



# Forestville Central School District Transportation Operations and Cafeteria Financial Condition

## Report of Examination

Period Covered:

July 1, 2012 — February 6, 2014

2014M-70



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 2014

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 Forestville Central School District, entitled Transportation Operations and Cafeteria Financial Condition. 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 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 Forestville Central School District (District) is located in the Towns of Arkwright, Hanover, Sheridan and Villenova in Chautauqua County and the Town of Perrysburg in Cattaraugus County. The District is governed by an elected seven-member Board of Education (Board), which is responsible for the general management and control of the District's 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 day-to-day management of the District under the direction of the Board. The District employs a Business Administrator who is responsible for monitoring day-to-day fiscal operations and preparing and monitoring the budget.

There are two schools in operation within the District, with 540 students and 107 employees. The District's appropriations for the 2013-14 fiscal year totaled \$11.5 million, which were funded primarily with State aid and real property taxes. Transportation-related appropriations for 2013-14 were \$873,769 and cafeteria-related appropriations were \$287,960.

### **Scope and Objectives**

The objectives of our audit were to determine if the District could achieve cost savings for its transportation operations and to evaluate the internal controls over cafeteria financial operations for the period July 1, 2012 through February 6, 2014. We extended our scope period back to July 1, 2008 for cafeteria-fund financial operations. Our audit addressed the following related questions:

- Did District officials effectively and economically manage transportation costs?
- Did the Board and District officials adequately monitor the cafeteria fund's financial condition and take appropriate action to maintain the fund's financial stability?

### **Audit Results**

District officials have not identified opportunities to reduce student transportation cost by performing appropriate analyses, such as an annual review of bus routes. We determined that the District may be able to save money by reducing excess capacity on buses, evaluating shared runs with other districts for private-school and special-needs routes and reviewing the number of spare buses in its fleet. By improving transportation efficiency, we estimate that the District could save approximately \$36,500 annually and more than \$460,500 over two years.

The cafeteria fund's financial condition has declined over the past five years as it experienced operating deficits, resulting in a \$215,678 deficit fund balance as of June 30, 2013. This occurred because the

cafeteria fund budget was not realistic, revenues from meal prices fell significantly short of cafeteria operating costs and collection on overdrawn student and faculty cafeteria accounts was not enforced. Because of the operating deficits and depleted fund balance, the cafeteria fund does not have sufficient available cash to repay its outstanding \$34,000 loan from the general fund.

### **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. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on issues raised in the District's response letter.

# Introduction

## Background

The Forestville Central School District (District) is located in the Towns of Arkwright, Hanover, Sheridan and Villenova in Chautauqua County and the Town of Perrysburg in Cattaraugus County. The District is governed by an elected seven-member Board of Education (Board), headed by the Board President (President),<sup>1</sup> which is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board. The District employs a Business Administrator who is responsible for monitoring day-to-day fiscal operations and preparing and monitoring the budget.<sup>2</sup>

There are two schools in operation within the District, with 540 students and 107 employees. The District's appropriations for the 2013-14 fiscal year totaled \$11.5 million, which were funded primarily with State aid and real property taxes. The District's Transportation Department has 19 employees, and transportation-related appropriations for 2013-14 were \$873,769. The District's cafeteria has 12 employees, and cafeteria-related appropriations for 2013-14 were \$287,960.

## Objectives

The objectives of our audit were to determine if the District could achieve cost savings for its transportation operations and to evaluate the internal controls over cafeteria financial operations. Our audit addressed the following related questions:

- Did District officials effectively and economically manage transportation costs?
- Did the Board and District officials adequately monitor the cafeteria fund's financial condition and take appropriate action to maintain the fund's financial stability?

## Scope and Methodology

We examined the District's transportation operations and cafeteria fund financial condition for the period July 1, 2012 through February 6, 2014. We extended our scope period back to July 1, 2008 for cafeteria fund financial operations.

<sup>1</sup> The President was first elected to the Board in July 2010 and has been President since July 2012.

<sup>2</sup> The Superintendent and Business Administrator started in those positions in October and July 2012, respectively.

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 C of this report.

**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. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on issues raised in the District's response letter.

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 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.

