



Frontier Central School District Financial Condition and Mobile Devices

Report of Examination

Period Covered:

July 1, 2010 — August 22, 2013

2013M-297



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 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 operations and Board of Education governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Frontier Central School District, entitled Financial Condition and Mobile Devices. 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

EXECUTIVE SUMMARY

The Frontier Central School District (District) is located in the Towns of Hamburg and Eden in Erie County. The District is governed by an elected seven-member Board of Education (Board). The Board 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 District's day-to-day management under the Board's direction. The School Business Manager is responsible for preparing the District's accounting records and financial reports for the Board.

There are six schools in operation within the District, with approximately 5,100 students and 1,000 employees. The District's budgeted appropriations for the 2013-14 fiscal year are \$73.2 million, to be funded primarily with State aid, sales tax and real property taxes. The District reported a total fund balance of \$7.1 million as of June 30, 2013, which decreased from \$14.6 million as of June 30, 2011.

The District has approximately 1,450 mobile computing devices, including approximately 250 portable media devices, 500 tablets and 700 laptops, which were purchased at a cost of more than \$700,000.¹ These devices are assigned to administrators, teachers, technology staff and students, and some are located on carts for student classroom use.

Scope and Objectives

The objectives of our audit were to assess the District's financial condition and mobile device environment for the period July 1, 2010 through August 22, 2013. Our audit addressed the following related questions:

- Has the Board adopted structurally balanced budgets and appropriately planned for the use of fund balance?
- Is District management ensuring that mobile devices are being properly safeguarded, deployed and used in accordance with the District's acceptable-use policy?

Audit Results

The District reported \$195,355 of unexpended surplus fund balance remaining as of June 30, 2013. Given the size of the District's operations this is a dangerously low level. In addition, approximately \$5.3 million in workers' compensation reserve funds were inappropriately used to fund unrelated

¹ The District's inventory record lists the total cost of these assets at \$680,000. However, many devices, including 244 laptops and 17 tablets, did not have a cost listed. Therefore the total cost is much greater than \$680,000.

general fund operating costs. The District's last multiyear financial plan was prepared in June 2012, which included information on past financial trends and projections for revenues and expenditures. The financial plan also included a history of fund balance, which has substantially dwindled over the past six fiscal years. The report does not include projected fund balance. However, the plan warns that the continued use of fund balance would result in the exhaustion of this funding source.

The Board's continued reliance on fund balance as a financing source has negatively impacted the District's financial condition. As it stands, the District has almost completely depleted the general fund's unexpended surplus balance and can no longer rely on it as a source for financing District operations but instead will need to increase revenues and/or reduce appropriations. Any action the Board decides on to rectify the situation should include an evaluation and revision of the adopted budget for the current fiscal year.

We also found that District officials did not establish adequate safeguards over mobile devices, and that District employees did not use mobile devices in accordance with the District's acceptable-use policy. For example, on 23 of the District's 40 mobile devices that we tested, we found indications of personal use such as personal photos, music files, non-District related applications, games, and browsing history related to travel, shopping, personal email, job search and other websites. We also found personal applications² on 16 of the 33 portable media players and tablets that we tested. In addition, 26 of the 33 portable media players and tablets did not require a password or passcode prior to use.

We also found that 25 of the devices that we tested had minimal to no discernible use for District purposes and were used predominantly for personal use, or not at all. We interviewed 19 District employees who had been assigned these mobile devices. Of those employees, 10 had three or more mobile devices assigned to them and eight of the 10 stated that they received no training from the District on how to use them. Also, 15 employees stated that they did not request one or more of the mobile devices that the District assigned to them. As a result of these deficiencies there is an increased risk of unauthorized users gaining access to the District's system and/or system disruptions which could result in the corruption, loss or compromise of the District's critical data and confidential records.

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 take corrective action. Appendix B includes our comment on the issues raised in the District's response letter.

² Including music players, movie and video players, alternate browsers, games and applications for utility providers, banking, social networking, hunting, shopping, sports, news, personal email and fitness

Introduction

Background

The Frontier Central School District (District) is located in the Towns of Hamburg and Eden in Erie County. The District is governed by an elected seven-member Board of Education (Board). The Board 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 District's day-to-day management under the Board's direction. The School Business Manager is responsible for preparing the District's accounting records and financial reports for the Board.

