



Oysterponds Union Free School District

Financial Management, Check Signing and Information Technology

Report of Examination

Period Covered:

July 1, 2012 — October 31, 2013

2014M-10



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 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 Oysterponds Union Free School District, entitled Financial Management, Check Signing and Information Technology. 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 Oysterponds Union Free School District (District) is governed by the Board of Education (Board) which comprises seven 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.

The District operates one school, kindergarten through sixth grade, with approximately 80 students and 50 employees. About 80 District students attend grades 7 through 12 in the neighboring Greenport Union Free School District. The District's expenditures for the 2012-13 fiscal year totaled \$5.4 million, including \$1.1 million in tuition costs for the grade 7 through 12 students, funded primarily with real property taxes, State aid and grants.

Scope and Objectives

The objectives of our audit were to assess selected District financial operations and controls over information technology (IT) for the period July 1, 2012 through October 31, 2013. We extended our scope back to July 1, 2009 to evaluate the District's financial condition and to provide additional information for perspective and background. Our audit addressed the following related questions:

- Did the Board provide adequate oversight and management of the District's budget and financial condition?
- Did the Board properly authorize one or more individuals to sign District checks?
- Did the Board appropriately design and adequately implement policies over IT to ensure that electronic data is adequately safeguarded?

Audit Results

The Board needs to improve its oversight and management of the District's budget. Over the last four fiscal years, the District's conservative budgeting practices resulted in operating surpluses that totaled approximately \$164,000. To reduce fund balance, the Board appropriated unexpended surplus funds¹ each year, for a four-year total of nearly \$1.3 million, to help finance the ensuing year's

¹ 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, less any amounts appropriated for the ensuing year's budget (after Statement 54).

operations. However, because of the District's surpluses, approximately \$1 million of the fund balance appropriations over the four years went unused. As a result, the District accumulated unexpended surplus funds equivalent to 11 percent of the ensuing years' budgets, or nearly three times the amount allowed by law. Further, we found that the amount retained in the District's retirement contribution reserve is excessive and the District made retirement payments out of the general fund rather than the reserve fund. These ongoing budgeting practices resulted in taxpayers paying more than necessary to sustain District operations.

The Board improperly appointed its President, in place of the Treasurer, as the sole signatory on District checks under \$5,000, with its Vice President as co-signor for all District checks over \$5,000. This Board action allowed one of its members to, in effect, also act as Treasurer for the purpose of disbursing District funds, which is prohibited by Education Law. By usurping the Treasurer's disbursement functions, the Board has diminished an important segregation of functions and compromised the checks and balances that are designed to help ensure that District moneys are properly expended.

The Board has not developed and adopted policies, including a disaster recovery plan and a breach notification policy, to ensure the District's electronic data is adequately safeguarded. As a result, the District's IT system and electronic data are at risk of loss or damage. Finally, the District may not be prepared to fulfill its legal obligation to notify affected individuals in the event that private information is compromised.

Comments of District Officials

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

Introduction

Background

The Oysterponds Union Free School District (District) is located in the Town of Southold, in Suffolk County. The District is governed by the Board of Education (Board) which comprises seven 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. The Treasurer is custodian of all District moneys, responsible for all deposits and disbursements and is authorized to sign all District checks.

The District operates one school, kindergarten through sixth grade, with approximately 80 students and 50 employees. About 80 District students attend grades 7 through 12 in the neighboring Greenport Union Free School District. The District's expenditures for the 2012-13 fiscal year totaled \$5.4 million, including \$1.1 million in tuition costs for the grade 7 through 12 students, funded primarily with real property taxes, State aid and grants.

Objectives

The objectives of our audit were to evaluate selected District financial operations and controls over information technology (IT). Our audit addressed the following related questions:

- Did the Board provide adequate oversight and management of the District's budget and financial condition?
- Did the Board properly authorize one or more individuals to sign District checks?
- Did the Board appropriately design and adequately implement policies over IT to ensure that electronic data is adequately safeguarded?

Scope and Methodology

We assessed the District's financial condition, check signing procedures and IT policies for the period July 1, 2012 through October 31, 2013. We extended our scope back to July 1, 2009 to evaluate the District's financial condition and to provide additional information for perspective and background. Our audit found additional areas in need of improvement concerning IT controls. Because of the sensitivity of some of this information, certain vulnerabilities are not addressed in this report, but have been communicated confidentially to District officials so that they could take corrective action.