# Transportation Operations

A key responsibility for school districts is to develop and manage services, programs and resources as efficiently and economically as possible and to communicate the results of these efforts to taxpayers. The Board's managerial responsibilities include ensuring that transportation is provided to students within the District's boundaries, which encompass 112 square miles. These transportation services include before- and after-school routes, sports runs, late runs, Board of Cooperative Education Services (BOCES) runs and special-education runs.

District officials have not identified opportunities to reduce the costs of student transportation by performing appropriate analyses, such as annual reviews of bus routes. We determined that the District could potentially save up to \$497,000 by reducing excess capacity on buses, considering shared runs with other districts for private-school and special-needs routes and reducing the number of spare buses in its fleet.

Specifically, the District could save up to \$276,500 by maximizing its use of bus capacity for in-district runs, thereby reducing routes and eliminating the need to replace three buses over the next two years, and another \$184,000 in the next year by not replacing two excess buses<sup>3</sup> in its fleet. Also, by increasing cost efficiencies, the District could save about \$30,500 annually in operating costs and could reduce costs by sharing out-of-district runs with neighboring school districts; for example, sharing 50 percent of one run would save about \$6,000 annually.

## **Bus Routes and Capacity (In-District)**

The District should routinely evaluate its bus routes and deploy its fleet in the most efficient manner so that, whenever possible, buses are fully occupied. Evaluating performance measures for efficiency, such as bus capacity, will help the District assign the maximum number of students to buses to reduce the number of routes and buses needed. Although school districts may schedule their bus routes based on potential riders, all potential riders do not necessarily take the bus. Therefore, school districts can save money by planning bus routes based on actual ridership. By basing the number and size of its buses on actual needs, the District can reduce its cost to purchase, operate and maintain buses.

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<sup>3</sup> As indicated by New York State Education Department (SED) guidelines

The District’s Transportation Department is managed by a head bus driver. Although responsible for establishing and evaluating bus routes, the head bus driver has not developed routes but rather provides the bus drivers a list of addresses by student and grade, and the drivers are responsible for developing their own routes based on that list.

The District buses all grades together and has nine morning and afternoon in-district runs (one-way trips to or from school) using nine buses, each with a capacity of 55 students.<sup>4</sup> We compared the total capacity of regular in-district bus runs to the population of actual riders and found that the fleet operated at 57 percent of capacity on average during the audit period. The District has excess capacity on every run (Table 1).

	Number of Runs (Buses Used)	Bus Capacity (55-person) <sup>a</sup>	Actual Ridership	SED 10% Allowance <sup>b</sup>	Excess Capacity	Potential Routes/Buses Eliminated <sup>c</sup>
AM	9	495	303	30	162	2
PM	9	495	264	26	205	3

<sup>a</sup> The District assigned 517 students each for the morning runs and the afternoon runs.  
<sup>b</sup> SED recommends that school districts provide seats for students who are expected to ride the bus, plus an additional 10 percent.  
<sup>c</sup> Calculated by dividing total excess capacity by 55 (one-bus capacity), rounded down for a conservative estimate. Per the manufacturer’s documentation, buses have a capacity of 65 children or 43 adults. The District agreed that a capacity of 55 students was a reasonable capacity.

The District can achieve cost savings by evaluating its current capacity levels and adjusting the number of runs accordingly. By scheduling bus runs based on expected ridership, District officials could eventually eliminate up to three round-trip routes and three buses. This could yield up to \$276,500 in savings from not replacing three buses over the next two years,<sup>5</sup> as well as annual operating savings of approximately \$30,500 in bus driver salaries and fuel costs.

While SED does not restrict the amount of time that children can be on a school bus, the regulations note that “most districts attempt to limit the time en route to one hour.” To test whether the District’s routes are within the one-hour timeframe, we test drove five runs and found that they ranged from 17 miles (taking 32 minutes) to 29 miles (taking 44 minutes).

<sup>4</sup> Per the manufacturer’s documentation, buses have a capacity of 65 children or 43 adults. The District agreed that a capacity of 55 students was a reasonable capacity.

<sup>5</sup> Based on current State contract pricing for buses. The District generally replaces two buses every two years.

## **Run Sharing (Out-of-District)**

Districts may provide bus services to other districts by entering into shared-transportation contracts. SED encourages districts to examine the potential for shared services as a way to save money.

