims as being legitimate District expenditures, but the Business Manager provided the warrants to the Board. The claims auditor did not report to the Board personally, and the Board did not receive any updates or reports from the claims auditor at any point during the fiscal year. The claims auditor told us that she reports to the Superintendent. Because the claims auditor reported to someone who authorized purchases and supervised other employees responsible for recording and paying claims, she could not provide an independent review of claims that is necessary for good internal controls.

During our audit period, the District paid 893 disbursements totaling \$2,306,258. We reviewed 37 claims totaling \$295,246¹ paid during the audit period and found exceptions with 27 totaling \$206,820, as follows:²

- Seventeen claims totaling \$105,309 did not include any proof or confirmation that the District received the goods and services. For example, one claim totaling \$14,435 for a science project, identified as “building a living oyster reef,” did not contain a purchase order, an original invoice or other supporting documentation to indicate that the service was actually provided to the District.
- Nine claims totaling \$79,181 did not include signed purchase orders to indicate that the procurements were properly authorized. For example, one claim totaling \$17,163 for roofing work did not contain a purchase order or any approval confirming the work was performed. In addition, the District overpaid by \$3,928 for the completed roofing work. A note on the statement attached to the claim packet indicated that “additional cost as discussed with [Board member’s name].” However, District officials were unable to provide

¹ Refer to Appendix B for further information on our sample selection.

² Several claims contained more than one exception.

any supporting documentation indicating that the Board as a whole approved the additional cost.

- Three checks totaling \$52,939 were not listed on any of the certified warrants provided by District officials. Therefore, District officials were unable to determine whether the claims auditor had approved the related claims for payment.
- Nine claims totaling \$41,013 did not have original invoices to indicate whether the expenditures were valid District expenditures. For example, a \$4,685 check paid to a retiree included only a copy of a letter indicating that the payment was a reimbursement to the retiree for paying excess amounts for health insurance premiums. The claim did not include any supporting documentation to indicate that the payments had been originally received by the District, the amounts that should have been paid, amounts paid in excess or a confirmation that the reimbursement amounts were accurate or approved by a District official.
- Eight claims totaling \$32,843 did not have sufficient supporting documentation that would have allowed the claims auditor to adequately review and approve the claims. Therefore, District officials would not have been able to determine whether the claims were valid District expenditures. For example, an invoice for one claim totaling \$9,900 did not contain a detailed list of goods and services provided to the District and instead indicated it was for “work performed on school property per contract.” Further, the purchase order for the claim was issued after the date of the invoice, indicating that the work was performed before District staff generated a purchase order; the District did not have a contract with the vendor; and the claim did not have any documentation to indicate whether the goods or services had been received or performed.
- Seven claims totaling \$28,862 did not have detailed invoices to identify the goods or services obtained or when they had been received or performed. However, the documentation provided in the claims was sufficient to indicate that these expenditures were for valid District purposes.³ For example, one claim totaling \$3,000 included an invoice that stated “enrichment” without other documentation attached to identify the goods

³ District officials provided us with other forms of documentation, such as purchase orders or email correspondence that clearly indicated these purchases were legitimate District expenditures.

or service provided or when it had been received. This claim packet also did not have a signed purchase order.

- Two claims totaling \$28,191 did not have any supporting documentation, and District officials could not locate a claims packet for either claim. Therefore, District officials would not have been able to determine whether they were valid District expenditures. One payment totaling \$22,001 was made to a local contractor, and the second payment totaling \$6,190 was made to a credit card company.
- Four checks totaling \$12,318 were disbursed by the Business Manager before the claims auditor reviewed and approved the related claims. For example, a \$2,540 check issued to a contractor was dated March 26, 2015 and cashed on March 30, 2015, but it was listed on a warrant that was certified on April 17, 2015.

Without written policies, procedures or a detailed job description, the claims auditor did not understand her duties and was unaware that she was required to report directly to the Board. As a result, the District paid claims without proper supporting documentation and authorization by a District official. Because claims have not been properly audited and approved before payment, the Board and taxpayers do not have sufficient assurance that District expenditures are adequately approved and that goods and services are actually received. Further, without a thorough and deliberate claims audit process, the District has an increased risk that funds could be misused or diverted.