There are six schools in operation within the District, with approximately 5,100 students and 1,000 employees. The District's budgeted appropriations for the 2013-14 fiscal year are \$73.2 million, to be funded primarily with State aid, sales tax and real property taxes. The District reported a total fund balance of \$7.1 million as of June 30, 2013, which decreased from \$14.6 million as of June 30, 2011.

The District has approximately 1,450 mobile computing devices, including approximately 250 portable media devices, 500 tablets and 700 laptops, which were purchased at a cost of more than \$700,000.³ These devices are assigned to administrators, teachers, technology staff and students and some are located on carts for student classroom use.

Objectives

The objectives of our audit were to assess the District's financial condition and mobile devices. Our audit addressed the following related questions:

- Has the Board adopted structurally balanced budgets and appropriately planned for the use of fund balance?
- Is District management ensuring that mobile devices are being properly safeguarded, deployed and used in accordance with its acceptable-use policy?

Scope and Methodology

We examined the District's records and reports for the period July 1, 2010 through August 22, 2013. We also obtained certain financial information subsequent to the end of field work.

³ The District's inventory record lists the total cost of these assets at \$680,000. However, many devices, including 244 laptops and 17 tablets, did not have a cost listed. Therefore the total cost is much greater than \$680,000.

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 take corrective action. Appendix B includes our comment on the 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.

Financial Condition

The Board is 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, together with prudent fund balance management, ensure that sufficient funding will be available to sustain operations, address unexpected occurrences and satisfy long-term obligations or future expenditures. A key component of budgeting is the estimation and use of fund balance, which represents moneys accumulated from prior years. The amount of fund balance retained at year end serves as a financial cushion for unexpected events and maintaining cash flow. District officials should monitor available fund balance throughout the year and ensure that it is not reduced to a dangerous level. Reserve fund moneys should be used in accordance with their statutory provisions. Multiyear financial plans assist officials in planning for the District's future operations.

Since the 2010-11 fiscal year, the District appropriated over \$5.1 million in unexpended surplus funds⁴ which resulted in a dramatic reduction in the District's total fund balance.⁵ In addition, the District inappropriately used \$5.3 million from the workers' compensation reserve to fund general fund operations unrelated to workers' compensation. Over the last four fiscal years, the Board increased the property tax levy an average of \$937,500 (2.85 percent) per year. District officials stated that they needed to use fund balance and reserves to fund operations because of the effects of the tax levy limit, increasing health care and retirement costs and State-mandated expenditures. Finally, the Board has not developed and implemented a multiyear financial plan to assist in determining the funding necessary for District operations.

⁴ The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balance classifications of reserved and unreserved with new classifications: nonspendable, restricted and unrestricted (comprising committed, assigned and unassigned funds). The requirements of Statement 54 are effective for fiscal years ending June 30, 2011 and beyond. To ease comparability between fiscal years ending before and after the implementation of Statement 54, we will use the term "unexpended surplus funds" to refer to that portion of fund balance that was classified as unreserved, unappropriated (prior to Statement 54) and is now classified as unrestricted, minus appropriated fund balance, amounts reserved for insurance recovery and tax reduction, and encumbrances included in committed and assigned fund balance (post-Statement 54).

⁵ Does not include \$2.2 million from a repair reserve which was appropriately used for an ongoing capital project

Budgeting and Fund Balance

Unexpended fund balance represents uncommitted funds. The portion of the unexpended fund balance that is used to help finance the next fiscal year's budget is referred to as appropriated, unexpended surplus fund balance and the remaining portion, which can be used for cash flow purposes and unanticipated expenditures, is unexpended surplus fund balance. Real Property Tax Law currently limits unexpended surplus fund balance to no more than 4 percent of the ensuing fiscal year's budget. Any surplus fund balance over this percentage should be used for non-recurring expenditures or to reduce the upcoming fiscal year's tax levy.

As indicated in Table 1, the District reported \$195,355 of unexpended surplus fund balance remaining as of June 30, 2013. Given the size of the District's operations, this is a dangerously low level.

