



**THOMAS P. DINAPOLI**  
COMPTROLLER

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

**ANDREW A. SANFILIPPO**  
EXECUTIVE DEPUTY COMPTROLLER  
OFFICE OF STATE AND LOCAL GOVERNMENT  
ACCOUNTABILITY  
Tel: (518) 474-4593 Fax: (518) 402-4892

October 10, 2013

Mr. Paul Finch  
Members of the Board of Education  
Red Hook Central School District  
9 Mill Road  
Red Hook, NY 12571

Report Number: 2007M-066-F

Dear Mr. Finch and Members of the Board of Education:

One of the Office of the State Comptroller's primary objectives is to identify areas where school district officials can improve their operations and provide guidance and services that will assist them in making those improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage district officials to reduce costs, improve service delivery, and account for and protect their district's assets. In accordance with these objectives, we conducted an audit of the internal controls to assess the financial operations of the Red Hook Central School District (District). As a result of our audit, we issued a report, dated July 2007, identifying certain conditions and opportunities for District management's review and consideration.

To further our policy of providing assistance to school districts, we revisited the District on August 1, 2013, to review the District's progress in implementing our recommendations. Our follow-up review was limited to interviews with District personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the District has made substantial progress in addressing our recommendations. Of the 13 audit recommendations, seven recommendations were implemented, three recommendations were partially implemented, and three recommendations were not implemented.

### **Recommendation 1 – Segregate Cash Collections**

The Board should establish written policies and procedures to segregate cash collections, cash disbursement, and recordkeeping duties in the Treasurer's office, or it should provide appropriate compensating controls such as requiring the Business Administrator to perform oversight duties of the Treasurer's office.

Status of Corrective Action: Fully Implemented

Observations/Findings: Our review found that the Treasurer's functions have not changed; however, the District implemented compensating controls. The Assistant Superintendent of Business reviews the work performed by the Treasurer and signs off on the following financial activity: all journal entries, budget transfers, cash disbursements, and bank reconciliations. We reviewed the June 2013 financial reports prepared by the Treasurer and found the reports were signed and reviewed by the Assistant Superintendent of Business. Furthermore, we reviewed the access rights of the Assistant Superintendent of Business within the District's computerized accounting software and determined that he is restricted to "view-only" access of the financial reports.

## **Recommendation 2 – Written Authorizations – Interfund Transfers**

The Board should implement procedures to ensure that the Business Administrator provides written authorizations before the Treasurer makes interfund transfers.

Status of Corrective Action: Not Implemented

Observations/Findings: The Treasurer makes interfund transfers, without written authorization, to ensure funds are available before cash is disbursed. However, the District established compensating controls to safeguard the District's funds. The Assistant Superintendent of Business periodically monitors the bank statements and reviews claims and payroll reports before payments are made.

## **Recommendation 3 – Receipts**

The Treasurer should issue receipts for all moneys collected.

Status of Corrective Action: Fully Implemented

Observations/Findings: Our review disclosed that receipts were being issued for all moneys collected. The Treasurer had always issued receipts to individuals from outside of the school population. She now emails employees and other school staff a receipt for items such as extra-curriculum activities or attendance at sporting events. We reviewed a recent transaction in which money was collected and verified that a receipt was issued through email.

## **Recommendation 4 – Budget Monitoring**

The Board should establish procedures to effectively monitor the District's budget and ensure that expenditures and encumbrances are limited to available appropriations.

Status of Corrective Action: Fully Implemented

Observations/Findings: The District has procedures that ensure expenditures and encumbrances are limited to available appropriations. We reviewed March, April, and May 2013 appropriation status reports and found that no accounts were overdrawn. Furthermore, we reviewed a purchase

order in which the budget code did not have sufficient funds. This purchase order was sent back to the requestor until a budget transfer was approved.

### **Recommendation 5 – Enforcement – Procurement Policy**

The Board and District officials should monitor and enforce compliance with the District's procurement policies and regulations relating to verbal quotes.

Status of Corrective Action: Fully Implemented

Observations/Findings: The District monitored and enforced compliance with their procurement policies and regulations, specifically those relating to verbal quotes. We judgmentally selected five purchases from the cash disbursements register that required District officials to obtain verbal quotes as stated in the procurement policy and found that verbal quotes were obtained and documented using a tracking spreadsheet.