Internal Auditor

Unless a school district qualifies for an exemption, it is required to have an internal audit function that includes a risk assessment of district operations.⁴ The exemption applies if a district has fewer than eight teachers, less than \$5 million in general fund expenditures in the previous school year or fewer than 1,500 enrolled students in the previous year.⁵ Any district claiming an exemption must annually certify to the New York State Commissioner of Education (Commissioner) that it meets the requirements for the exemption. For those school districts that do not qualify for the exemption, they may fulfill the internal audit function by using their own employees, intermunicipal cooperative agreements, shared services to the extent authorized by law or independent contractors. The internal audit function is designed to assist the Board in its oversight responsibility through its capacity as an objective third party by helping ensure that

⁴ Education Law Section 2116-b (1)

⁵ Education Law Section 2116-b (2)

financial risks are identified and that appropriate internal controls are in place to address these risks. If the District chooses to implement an internal audit function instead of claiming the exemption, it must appoint an internal auditor who does not have other responsibilities related to District business operations.

District officials were unaware that the District qualified for the exemption for the 2014-15 fiscal year. At the July 2014 reorganizational meeting, the Board appointed an independent contractor as both the Treasurer and internal auditor. This same individual also acted as the District's interim Business Manager during the last three months of our audit period.

The District's internal auditor told us that she was unaware that she was appointed to this position and did not perform any internal audit functions. In addition, this individual's other duties that she performed as the Treasurer and interim Business Manager conflicted with her duties as the internal auditor. As the Treasurer, she prepared monthly cash reconciliations and trial balances, and, as the interim Business Manager, she paid the District's bills. District officials told us they did not have an understanding of the internal audit function, were unaware of the internal auditor's responsibilities and did not know why they had even appointed an internal auditor.

Without an internal audit function, the District does not have objective information to determine whether District officials and staff are maintaining public accountability. Also, District officials do not have any assistance in identifying internal control weaknesses that, when corrected, would lead to improving the District's efficiency and effectiveness of its operations and activities. In addition, because the individual who was appointed as the internal auditor also performs other significant business office functions, she would be evaluating her own procedures and work products, which weakens the District's internal controls over those business functions.

Audit Committee

Every school district, except those employing fewer than eight teachers, must establish an audit committee by Board resolution.⁶ The audit committee must oversee and report to the Board on the District's annual audit. The audit committee may be a subcommittee of the Board, the Board as a whole, or an advisory committee.⁷ The committee has two primary functions: to assist in the oversight of the annual external audit function and internal audit function if the District does not claim an exemption from the internal audit function. The committee's responsibilities start with making recommendations

⁶ Education Law Section 2116-c (1)

⁷ For additional guidance on audit committee member selection refer to <http://www.osc.state.ny.us/localgov/costsavings/auditcommittee.htm>.

regarding the selection of the external and internal auditors and continue through reviewing significant internal and external audit findings and providing guidance to the Board on the issues raised during the respective audits.

The Board has not established an audit committee because it was unaware of the requirement to do so. Without an audit committee, the Board is not complying with the requirements of the plan or providing adequate oversight of the District's annual audit. As a result, District residents do not have adequate assurance that the District is implementing the external auditor's recommendations.

Annual Audit

School districts are required to use a competitive request for proposal (RFP) process when contracting for the annual audit.⁸ In addition, contracts for this purpose cannot be for a term longer than five consecutive years. The District's professional services policy is more restrictive than law in this regard and requires District officials to use a competitive RFP to contract for the external audit once every three years.

The District did not use an RFP process when contracting for the annual audit as required by Education Law and its professional services policy. District officials told us they used an RFP process in January 2015 to obtain the external audit for the 2014-15 fiscal year. However, they could not provide us with any documentation of the firms the RFP was sent to or those that submitted proposals.

District officials told us that the former Business Manager was responsible for disseminating the RFP to audit firms, but they could not provide us with any documentation to indicate whether this individual had sent the RFP to any accounting firms. District officials also told us they did not know whether the District had ever used an RFP process prior to January 2015 to obtain the annual audit.

The current audit firm has performed the District's annual financial audit for at least the last seven years and is contracted to perform it through the 2016-17 fiscal year. As a result, the District has not complied with the plan or its own policy. Had the District used an RFP process, it may have been able to realize cost savings for this function.

Formal Audit Response

When school districts receive audit reports with recommendations, either from their external auditors or from the Office of the State Comptroller (OSC), they are required to prepare and file a written CAP with the Commissioner and OSC. The CAP should indicate who

⁸ Education Law Section 2116-a (3) (b)

is responsible for addressing the identified deficiencies, the intended specific corrective action to be taken and when the corrective action will be implemented.