Table 1: Unexpended Surplus Fund Balance

| | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|--|----------------------|----------------------|----------------------|
| Beginning Fund Balance | \$18,493,193 | \$14,576,578 | \$8,863,376 |
| Revenues | \$67,295,838 | \$67,483,241 | \$69,153,627 |
| Expenditures | \$71,212,453 | \$73,196,443 | \$70,876,726 |
| Operating (Deficit) | (\$3,916,615) | (\$5,713,202) | (\$1,723,099) |
| Year-End Fund Balance | \$14,576,578 | \$8,863,376 | \$7,140,277 |
| Less: Unexpended Surplus Funds Appropriated for the Next Fiscal Year | \$1,250,000 | \$1,250,000 | \$2,611,075 |
| Less: Restricted Fund Balance | \$11,522,327 | \$5,906,858 | \$4,333,847 |
| Unexpended Surplus Fund Balance at Year End | \$1,804,251 | \$1,706,518 | \$195,355 |

While the Board kept its property tax increases relatively low, its continued reliance on fund balance as a financing source has negatively impacted the District's financial condition. If actual revenues and expenditures for the 2013-14 fiscal year mirror the 2013-14 adopted budget, the \$2.6 million of fund balance that is appropriated in the 2013-14 budget will be spent and the District's unexpended surplus fund balance will remain at \$195,355 as of June 30, 2014. However, unlike previous fiscal years, there would be very little fund balance available to be used as a financing source in the 2014-15 annual budget. The Board would therefore need to raise real property taxes or find other revenue sources for the 2014-15 fiscal year to maintain current service levels or otherwise significantly reduce appropriations. Any action the Board decides to take to rectify the situation should include an evaluation and revision of the adopted budget for the current fiscal year.

Workers' Compensation Reserve

The District established this reserve in the 1990s when the decision was made to self-insure for workers' compensation claims. Moneys set aside in reserves must be used in strict compliance with statutory provisions which determine how they are established, funded,

expended and discontinued. According to General Municipal Law, expenditures from this reserve must be related to the workers' compensation program. If the Board determines that the reserve is overfunded, it may transfer excess funds to another reserve or use the moneys to finance the appropriation for workers' compensation included in the annual budget.

Over the course of three fiscal years, the reserve's balance decreased by \$7.2 million, from \$9.3 million to \$2.1 million. This occurred as a result of Board-approved transfers from the reserve to general fund balance of \$2.4 million (2010-11), \$3.4 million (2011-12) and \$1.5 million (2012-13).⁶ During the same three-year period, the District's amended budget appropriations for workers' compensation costs totaled \$1.9 million. Therefore, approximately \$5.3 million in workers' compensation reserve funds were inappropriately used to fund operating costs unrelated to self-insuring for workers' compensation claims. Had the inappropriate transfers from the reserve to the general fund not been made, the unexpended fund balance at June 30, 2013 would have been in a deficit position of more than \$5.1 million.

Multyear Financial Plan

Multyear financial planning is a critical tool for school districts and particularly for those that are financially stressed. Planning on a multyear basis helps identify structural imbalances between revenues and expenditures and allows school district officials to set long-term priorities and goals. Projecting operations for several years into the future provides a basis for assessing the impact and merits of alternative approaches to addressing financial problems. It also helps in projecting financial activity to avoid sudden and severe cost-cutting measures. Any long-term financial plan should be monitored and updated on an ongoing basis to ensure that decisions are guided by the most accurate information available.

The Board did not develop and implement a current multyear financial plan. The District's last financial plan was prepared in June 2012. This plan included information on past financial trends and projections for revenues and expenditures. The plan also included a history of fund balance, which has substantially dwindled over the past six fiscal years. The report does not include projected fund balance, although it warns that the continued use of fund balance would result in the exhaustion of this funding source. A comprehensive, multyear financial plan could assist officials in improving the District's financial condition.

⁶ Total transferred from reserve (\$7.3 million), net of interest earned (\$116,000), results in a net decrease of \$7.2 million.

Recommendations

1. District officials should reduce their reliance on fund balance as a financing source in the current fiscal year and evaluate and modify estimated revenue sources and budgeted appropriations, where necessary.
2. The workers' compensation reserve should only be used in accordance with statute. If the Board determines that the reserve is over-funded, the excess balance should be used to fund other reserves or the annual budget appropriation for workers' compensation costs.
3. The Board should develop and implement a multiyear financial plan. Multiyear financial plans should be reviewed by the Board and updated at least annually. The Board should modify the plans and projections as necessary and use them to measure the District's progress toward achieving and sustaining fiscal stability.