The District transports students to private schools and students with disabilities to schools outside the District on 10 runs, which carry from one to 18 students, sometimes with a monitor, and usually on a smaller District bus with a 20-person capacity.<sup>6</sup> Because of the students' needs and the distances traveled, transportation for special education and private schools is costly, but presents a unique opportunity for sharing runs with neighboring districts. The District's average total annual cost for each of the District's out-of-district runs is \$11,894. If, for example, the District were to share 50 percent of one of these 10 runs with another district, it could save nearly \$6,000 annually.

The Business Administrator told us she has raised the possibility of route sharing in discussions with the Board. However, there are no current Board-approved actions in place, or planned, to explore this option.

## **Spare Buses**

SED recommends that school districts provide seats for students who are expected to ride the bus, plus an additional 10 percent for unanticipated riders.

The District owns 13 65-person buses, six 20-person buses, and two cars and two vans with a five- to seven-person capacity. At the time of our audit, the District routinely used 10 buses of 65-person capacity, five buses of 20-person capacity, and one car and van for its regular runs. The District used the remaining buses as spares. According to SED guidelines, the District would need one 65-person bus, one 20-person bus, one car and one van as spares. Therefore, the District currently has two more 65-person buses than it needs. We estimate that the savings from eliminating two bus replacements would be \$184,000.

By not basing the number of buses the District owns on actual needs, as well as compliance with SED guidelines, District officials have missed opportunities to save District resources.

## **Recommendations**

District officials should:

1. Routinely analyze the number of students regularly using the bus to increase the use of available capacity and reduce the number of routes,

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<sup>6</sup> Two of the 10 runs use 65-passenger buses; another two use a van or car.

2. Contact neighboring districts to explore the possibility of sharing bus runs to locations outside of the District, as appropriate, and
3. Reduce the number of spare buses in the District fleet to be in accordance with SED guidelines.

## Cafeteria Financial Condition

The Board and Business Administrator are responsible for monitoring the cafeteria fund's financial condition and taking appropriate action to maintain the fund's financial stability. Cafeteria funds in poor financial condition often experience unplanned operating deficits, which occur when expenditures exceed revenues. Recurring operating deficits are usually indicative of structurally imbalanced budgets and financial stress.

The cafeteria fund's financial condition has declined over the past five years as it experienced operating deficits, resulting in a \$215,678 deficit fund balance as of June 30, 2013. This occurred because the cafeteria fund budget was not realistic, revenues from meal sales did not meet operating costs and payment on overdrawn student and faculty cafeteria accounts was not enforced. Because of the operating deficits and depleted fund balance, the cafeteria fund does not have sufficient available cash to repay its outstanding loan from the general fund.

### Operating Deficits and Fund Balance

During the five-year period ended June 30, 2013, the cafeteria fund experienced operating deficits annually, even with the general fund providing annual transfers of between \$15,000 and \$20,000. In addition, employee benefits (a payroll expense) attributable to cafeteria employees were improperly accounted for in the general fund rather than the cafeteria fund. Had these expenditures been properly recorded in the cafeteria fund (as shown in Table 1), the fund's operating loss for the five fiscal years would total over \$217,000, leading to a deficit fund balance of over \$215,000:

	2008-09	2009-10	2010-11	2011-12	2012-13
Beginning Fund Balance	\$1,953	(\$29,738)	(\$72,962)	(\$113,041)	(\$158,144)
Operating Revenues	\$238,893	\$242,788	\$251,272	\$254,266	\$236,693
Plus: Transfers from General Fund <sup>a</sup>	\$15,000	\$15,000	\$15,914	\$20,000	\$20,000
Less: Operating Expenditures	\$259,255	\$269,876	\$265,661	\$277,113	\$266,846
Less: Employee Benefits	\$26,330	\$31,134	\$41,606	\$42,256	\$47,381
Operating Surplus/(Deficit)	(\$31,692)	(\$43,222)	(\$40,081)	(\$45,103)	(\$57,534)
<b>Ending Fund Balance<sup>b</sup></b>	<b>(\$29,738)</b>	<b>(\$72,962)</b>	<b>(\$113,041)</b>	<b>(\$158,144)</b>	<b>(\$215,678)</b>

<sup>a</sup> Accounted for as revenue  
<sup>b</sup> Includes prior-period adjustments of \$1 in 2008-09, (\$2) in 2009-10, and \$2 in 2010-11

These operating deficits and the resulting deficit fund balance occurred because revenues, mainly cafeteria sales, were consistently overestimated. The cafeteria fund has not had sufficient available cash for operations. As a result, in addition to the annual transfers from the general fund, the cafeteria fund borrowed over \$34,000 from the general fund (accounted for as a “due to” liability), which it is not in a position to repay.