The District did not prepare a CAP to address deficiencies indicated in the District's external audit report for the 2013-14 fiscal year or file a CAP with the Commissioner and OSC. District officials told us they were unaware of the requirements related to preparing and filing a CAP.

Because the Board did not adopt a CAP, the District does not have a means to demonstrate to District residents and other interested parties that it has corrected the deficiencies identified by the external auditors. Had the Board required District officials to prepare a CAP in response to the June 2014 audit report, they may have identified and corrected the discrepancies described in this report.

Recommendations

The Board should:

1. Develop and adopt written policies and procedures for claims processing and a job description for the claims auditor position.
2. Ensure that the claims auditor reports directly to the Board.
3. Ensure that the Business Manager disburses checks only after the related claims have been audited and approved by the claims auditor.
4. Ensure that the claims auditor performs a thorough and meaningful audit of claims prior to approving them for payment.
5. Annually file for an exemption with the Commissioner and OSC if it chooses to be exempt from the internal audit function. If the Board chooses to appoint an internal auditor, then it should properly establish an internal audit function and ensure the individual appointed to the position is aware of his or her duties and responsibilities.
6. Establish and appoint an audit committee.
7. Ensure that District officials issue an RFP for external audit services at least every five years.

8. Prepare an adequate CAP in response to any audit report containing recommendations and file the report with appropriate agencies within 90 days, as required.

The claims auditor should:

9. Report directly to the Board, in the timeframe indicated by the Board, the results of the claims auditing process.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

The Fishers Island School

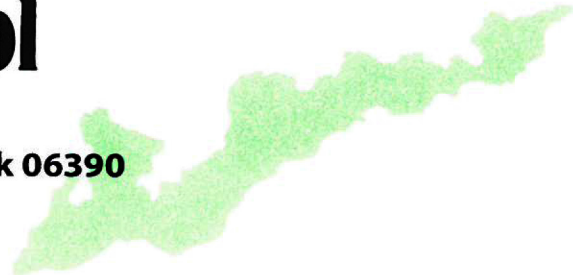
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March 22, 2016



Office of the State Comptroller
Ira McCracken, Chief Examiner
110 State Street
New York, NY 12236

Dear Mr. McCracken,

The Board of Education, audit committee and administration of the Fishers Island Union Free School District have reviewed the report of examination entitled *Five Point Plan, Report of Examination 2015M-320*, which covered the period July 1, 2014 – June 30, 2015. Please allow this letter to serve as our written response to the Draft Audit Report as well as our Corrective Action Plan. We will certainly forward a copy of the Corrective Action Plan to the New York State Commissioner of Education.

As educators we understand that through education, growth and improvement happens. The audit process is no different. We have taken the suggestions throughout this audit very seriously and will cooperate fully by responding and correcting our policies and procedures to ensure compliance as we move forward. We also appreciate the opportunity to provide additional information through this response and corrective action plan which will give important context for the observations made in the report.

Outlined below are the recommendations made by the auditors and our responses, including our correction action plan, to them:

Recommendation #1

Recommendation: Develop and adopt written policies and procedures for claims processing and a job description for the claims auditor position.

Response: Our knowledge surrounding the claims auditor position has helped us in making significant changes that we know will help our Board of Education be more informed throughout the year. Through the audit process we appreciated the auditor's recommendation to create a written policy and procedure for the claims processing position as well as a job description.

Corrective Action Plan: The Board's policy committee reviewed and updated the Board of Education policy on claims auditing based on current law and the auditors' recommendation and presented it to the full Board on November 18, 2015. The purchasing agent, claims auditor, Superintendent/Principal and Board President are scheduled to attend training in Riverhead, NY on the "Role of the District Claims Auditor" offered by James Merrins on April 20, 2016. We will utilize that information as well as documents from the Office of the Comptroller's website to create a specific claims auditor job description to formalize and clarify the responsibilities of that position, and intend to approve the job description by May 17th.

Corrective Action Plan Anticipated Date of Change: Partially Completed: Updated Claims Auditor Policy # 6650 approved by the Board of Education (second reading) at its December 16, 2015 meeting. Claims Auditor Job Description to be presented, approved and documented at the May 17, 2016 Board Meeting.

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Recommendation #2

Recommendation: Ensure that the claims auditor reports directly to the Board.

Response: We understand that the claims auditor should not only communicate to the Board in form, but also in substance. Changes have been put in place effective February 2016 as we understand that it is important that the claims auditor communicate directly to the Board.