Mobile Devices

Good internal controls over mobile devices require that the Board establish policies and procedures to protect the District's computing environment and provide clear guidance to employees using these devices. For example, the Board should adopt policies relative to acceptable computer use, granting access rights and disaster recovery. Computer usage should be regularly monitored for compliance with the established policies. Such monitoring should include periodic scans of computer hard drives and an analysis of Internet activity.

We found that District officials did not establish adequate policies and procedures for mobile devices and ensure that District employees used mobile devices in accordance with its acceptable-use policy. As a result of these deficiencies, there is an increased risk of unauthorized users gaining access to the system and/or system disruptions which could result in the corruption, loss or compromise of the District's critical data and confidential records.

Policies and Procedures

A good system of internal control starts with policies to define appropriate user behavior and the tools and procedures necessary to protect information systems. Such policies should include procedures governing the acceptable use of computers, Internet access and email, and procedures for information security, virus protection and password security. Policies over mobile devices, which have different functionalities than a regular computer, should define the devices covered, procedures for reporting lost or stolen devices, the manner in which the devices are to be stored/secured, the process for connecting devices to the system and other user responsibilities.

While comprehensive computer-use policies do not guarantee the safety of the District's electronic information, the lack of such policies significantly increases the risk that hardware and software systems and the data they contain may be lost or damaged by inappropriate use. It also leaves the District vulnerable to risks associated with personal use, including computer viruses and spyware.

The District does not have a policy that specifically addresses the use of mobile devices. However, the District has an acceptable-use policy which states that the technology services provided by the District are not intended to be used for personal recreation or self-discovery purposes.

Safeguarding Assets

Appropriate safeguards over District information technology (IT) assets include password protection and limiting administrative rights, including the installation of software and applications, to IT staff. In addition, District officials should disable programs and applications that are not for instructional or educational purposes.

The District does not require password protection on portable media devices or on tablets, allowing anyone to gain access to the information on the device if it is lost, stolen or inappropriately accessed by someone other than the authorized user. The District does not limit administrative access rights, on any device, to IT staff, allowing staff to download and install any program or application to their mobile devices. In fact, the District allows employees to use a personal user ID to download applications to portable media devices and tablets, leaving no way for the District to control what applications are downloaded. Finally, the District does not have any restrictions on these devices, such as disabling certain applications including the application store and music store, and other pre-installed applications.

Due to these control weaknesses, we judgmentally selected a sample of 64 mobile devices listed on the District's inventory. We tested 40 of these devices⁷ and found the following:

- Twenty-three of the mobile devices had evidence of personal use. For example, we found personal photos, music files, non-District related applications, games, and browsing history related to travel, shopping, personal email, job search and other websites indicative of personal use.
- Thirty-three of the mobile devices were portable media players and tablets. We reviewed the applications installed on these devices and found that 16 contained personal applications, including music players, movie and video players, alternate browsers, games, and applications for utility providers, banking, social networking, hunting, shopping, sports, news, personal email and fitness.
- Twenty-six of the 33 portable media players and tablets did not require a password or passcode prior to use.

Our audit test results demonstrate that District employees are not adhering to the acceptable-use policy. This increases the risk that unauthorized users could inappropriately gain access to the mobile

⁷ Of the 64 devices selected, 11 were assigned to teachers who we were unable to contact during our fieldwork, six were actually assigned to students, two were located in a room that was destroyed during construction work, two were reset prior to our review, one was unable to be accessed due to construction work, one was password protected and we were unable to contact the user and one was broken.

devices or the District's network and change, destroy or manipulate data and computerized assets.

Deployment

It is important for the Board and District officials to take an active role in monitoring operations to provide reasonable assurance that District assets are adequately deployed to prevent waste and abuse by District employees. We found that certain District employees had been assigned a desktop, a laptop and one or more mobile devices. We question whether individual District employees required the use of all of this equipment.

Of the 40 mobile devices tested, we found that 25 devices had minimal to no discernible use for District purposes and were used predominantly for personal use, or not at all. We interviewed 19 District employees who had been assigned these mobile devices. Of those employees, 10 had three or more mobile devices assigned to them and eight of the 10 stated that they received no training from the District on how to use them. Also, 15 employees stated that they did not request one or more of the mobile devices that the District assigned to them.