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

**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 generally 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 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 Management

The Board and Superintendent are responsible for making sound financial decisions that are in the best interests of the District, the students it serves, and the taxpayers who fund the District's programs and operations. Prudent fund balance management, along with sound budgeting practices based on accurate estimates, helps ensure that sufficient funding will be available to sustain operations, address unexpected occurrences and satisfy long-term obligations or future expenditures. Accurate budget estimates also help ensure that the real property tax levy is not greater than necessary. District officials must ensure that budgets are prepared, adopted and modified in a prudent manner, accurately depicting the District's financial activity while also using available resources effectively. Sound fiscal management also includes maintaining sufficient balances in reserves to address long-term obligations or planned expenditures. District officials should adopt a policy governing the use of reserve funds and ensure that residents are fully informed of all reserve funding and activity.

The Board needs to improve its oversight and management of the District's budget. Over the last four fiscal years, the District's conservative budgeting practices resulted in operating surpluses that totaled approximately \$164,000. To reduce fund balance, the Board appropriated unexpended surplus funds² each year, for a four-year total of nearly \$1.3 million, to help finance the ensuing year's operations. However, because of the District's surpluses, approximately \$1 million of the fund balance appropriations over the four years went unused. As a result, the District accumulated unexpended surplus funds equivalent to 11 percent of the ensuing years' budgets, or nearly three times the amount allowed by law. Further, we found that the amount retained in the District's retirement contribution reserve is excessive and the District made retirement payments out of the general fund. These ongoing budgeting practices resulted in taxpayers paying more than necessary to sustain District operations.

² 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, less any amounts appropriated for the ensuing year's budget (after Statement 54).

Budgeting and Use of Fund Balance

The Board is responsible for preparing and presenting the District budget for voter approval. In preparing the budget, the Board must estimate revenues (e.g., State aid), expenditures, and the amount of unexpended surplus funds that will be available at fiscal year-end (some or all of which may be used to fund the ensuing year’s appropriations and to balance the budget). After taking these factors into account, the Board should determine the expected tax levy necessary to fund operations. Accurate estimates help ensure that the levy of real property taxes is not greater than necessary.

Fund balance represents resources remaining from prior fiscal years. A school district may retain a portion of fund balance at year end for purposes of cash flow or unexpected expenses. However, Real Property Tax Law requires that unexpended surplus fund balance cannot exceed 4 percent of the ensuing year’s appropriations. Districts may establish reserve funds to restrict a portion of fund balance for a specific purpose, in a reasonable amount and in compliance with statutory directives. However, school district officials should not appropriate fund balance or establish reserves simply to circumvent the 4 percent statutory limit.

The District reported year-end unexpended surplus funds at levels that exceeded the 4 percent limit for fiscal years 2009-10 through 2012-13. This occurred despite District officials appropriating fund balance and setting aside reserves. District officials’ appropriation of fund balance aggregated to nearly \$1.3 million over the past four years, which should have resulted in planned operating deficits. However, because the District significantly underestimated revenues and/or overestimated expenditures in its adopted budgets, it experienced large operating surpluses in two of those years and smaller than expected operating deficits in the other two years. Therefore, the District did not need the appropriated fund balance included in each year’s budget. For that period, actual revenues exceeded expenditures by a total of more than \$1.4 million and only \$205,139 of the nearly \$1.3 million of appropriated fund balance was used to finance operations.

Table 1: General Fund Operating Results and Appropriated Unexpended Surplus

Fiscal Year	Revenues	Expenditures	Operating Surplus/(Deficit)	Appropriated Unexpended Surplus	Appropriated Unexpended Surplus Used
2009-10	\$5,472,305	\$5,288,161	\$184,144	\$170,000	\$0
2010-11	\$5,496,017	\$5,310,860	\$185,157	\$400,000	\$0
2011-12	\$5,312,081	\$5,510,028	(\$197,947)	\$500,000	\$197,947
2012-13	\$5,356,999	\$5,364,191	(\$7,192)	\$200,000	\$7,192
Totals	\$21,637,402	\$21,473,240	\$164,162	\$1,270,000	\$205,139

The District’s practice of consistently appropriating fund balance that was not needed to finance operations contributed to the District’s

unexpended surplus fund balance exceeding the statutorily allowed limit of 4 percent in each of the last four years. Based on the unexpended surplus funds the District appropriated in the budgets for fiscal years 2009-10 through 2012-13, the District maintained unexpended surplus fund balances of 10 percent to 11 percent, or nearly four times the allowed 4 percent maximum.