## Meal Prices

District officials should periodically evaluate and adjust meal prices as necessary to determine whether, combined with other operating revenues,<sup>7</sup> they are adequate compared to cafeteria operating costs. If the Board decides to subsidize school meals, this intention should be clearly stated in a Board-adopted policy.

The meal price<sup>8</sup> for a regular student breakfast is 70 cents at the elementary school and 80 cents at the middle/high school. The price for a regular student lunch is \$1.35 at the elementary school and \$1.60 at the middle/high school. We compared these prices with those of four neighboring or similar districts and found that the District’s breakfast prices were lower than the \$1 price generally charged by the other districts, and that its lunch prices were consistent with those of the other districts. We calculated the District’s cost to produce a meal was \$3.63.<sup>9</sup> As such, the prices charged for meals are substantially lower than the cost to produce the meals.

Meal prices have not been increased since the 2012-13 fiscal year, when lunch prices for both schools were increased by 5 cents. The Business Administrator stated that the District does not increase the meal prices so as not to affect participation. However, District officials did not perform a cost-benefit analysis which could identify break-even points of meal prices and the potential effect on student participation if prices were raised. Although the District’s cafeteria operations are supplemented by other revenues, its ongoing deficits indicate that officials need to make every effort to reduce meal costs and/or increase related revenues.

## Overdrawn Cafeteria Accounts

Cafeteria customers who are not eligible for free lunches<sup>10</sup> should pay for food at the time of sale either by using cash or prepaid cafeteria

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<sup>7</sup> State and Federal aid

<sup>8</sup> The meal prices approved by the Board on July 12, 2012 remained unchanged for the 2013-14 school year. We calculate that the break-even price, taking into consideration State and Federal aid, would be \$1.96 per meal.

<sup>9</sup> We divided the recalculated total cafeteria operating expenditures (adjusted for the misclassified employee benefits) by the number of meals served during the 2012-13 fiscal year.

<sup>10</sup> The District determines student eligibility for free lunches in October of each year. Therefore, some overdrawn account balances may be subsequently written off.

accounts. The Board should adopt policies and procedures to address cafeteria accounts with negative balances. The Cook Manager and Business Administrator should be responsible for monitoring and enforcing policies and procedures.

While procedures addressing overdrawn accounts are posted on the District's website and published in the student handbook, they were not adopted by the Board and are not enforced by District officials.<sup>11</sup> As a result, there were 121 overdrawn cafeteria accounts as of January 15, 2014, including both students and faculty, totaling \$1,380 owed to the District. We reviewed 36<sup>12</sup> cafeteria accounts that had overdrawn balances over \$5, totaling \$1,056, and found the following (some accounts had multiple deficiencies):

- Twenty-eight accounts carried overdrawn balances throughout the year and have not been paid in full. The overdrawn balances on the accounts ranged from approximately \$6 to \$155.
- Restrictions on what items could be charged were not enforced. Fifteen accounts with overdrawn balances totaling \$256 had charges for extra items, such as ice cream, cookies and other snacks, in addition to regular meals.
- Fifteen accounts had an overdrawn balance carried forward from the prior school year. Overdrawn beginning balances on these accounts ranged up to \$144.

While letters were periodically sent to families whose accounts were overdrawn, there were no formal procedures in place to collect the overdrawn balances or enforce restrictions. The lack of attention to unpaid account balances impacts the cash flow of the cafeteria fund and has, in part, contributed to its declining financial condition.

The Superintendent and Business Administrator were receptive to our findings and said they intend to use our calculations as a tool to effect improvements.

## **Recommendations**

4. The Board and District officials should develop a plan to address the deteriorating financial condition of the cafeteria fund.
5. The Business Administrator should account for cafeteria employee benefits in the cafeteria fund (where the cafeteria payroll is recorded).