When we asked District officials why employees had multiple mobile devices, they stated that it was due to testing the various devices to determine which ones would be suitable for District needs. However, there was no designated timeframe for this testing or written reports provided to IT staff on the results of the testing. District officials stated that the testing lasts until the employee leaves the District or decides to return the device for deployment to another individual.

Recommendations

4. The Board should establish comprehensive policies and procedures for mobile devices.
5. District management should implement safeguards over mobile devices including passwords and limiting administrative access, including the download and installation of programs and applications, to only IT staff.
6. District IT staff should monitor compliance with and enforce the District's acceptable-use policy.
7. The Board should establish policies for assigning mobile devices to ensure that they are being deployed in the most cost effective manner.
8. District management should ensure that staff who are assigned mobile devices are properly trained to enhance their use of the devices and increase security awareness.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

SCHOOL BOARD
Janet MacGregor Plarr, President
Martin Lalka, Vice-President
Larry J. Albert
Thomas M. Best, Jr.
Patrick T. Boyle
Jack D. Chiappone
Lynn M. Szalkowski

FRONTIER CENTRAL SCHOOL DISTRICT
FRONTIER EDUCATIONAL CENTER
5120 ORCHARD AVENUE
HAMBURG, NY 14075-5657

DISTRICT OFFICERS
Janet MacGregor Plarr, President
Martin Lalka, Vice-President
James Pelonero, Treasurer
Paul G. Hashem, Interim Superintendent
Telephone Number (716) 926-1711
Fax Number (716) 926-1756

February 12, 2014

By Hand Delivery and Electronic Mail

Hon. Thomas P. DiNapoli
New York State Comptroller
295 Main Street, Room 1050
Buffalo, New York 14203-2510

Re: Frontier Central School District

Dear Comptroller DiNapoli:

The following constitutes the Frontier Central School District's response to the Report of Examination issued by your office which is entitled "*Financial Condition and Mobile Devices*." The Report of Examination covers the District's fiscal operations during the period July 1, 2010 through August 22, 2013.

We would first like to once again express our appreciation for the professional and courteous manner in which your staff conducted its audit responsibilities.

The District's Board of Education and Administration remains committed to ensuring that the District's financial operations are conducted with the highest level of integrity and that the interests of the District's taxpayers are properly protected.

The District is currently in the process of preparing its Corrective Action Plan to fully address the findings and recommendations in the Report of Examination, and that Plan will be filed within the timeline specified by law. The District does, however, wish to take this opportunity to respond to certain aspects of the Report of Examination, which are as follows:

1) Budgeting and Fund Balance (Report of Examination, pp. 8-9):

Item: *The Report of Examination notes that the District's unexpended surplus fund balance has declined from the 2010-11 fiscal year to the 2012-13 fiscal year.*

Response: As a first matter, the Report of Examination correctly notes that the District's application of unexpended surplus fund balance over the fiscal years at issue resulted in "relatively low" property taxes, as every dollar the District was able to use from such available fund balance protected District taxpayers from larger property tax increases during this time period.

It is important to recognize that the Board and the Administration have at all times acted in the best interests of the District and its taxpayers with regard to the budgeting process. The District has consistently approached the budget process to ensure, to the extent possible, given the restrictions imposed by the Tax Cap and unfunded mandates that the District's educational program would not be disrupted by budgetary shortfalls, and that the District's taxpayers would not be subjected to wildly fluctuating tax rates.

2) Workers' Compensation Reserve (Report of Examination, pp. 9-10):

Item: *The Report of Examination notes the District's transfer of Workers' Compensation Reserve Funds to the District's General Fund*

Response: The Report of Examination correctly notes that the District's transfer of unused Workers' Compensation Reserve funds allowed the District to maintain a positive unexpended surplus fund balance amount.

The law permitting the establishment and operation of a Workers Compensation Reserve (General Municipal Law § 6-j) provides as follows with regard to the use of excess funds in the Reserve:

"If at the end of any fiscal year the monies in such fund shall exceed the amounts required to be paid pursuant to subdivision four of this section plus any additional amount required to pay all pending claims, the governing board of the municipal corporation, school district, board of cooperative educational services or fire district may, within sixty days of the close of such fiscal year, elect to: (a) transfer said excess, or any part thereof, to any fund authorized by this article or section thirty-six hundred fifty-one of the education law; and/or (b) apply said excess, or any part thereof to the budget appropriation of the next succeeding fiscal year."