### **Recommendation 6 – Purchase Orders**

The Board should implement procedures to ensure that purchase orders are centrally controlled in the Business Office and that District personnel use separate purchase requisitions when making purchases from blanket purchase orders.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Board has implemented procedures that ensure purchase orders are centrally controlled in the Business Office. Purchase order forms come pre-printed with sequential numbering. A clerk in the Business Office will record and track the numbers provided to each school within the District. In addition, all voided forms must be returned to the Business Office. Although a purchase requisition is not used when issuing blanket purchase orders, there are multiple controls in place to ensure those purchases are for valid District purposes.

### **Recommendation 7 – Claims Auditor**

The Board should appoint a claims auditor who is not involved with the accounting and purchasing functions of the District.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board has not appointed a claims auditor who is independent of the purchasing function. The Board appointed the purchasing clerk to serve as the claims auditor. This results in the claims auditor essentially reviewing and approving her own work. This individual is responsible for all facets related to the purchase order process, works within the Business Office, and reports to the Assistant Superintendent of Business. The District's continued practice of appointing a claims auditor who is not independent of the purchasing function is a direct violation of statute and poses a risk for misappropriation of District funds.

## **Recommendation 8 – Fuel Inventories**

The Board should establish policies and procedures over the District's fuel inventories. These policies and procedures should describe the types of records that District personnel should maintain, the reporting requirements to management, and the type of monitoring that department managers should conduct.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Board has not established policies and procedures; however, District officials had implemented procedures to reconcile and track fuel inventory. The District installed an electronic fuel inventory system which permits the District to track all usage. The system allows for "on-demand" reporting, which can provide District officials with up-to-date inventory, usage, and delivery amounts. Fuel usage is controlled through the use of electronic cards specific to a vehicle and personal identification numbers (PINs) specific to an employee. In addition, the head mechanic reconciles the fuel deliveries against consumption daily. He also compares stick readings with pump odometer readings of amounts delivered. We reviewed the reports and found them to be adequate.

## **Recommendation 9 – Internal Auditor**

The Board, or an internal auditor under the guidance of the Board's audit committee, should perform periodic analytical reviews of the fuel inventory records.

Status of Corrective Action: Not Implemented

Observations/Findings: Neither the Board nor an internal auditor conducts a periodic analytical review of the fuel inventory records. Further, the Board does not receive reports relating to fuel inventory.

## **Recommendation 10 – Cellular Phone Policy**

The Board should revise the District's cellular phone policy to require employees who have District cellular phones to indicate to the Business Office which calls are personal and to reimburse the District for such calls. The Board also should monitor employees' compliance with the District's usage policy.

Status of Corrective Action: Partially Implemented

Observations/Findings: While we found that the Board did not revise the District's cellular phone policy, we verified that employees are documenting personal calls. However, the District did not require employees to reimburse the District for personal calls as required by the policy. We reviewed the June 2013 cellular phone statements for all employees who are issued cellular phones and we verified that all employees are highlighting calls that were made for personal use.

### **Recommendation 11 – Code of Ethics**

The Board should review and revise its code of ethics to address situations where District officials and employees have interests in contracts with the District.

Status of Corrective Action: Fully Implemented

Observations/Findings: The code of ethics policy properly addresses situations where District officials and employees have interests in contracts with the District.

### **Recommendation 12 – Conflict of Interest**

The Board should ensure that every District officer or employee who has an interest in any contract with the District discloses their interest in writing to the Board.

Status of Corrective Action: Fully Implemented

Observations/Findings: District policy requires officials to disclose their interests. District officials provided us with signed conflict of interest statements and letters from individuals that were submitted to the Board disclosing financial and employment interests with entities with which the District has business relations.

### **Recommendation 13 – Training**

The Board should ensure that its members receive the required six hours of training on their financial oversight, accountability, and fiduciary responsibilities as soon as possible after they are elected to their Board positions.

Status of Corrective Action: Fully Implemented

Observations/Findings: All active members of the Board have received the required training. To determine if all Board members received the required training in the timeframe required, we obtained the training certificates for each of the members. We found that three of the five current members have received the proper training within the time period required by law. The two remaining Board members were previously addressed in the original audit findings and have since completed the required training.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage you to continue with your efforts to implement our recommended improvements.

I trust that our follow-up review was of assistance to you. If you have any further questions, please contact Ms. Tenneh Blamah, Chief Examiner of our Newburgh Office, at (845) 567-0858.

Sincerely,

Andrew A. SanFillippo  
Executive Deputy Comptroller  
Office of State and Local Government Accountability