Table 2: Unexpended Surplus Funds				
	2009-10	2010-11	2011-12	2012-13
Unexpended Surplus Funds	\$563,068	\$610,929	\$533,710	\$574,807
Ensuing Year's Budgeted Appropriations	\$5,546,865	\$5,624,644	\$5,353,895	\$5,350,310
Unexpended Surplus Funds as a Percentage of the Ensuing Year's Budgeted Appropriations ^a	10%	11%	10%	11%
^a The percentages were calculated by dividing the end of the year unexpended surplus funds less encumbrances by the next year's adopted budgeted appropriations.				

At the end of fiscal years 2011-12 and 2012-13, District officials attempted to reduce the District's unexpended surplus fund balance by establishing a capital reserve fund. However, the creation of a capital reserve requires voter approval, which the District was unable to obtain in either year. The District has not taken alternative actions to reduce its excessive fund balance. Had District officials used more realistic budget estimates, they could have avoided the accumulation of excess fund balance and possibly reduced the tax levy.

Retirement Contribution Reserve Fund

Reserve funds may be established by Board action, pursuant to various laws, to provide financing for specific purposes. The statutes under which the reserves are established determine how the reserves may be funded, expended or discontinued. Generally, school districts are not limited as to how much money can be held in reserves, but should maintain reserve balances that are reasonable. General Municipal Law (GML) restricts the use of the retirement contribution reserve fund to payments to the New York State and Local Retirement System (NYSLRS).

Overfunding reserves can result in real property tax levies that are higher than necessary because the reserve funds are not being used to finance operations. The Board should have a formal plan for the use of its reserves, including how and when disbursements should be made, optimal targeted funding levels, and procedures for maintaining appropriate documentation to account for and monitor reserve activity and balances.

Even though the District funded this reserve with excess fund balance totaling \$160,470 in the last four years, the Board consistently budgeted for and paid retirement contributions each fiscal year

directly from the general fund. The District paid approximately \$162,000 over the past four years from the general fund for retirement contribution payments, with none of these annual payments being more than \$52,667. Therefore, the Board levied real property taxes to make these annual contributions while also increasing the reserve fund without using it.

By maintaining excessive and/or unnecessary reserves, combined with ongoing budgeting practices that generate repeated operating surpluses, the Board and District officials have withheld significant funds from productive use and levied more property taxes than necessary.

Recommendations

1. The Board should develop and adopt budgets that include realistic estimates of revenues and expenditures.
2. The Board should discontinue the practice of adopting budgets that result in the appropriation of unexpended surplus funds that will not be used.
3. The Board should ensure that the amount of the District's unexpended surplus fund balance is in compliance with Real Property Tax Law statutory limits.
4. District officials should develop a plan for the use of the surplus funds identified in this report in a manner that benefits District taxpayers. Such uses could include, but are not limited to:
 - Increasing necessary reserves,
 - Paying off debt,
 - Financing one-time expenses and
 - Reducing District property taxes.
5. The Board should review its retirement contribution reserve fund and determine if the amount reserved is necessary, reasonable and in compliance with statutory requirements. To the extent that it is not, transfers should be made to other reserves established and maintained in compliance with statutory directives.

Check Signing

Education Law establishes the Treasurer as the custodian of all District moneys, responsible for depositing such moneys in designated banks and disbursing them, generally only upon receipt of a signed warrant or certified payroll. The Treasurer is authorized to sign all checks issued on the District's behalf. Education Law prohibits Board members from holding the office of Treasurer. However, the Board may, in its discretion, require another District officer, including a Board member, to countersign District checks. In addition, the Board may, by resolution, designate one of its members (other than one authorized to countersign) to sign checks in the absence or inability of either the Treasurer or the District officer who is authorized to countersign checks. The Board may also appoint a Deputy Treasurer to sign checks in the Treasurer's absence or inability.

At the July 2012 and 2013 organizational meetings, in addition to appointing the Treasurer position, the Board appointed its President as the sole signatory on all checks under \$5,000, with the Vice President as co-signor for all District checks above \$5,000. During our audit period, the District issued 961 checks totaling \$5,812,677, all signed by the Board President. By allowing one of its members to sign checks under \$5,000 as a sole signatory, the Board allowed the member to, in effect, also act as Treasurer for the purpose of disbursing District funds, which is prohibited by Education Law. Furthermore, the Board inappropriately curtailed the Treasurer's duties and responsibilities when it authorized its President to sign all District checks as sole signatory in place of the Treasurer, instead of only in her absence or inability.