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<sup>11</sup> A general policy for the charging of meals was adopted by the Board; however, this policy did not include detailed procedures.

<sup>12</sup> Twenty-nine students and seven faculty

6. The Board and District officials should decide whether they will raise meal prices (and/or reduce the cost of operations) or subsidize the cost of meals from the District's general fund, in place of using transfers from other funds and loans that are unlikely to be repaid. Their intent should be clearly stated in a Board-adopted policy in order to provide transparency to taxpayers.
7. The Board should establish a plan to repay the loan from the general fund, or reduce this liability to an amount that can realistically be repaid.
8. The Board should adopt and enforce policies and procedures for the use of cafeteria accounts, including collection on those that are overdrawn, except for those deemed eligible for free lunches. Account privileges for faculty whose accounts are overdrawn should be suspended until the account is paid up.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

A table in the draft report sent to the District was incorrectly numbered. For clarification, the references to Table 1 in the District's response refer to the table titled "Operating Deficits and Fund Balance – Cafeteria Fund" which appears under Cafeteria Financial Condition.

# FORESTVILLE CENTRAL SCHOOL DISTRICT

12 Water Street  
Forestville, New York 14062

## ADMINISTRATION

CHARLES A. LEICHTNER  
Superintendent of Schools  
PATRICK MOSES  
Middle/High School Principal  
DANIEL J. GRANDE  
Elementary School Principal  
CAROLYN ROBERTSON  
School Business Administrator



## BOARD OF EDUCATION

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District Clerk

June 30, 2014

Jeffrey D. Mazula, Chief Examiner  
NYS Office of the State Comptroller  
Local Government and School Accountability  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

Dear Mr. Mazula:

This letter serves as our response to the Report of Examination for the period July 1, 2012 through February 6, 2014.

After an initial review of overall District operations, the state comptroller's auditors chose to focus their examination on transportation and the school lunch fund. These two areas, while clearly important parts of our daily operation, amount to a small percentage of our overall budget. This reinforces our confidence in the strength of our primary financial operations.

Regarding transportation operations, we appreciate your suggestions related to ways to make our process more efficient. We will take these into consideration as we move forward in a continuous effort to improve efficiencies throughout the District. The following transportation measures had already been implemented during the past year: shared transportation supervisor with a neighboring district; reduction in the in-district bus runs from ten to nine; and a combination of six out-of-district bus runs. These changes have resulted in annual savings of approximately \$200,000.00 in payroll, fuel and bus maintenance. Additionally, the bus purchase plan recently approved by the Board and voters reduces the fleet by one sixty-five passenger bus in the coming year.

We believe that the recommendation to reduce our in-district runs from nine down to six is unrealistic. For example, in a rural district such as Forestville, consideration must be given to the amount of time that students are on the bus. The methodology used by the auditors to evaluate this variable was to drive several of the routes in their car, which would clearly take much less time than to drive the route in a bus with stops at each house.

See  
Note 1  
Page 18

Another variable we feel needs additional consideration is daily fluctuation in ridership. The auditors based their calculations on actual ridership numbers that occurred in the past. When planning bus runs it is impossible to know which students, assigned to which bus runs, will be absent from the bus on any given day. Fluctuations in ridership occur due to participation in afterschool activities, as well as family decisions or illness. The state education department recommends that school districts provide seats for students who are expected to ride the bus plus an extra 10 percent. When evaluating bus routes, the District looks at the number of students that typically ride each bus. This number is very different than looking back at the total number of students that actually rode on a given day and spreading it equally among all bus routes.

See  
Note 2  
Page 18

Although we disagree with the extent by which bus runs can be reduced, the District will continue to re-evaluate all bus runs and take measures to reduce the number of runs where it is deemed feasible. This is a process which the district has done on an annual basis.

Regarding the financial condition of the cafeteria, the District agrees that this is an area that needs to be closely monitored and evaluated in the coming years. Rising costs and stricter nutritional standards have increased the need for the District to help support the cafeteria with general fund appropriations. The District has and will continue to address the financial condition of the cafeteria fund.

During the past year, the number of cafeteria staff was reduced from nine to eight. A plan was also implemented to improve participation by developing appealing menus within the stricter nutritional guidelines. There were also enhanced efforts to encourage all eligible families to apply for free or reduced meal status.