Corrective Action Plan: Since the audit we have implemented a system in which during the claims audit process, the claims auditor now makes notes with any items that were questioned (regardless of the explanation or additional supporting documentation that may arise during the inquiry) that are reported directly to the board through the revised Claims Auditor Checklist that accompanies the Warrant. The Checklist has been revised to create a section for the Auditor's comments. This change was pointed out and explained to the Board at the March 16, 2016 Board of Education meeting.

We will also provide the claims auditor with the education and training necessary to comply with the policy that will be adopted as noted in recommendation #1. We will also provide the members of the Board of Education a copy of the Overview - Claims Auditor and Internal Audit Committee pamphlet provided by the NYSED in the April 20th Board of Education meeting info packet.

Lastly, we will require the claims auditor to meet with the Board of Education and/or the Audit Committee at least once annually.

Corrective Action Plan Anticipated Date of Change: Documented by the April 20, 2016 Board Meeting

Recommendation #3:

Recommendation: Ensure that the Business Manager disburses checks only after the related claims have been audited and approved by the claims auditor.

Response: Certainly it is understood that no checks should ever be disbursed until there has been a proper audit performed on those disbursements. The business office has taken this recommendation very seriously and has made changes to ensure that this recommendation is followed without exception.

Corrective Action Plan: A new purchasing agent has been assigned the task of handling all payables. Once the payables have been processed by the Business Manager office, they are held for audit by the claims auditor. The Treasurer is the individual who will disburse the checks only if the claims auditor has audited the disbursements.

Corrective Action Plan Anticipated Date of Change: Documented by the April 20, 2016 Board Meeting

Recommendation #4:

Recommendation: Ensure that the claims auditor performs a thorough and meaningful audit of claims prior to approving them for payment.

Response: We agree that the claims auditor's policies and procedures manual will provide direct guidance as to the processes that must be followed in order to effectively audit the purchases of the district. The adoption of these policies and procedures, coupled with the training session she and our purchasing agent are scheduled to attend, will set the claims auditor up for success in this area.

Corrective Action Plan: Our district has made changes to the thorough preparation of the supporting documents for all purchases, including but not limited to: purchasing documents such as the purchase orders, shipping labels (if applicable), original requisitions, final invoice, approvals and other necessary documentation. Through the use of multiple individuals including the purchasing agent, superintendent/principal, business manager, claims auditor, and treasurer, we believe that the process will be more thorough and provide the segregation of duties that this important process requires.

Corrective Action Plan Anticipated Date of Change: Documented by the April 20, 2016 Board Meeting

Recommendation #5:

Recommendation: Annually file for an exemption with the Commissioner of Education and OSC if it chooses to be exempt from the internal audit function. If the Board chooses to appoint an internal auditor, then it should properly establish an internal audit function and ensure the individual appointed to the position is aware of his or her duties and responsibilities.

Response: During our exit interview with the auditors, we understood the need to apply for this exemption. Due to the size of our district we believe that an internal auditor function is not warranted. It is understood according to the New York Education Law Subdivision 2 of section 2116-b:

School districts of less than eight teachers, school districts with actual general fund expenditures totaling less than five million dollars in the previous school year, or school districts with actual enrollment of less than one thousand five hundred students in the previous school year shall be exempt from this requirement. Any school district claiming such exemption shall annually certify to the commissioner that such school district meets the requirements set forth in this subdivision.

Corrective Action Plan: An application for exemption will be submitted annually to the Commissioner to certify that we are eligible for mandate relief, as we meet two of the three criteria (enrollment and general fund expenditures). We will obtain this application through the NYSED business portal and ensure that it will be received by June 30 for the following year. During our exit meeting with the auditors, we were informed that we did not need to file the

application for the current 2016 fiscal year but that we would need to submit our application for the 2016-2017 fiscal year by June 30, 2016. This deadline has been added to our calendar.

Corrective Action Plan Anticipated Date of Change: Documented by the April 20, 2016 Board Meeting

Recommendation #6:

Recommendation: Establish and appoint an audit committee.

Response: Our district, although small in size, understands the importance of an audit committee. We immediately and formally established this committee, which met with our external financial auditors as a starting point and will continue to do so moving forward. This committee also reviewed this Corrective Action Plan, and will be approving the corrective action plan to address the deficiencies outlined in our recent audit of the 2014-15 school year.