By usurping the Treasurer's disbursement functions, the Board has diminished an important segregation of functions and compromised the checks and balances that are designed to help ensure that District moneys are properly expended.

Recommendations

6. The Board should discontinue the practice of authorizing and allowing the Board President to sign District checks as the primary and sole signatory.
7. The Treasurer, or a Board-designated Deputy Treasurer, must sign all District checks.
8. The Board should ensure that any alternate signatory it may designate does not sign checks on a regular basis, but only in the Treasurer's absence or inability.

Information Technology

The District relies on a computerized system for many functions in its day-to-day operations, including maintaining the District's financial data, processing payrolls, generating reports for making financial decisions and reporting to State and Federal agencies. If the system on which this data is stored fails or the data is lost or altered, intentionally or unintentionally, the results could range from inconvenient to catastrophic. Even small disruptions in electronic data systems can require extensive effort to evaluate and repair.

The Board should have a written plan that details the procedures to be followed and parties responsible to resume business operations in the case of a disaster. The Board should also have a breach notification policy detailing how it would notify individuals whose private information was, or is reasonably believed to have been, acquired by a person without a valid authorization. We found that the Board has not developed and adopted policies, including a disaster recovery plan and a breach notification policy, to ensure electronic data is adequately safeguarded.

Disaster Recovery Plan

A disaster recovery plan is intended to identify and describe how District officials plan to deal with potential disasters. Such disasters may include any sudden, catastrophic event (e.g., fire, computer virus, or deliberate or inadvertent employee action) that compromises the availability or integrity of the IT system and data. Contingency planning to prevent loss of computer equipment and data should include procedures for recovery in the event of an actual loss. The plan needs to address the roles of key individuals and should include the precautions to be taken to minimize the effects of a disaster so officials and staff will be able to maintain or quickly resume day-to-day operations. Disaster recovery planning also involves an analysis of continuity needs and threats to business processes and may include significant focus on disaster prevention.

The District does not have a written disaster recovery plan. As a result, there is an increased risk of loss of computer equipment and data, and that operations may not promptly be resumed in the event of a disaster. District officials indicated they would develop a disaster recovery plan going forward.

Breach Notification Policy

An individual's private and/or financial information, along with confidential business information, could be severely impacted if security is breached or personal data is improperly disclosed. Although

New York State Technology Law³ does not specifically require school districts to establish an information breach notification policy, it is a good practice for school districts to adopt a breach notification policy to detail how District officials would notify individuals whose private information was, or is reasonably believed to have been, acquired by a person without a valid authorization. The disclosure should be made in the most expedient time possible, consistent with the legitimate needs of law enforcement or any measures necessary to determine the scope of the breach and reasonably restore the data system's integrity.

The Board has not adopted a breach notification policy. As a result, in the event that private information is compromised, District officials and employees may not understand or be prepared to notify affected individuals.

Recommendations

9. The Board should develop a formal, written disaster recovery plan.
10. District officials should develop a breach notification policy detailing how the District would notify its residents or employees, in a timely manner, in the event of a breach.

³ State Technology Law requires cities, counties, towns, villages and "other local agencies" to develop an information breach notification policy that is consistent with Section 208. It is not clear that the Legislature intended school districts to be included within the scope of the term "other local agencies."

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

The District's response letter includes attachments that support the response letter. Because the District's response letter provides sufficient detail of its actions, we did not include the attachments in Appendix A.



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ORIENT NY 11957

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Richard C. Malone
Superintendent of Schools

March 18, 2014

Hauppauge Regional Office
Office of the State Comptroller
NYS Office Building, Room 3A10
Veterans Memorial Highway
Hauppauge, New York 11788-5533

Dear Sirs.

The Board of Education and the administration of the Oysterponds U.F.S.D. in Orient are grateful to the representatives of the Hauppauge Regional Office for the time and effort they have expended to create the Report of Examination #2014M-10 covering financial management, check signing and information technology. We agree that all recommendations provide opportunities for improvement and to that end please accept this letter as a response and a Corrective Action Plan, representing both the Board of Education and the administration of the district.

Unit Name: Oysterponds Union Free School District
Audit Report Title: Financial Management, Check Signing and Information Technology
Audit Report Number: 2014M-10

1. Audit Recommendation

The Board needs to improve its oversight and management of the District's budget.