The District determined, during the course of the three fiscal years at issue, that the Reserve held excess monies, and the District determined to return such excess monies to the District's taxpayers under the authority granted in Section 6-j, thereby protecting taxpayers from higher property tax increases. The Report for Examination suggests that excess funds from a Workers Compensation Reserve may be applied to finance the appropriation for workers' compensation costs *only*. However, the statute itself contains no such limiting language, and clearly authorizes application to the budget appropriation generally in the manner undertaken by the District.

See
Note 1
Page 19

3) Multiyear Financial Planning (Report of Examination, p. 10):

Item: *The Report of Examination notes that the District's last multiyear financial plan was prepared in June 2012.*

Response: The District has engaged in multiyear financial planning in the past, and is continuing to do so on an annual basis under the current Board of Education and administration.

4) Mobile Devices (Report of Examination, pp. 11-13):

Item: *The Report of Examination reviewed the District's policies relating to mobile devices.*

Response: Although not noted in the Report of Examination, the District has for many years implemented a random audit program to determine whether mobile devices issued to District personnel have been used for personal purposes in violation of the District's adopted acceptable use policy. The results of such audits will now be logged. In addition, it is important to note that when mobile devices were first assigned by the District, passcodes were not available on the devices, and that the District is now implementing a retrofitting program to install passcodes on all District mobile devices.

With regard to mobile device use, the District has partnered with Erie I BOCES to install an Internet Filter to block sites that would put the District at risk. In addition, the District's Technology Coordinator of Education Information Technology randomly scans District computers on a daily basis to ensure acceptable use. The District continues to explore policy amendments to effectively respond to the rapidly changing technology environment.

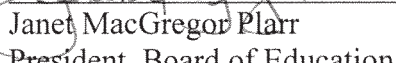
The District also notes that District's employees are required to sign an acceptable use form when assigned mobile devices, and the District has had an annual canvassing program in place by which the District has attempted to confirm whether District personnel had a continuing District purpose for the use of an assigned mobile device. The District has also, within budgetary constraints, provided some training options for District employees on the use of mobile devices.

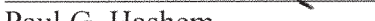
With regard to the few District employees who have been assigned multiple mobile devices, it is important to note that these employees are District technology team members, who must familiarize themselves with the range of devices utilized by the District in order to ensure that they can capably test, service and repair such devices.

Conclusion

Once again, the District's Board of Education and Administration wish to express their appreciation for the Comptroller's assistance during this audit, which will no doubt benefit the District and its taxpayers by identifying additional ways to strengthen the District's financial operations. Please let us know if your office has any questions regarding the District's response to the Report of Examination, and the District looks forward to future opportunities to work with the Comptroller's office.

Very Truly Yours,


Janet MacGregor Plarr
President, Board of Education


Paul G. Hashem
Interim Superintendent of Schools

APPENDIX B

OSC COMMENT ON THE DISTRICT'S RESPONSE

Note 1

General Municipal Law Section 6-J states that excess moneys in this reserve may be transferred to another reserve or applied to the budget appropriation. As these moneys were set aside for workers' compensation, they should only be used to fund workers' compensation appropriations in the annual budget or transferred to another reserve.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets for the period July 1, 2010 through August 22, 2013. To accomplish this, our initial assessment included a review of financial condition, accounts payable, payroll, cash receipts, IT, food services and transportation. During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedures, Board minutes, and financial records and reports. In addition, we reviewed the District's internal controls and procedures over its computerized financial systems to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected financial condition and mobile devices for further audit testing.

To accomplish our objectives, we performed the following procedures.

Financial Condition:

- We reviewed financial condition related policies and procedures.
- We interviewed District officials regarding the District's financial condition.
- We reviewed adopted budgets, financial statements, financial reports and other relevant supporting schedules.

Mobile Devices:

- We reviewed policies and procedures for IT and mobile devices.
- We interviewed IT staff regarding how mobile devices are distributed, secured and monitored.
- We interviewed District staff who were assigned mobile devices.
- We reviewed a judgmental sample of mobile devices and determined usage. Devices were selected by individual to include employees with multiple devices and employees with different titles.
- We reviewed the list of applications purchased/downloaded by the District.

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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