Corrective Action Plan: This committee has been established and will continue to serve in order to ensure successful audit supervision of this process moving forward.

Corrective Action Plan Anticipated Date of Change: COMPLETED: Audit Committee established, approved, and documented at its December 16, 2015 Board of Education meeting.

Recommendation #7:

Recommendation: Ensure that District offices issue an RFP for external audit services at least every five years.

Response: The district understands that it is important to continue to drill down on administrative costs such as the annual audit.

Corrective Action Plan: The district will be issuing RFPs (Request for Proposals) for auditing and legal services for the 2016-2017 fiscal year. These documents will contain a description of the services requested and information about the district. The RFP for external audit services will:

- Outline the scope of the audit, including which financial statements will be audited and the applicable time period to be audited;
- Specify the expectations for entrance/exit conferences, work products and reports;
- Stipulate contract terms and conditions; and
- Specify information the firm must include in the proposal

The district will also utilize the "Sample Request for Proposals (RFP) for External Auditor" to modify and suit the needs of the district.

Corrective Action Plan Anticipated Date of Change: Documented by the April 20, 2016 Board Meeting for Approval of the RFP for External Audit Services

Recommendation #8:

Recommendation: Prepare an adequate corrective action plan in response to any audit report containing recommendations and file the report with appropriate agencies within 90 days, as required.

Response: We agree that it is extremely important to respond timely to the recommendations made by all auditors whether they be in the external auditor capacity as well as any other state mandated auditors. We have included our corrective action plan as part of our response as representation of our understanding of its importance and our determination to meet all state regulations.

Corrective Action Plan: We chose to include our response to the audit of claims report provided to us by the Office of the State Comptroller in order to accomplish full and timely compliance with this recommendation.

Corrective Action Plan Anticipated Date of Change: Issued Immediately with this Response Report on March 23, 2016.

Recommendation #9:

Recommendation: The claims auditor should report directly to the Board, in the timeframe indicated by the Board, the results of the claims auditing process.

Response: We understand that proper follow up on the adoption and implementation of the claims audit policy and procedure must be made in order for the district to complete the compliance process. It is expected that the claims auditor will follow up with the Board of Education.

Corrective Action Plan: It is anticipated that once the policy, procedures, and job description have been adopted and accepted by the Board of Education, the claims auditor will report back to the Board of Education with regard to the implementation. An agenda item at the May 18, 2016 board meeting will be included for the claims auditor to formally report to the Board as to the implementation of the changes.

Corrective Action Plan Anticipated Date of Change: Board of Education Meeting Dated May 18, 2016

Thank you for your hard work and consideration of our responses and corrective action plan outlined in this document and for meeting with us to review and discuss the recommendations of the draft report. The district has benefited by this process and we are already achieving procedural improvements as we diligently implement the changes outlined in this response.

Sincerely,

Jamie Doucette
President
Fishers Island Union Free School District

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials and Board members to gain an understanding of the claims audit process.
- We reviewed Board minutes for our audit period and identified related discussions and decisions with regard to the appointment of a claims auditor, internal auditor, external auditor and Board-established committees.
- We reviewed Board minutes for our audit period to identify reports provided by the claims auditor, internal auditor and external auditor.
- We judgmentally selected a sample of 37 claims totaling \$295,246 and examined them to determine whether they were audited, listed on a warrant, were traceable to bank statements and canceled check images, were supported by itemized original invoices, contained approved purchase orders and proof of receipt of goods or services provided and were legitimate District expenditures.
- Of the 37 claims, 30 were paid from the general fund. To select these 30 claims, we first identified a total population of 893 disbursements totaling \$2,306,258 that were made during our audit period. Within this population, we selected all 582 payments totaling \$1,401,796 made from the general fund and identified 106 disbursements totaling \$1,180,162 that were each greater than \$2,000. We eliminated payments made to the retirement systems, health insurance company and utility company from the 106 disbursements, which left 85 claims totaling \$501,751 paid to 30 vendors. We then selected one claim for each vendor, for a total of 30 claims totaling \$235,537. For vendors with multiple payments, we selected the highest dollar amount.
- Of the 37 claims, seven were paid from the special aid fund. To select the seven claims, we first identified a total population of 893 disbursements totaling \$2,306,258 made during our audit period. Within this population, we selected all 41 disbursements totaling \$131,347 made from the special aid fund. We then judgmentally selected seven claims totaling \$59,709 based on vendor name.

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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APPENDIX D
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DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant Comptroller

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