Implementation Plan of Action

The Board recognizes that over the last four fiscal years budgeting practices have resulted in operating surpluses. The Board has been reducing the operating surpluses on an annual basis by estimating more realistic revenues and expenditures beginning with the 2012/2013 budget. One area of constant concern is budgeting tuition rates for our students in grades 7-12 attending school in our neighboring district. At the time of budget preparation the Board and Administration use estimated Seneca Falls tuition rates and over the last two years the District has had an unexpended surplus in the appropriation of the Seneca Falls tuition rates due to these estimates.

The Board has developed a plan for the use of the surplus funds by trying to establish a Capital Reserve Fund to help future building improvements, renovations to the facilities, health & safety concerns, and on-going technology upgrades for educational programs. Unfortunately the proposition to adopt the fund has been voted down during the last two annual budget votes. The Board has decided to put the referendum up again at the May 20, 2014 budget vote.

The Board will review its retirement contribution reserve fund to determine if the amount reserved is necessary, reasonable and in compliance with statutory requirements. The Board will act on any decision by board resolution.

Implementation Date

February 11, 2014 & June 30, 2014

Person Responsible for Implementation

Board of Education & District Administration

2. Audit Recommendation

The Board inappropriately appointed its President, in place of the Treasurer, as the sole signatory on District checks under \$5,000, with its Vice President as co-signor for all District checks over \$5,000.

Implementation Plan of Action

By Board of Education motion, the District Treasurer will be the sole signor on all District checks under \$5,000. By further motion the Board will designate an alternate signor, who will not sign checks on a regular basis, to sign in the absence or inability of the District Treasurer. In addition, the Board will designate two board members (Board President excluded) to countersign checks over \$5,000. Current District Policies on authorized signatures will be revised and readopted by the Board of Education.

Implementation Date

January 28, 2014

Person Responsible for Implementation

Board of Education

3. Audit Recommendation

The Board should have a written plan that details the procedures to be followed and parties responsible to resume business operations in the case of a disaster. The Board should also have a breach notification policy.

Implementation Plan of Action

The District is currently undergoing a two (2) year technology infrastructure upgrade. During the second year of the upgrade, beginning 7/1/14, the District will be installing new server infrastructure and implementing a device to handle Disaster Recovery. Upon completion of the project the Superintendent of Schools along with the District's Technology Firm will develop a formal, written disaster recovery plan for the Oysterponds School District. In addition, the Superintendent of Schools will develop and the Board will adopt a breach notification policy and regulations detailing how the District would notify its residents or employees, in a timely manner, in the event of a breach.

Implementation Date

February 11, 2014 & 10/31/14

Person Responsible for Implementation

Superintendent of Schools

Richard Malone, Superintendent

Dorothy-Dean Thomas, President, Board of Education

3/18/14

c: New York State Commissioner of Education

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

We interviewed appropriate District officials to obtain an understanding of the organization and the accounting system and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes, and financial records and reports. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we evaluated the District's internal controls for the risk of potential fraud, theft and/or professional misconduct. We then decided on the reported objectives and scope by selecting for audit the areas most at risk. We selected financial condition, check signing and IT for further audit testing. To accomplish the objective of this audit and obtain valid audit evidence, our procedures included the following:

- We reviewed District policies and procedures regarding budgeting and level of fund balance to be maintained, check signing and IT.
- We obtained an understanding of the District's internal control environment and specific controls that are significant to the District's budget process.
- We compared the amounts reported in the District's externally audited financial statements with a trial balance, Treasurer's reports and bank statements to verify their reliability.
- We analyzed revenue and expenditure trends and budget-to-actual comparisons for the operating funds for fiscal years 2009-10 through 2012-13 and calculated the percentage of unexpended surplus funds compared with budget appropriations.
- We reviewed and analyzed reported fund balance levels in comparison to amounts appropriated in adopted budgets.
- We interviewed District officials and employees to gain an understanding of the internal controls and related procedures regarding reserve funds, including how they were funded and how they were used.
- We reviewed reserve funds to ensure that they were adequately funded and in compliance with applicable laws.
- We interviewed District officials, including the Treasurer, Superintendent and Board members, to gain insight and understanding into the District's check signing procedures.
- We had discussions with officials and personnel, who were familiar with the District's IT system, regarding internal controls over IT.

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 C

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