School lunch prices are evaluated each year by District administrators and the Board. The decision to increase lunch prices is based on a variety of factors, including the economy and participation trends. In an effort to contain deficits in the school lunch fund, meal prices have been increased in four of the last seven years.

The audit report states that the cafeteria fund has a deficit fund balance of \$215,678 as of June 30, 2013, and this figure is identified in further detail in Table 1. The District is not in agreement with this statement. In fact, the school lunch fund has a deficit fund balance of \$26,971 as of June 30, 2013. The difference of \$188,707 is the five year total of employee benefits that were recorded in the general fund rather than the school lunch fund. While the District agrees that recording these expenditures in the school lunch fund would have been preferable, they were still clearly accounted for and recorded in the general fund. Moving forward the district will transfer needed funds to the school lunch fund to cover these expenses, but in essence, the bottom line will remain the same. We understand the auditors' interest in displaying the employee benefit expense in Table 1, however it should also be displayed as an additional transfer from the general fund to appropriately reflect what actually transpired.

See  
Note 3  
Page 18

The District agrees that the Board policy and administrative procedures that outline the process for charging meals, and the subsequent collection of payment, have not been strictly enforced in recent years. The District updated those procedures and more actively pursued collection of all balances during the past several months. As of today, total outstanding accounts receivable have been reduced from \$1,380 to approximately \$400. Although this figure is quite immaterial in relationship to the overall District finances, we acknowledge the importance of holding individuals accountable for their purchases. The District will continue to actively enforce charging and collection procedures in the future.

The Forestville Central School District would like to thank the audit team from your office for their diligence and professionalism in examining the operations of the District. We appreciate the effort to assist us as we continue to improve our financial efficiency.

Sincerely,

Sylvester Cleary  
School Board President

## APPENDIX B

### OSC COMMENTS ON THE DISTRICT'S RESPONSE

#### Note 1

We recognize that the time a given run takes is affected by the number of stops, which vary with ridership. Our test drives were intended to provide perspective on the length of those routes. Our methodology and assumptions were reasonable and demonstrated that cost savings opportunities exist.

#### Note 2

Our calculation of expected ridership is an estimate. We also calculated the District's bus capacity conservatively. We commend District officials for the improvements already made and encourage them to continuously review ridership trends for potential savings.

#### Note 3

To properly reflect financial activity and provide transparency to taxpayers, expenditures incurred in relation to cafeteria operations should be accounted for in the cafeteria fund, as shown in Table 1 (Operating Deficits and Fund Balance – Cafeteria Fund). The table also demonstrates that the cafeteria fund is not self-sustaining and is largely dependent on the general fund. Had District officials properly recorded both the expenditures and the transfers referred to in their response, the deficit in the table would have been reduced.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

Our objectives were to determine if the District could achieve cost savings in the area of transportation operations and to evaluate the internal controls over cafeteria financial operations. To accomplish our audit objectives and obtain audit evidence, our procedures included the following:

#### Transportation Operations

- We interviewed District officials and reviewed Board authorizations to gain an understanding of the procedures in place regarding transportation operations.
- We reviewed inventories of buses and other vehicles owned by the District to determine the fleet and capacity and compared them to the District's insurance policies.
- We reviewed current bus routes to determine capacity, student ridership, mileage and whether bus routes can be consolidated.
- We reviewed collective bargaining agreements and time sheets for Transportation Department employees to determine whether time worked and salary paid were appropriate.
- We reviewed Transportation Department fuel records and invoices to determine whether usage records were accurate and appropriate.
- We reviewed claims for bus and vehicle purchases, and State contracts, to determine replacement costs for the District's fleet.
- We reviewed private-school and special-needs runs to determine if the District could share runs with neighboring districts.

#### Cafeteria Financial Condition

- We reviewed cash receipt records and account charge records to determine whether all cash is properly deposited and all deficit accounts are properly enforced and repaid.
- We reviewed the last five years of financial data to document fund balance levels, revenues and expenditures and the causes of operating deficits.
- We compared the last five years of financial data to external audit reports and reports from the District's financial software system to determine whether the data is accurate.
- We reviewed meal cost data reports and Board-approved meal rates to determine whether meal prices were sufficient to cover the cost of producing the meals.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## APPENDIX D

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