



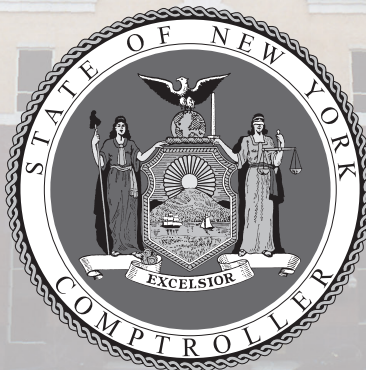
South Jefferson Central School District Community Services

Report of Examination

Period Covered:

July 1, 2014 – May 9, 2016

2016M-343



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2017

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 South Jefferson Central School District, entitled Community Services. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The South Jefferson Central School District (District) is governed by the Board of Education (Board), which is composed of 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's former Food Service Manager initiated a backpack program (Program)¹ in the fall of 2010. A District resident volunteer (volunteer) who is not employed by the District currently operates the Program, which has grown from filling 38 backpacks in 2010 to 85 backpacks as of April 1, 2016. Currently, the District has 200 children participating in the Program. The Program's 2015-16 revenues totaled \$27,416 and expenditures totaled \$20,882.

In addition to providing transportation to District students for school functions, the District transports non-District groups to and from various locations. The District currently charges \$2.85 per mile for non-District group transportation services. District buses traveled approximately 1.1 million miles from July 1, 2014 through April 30, 2016.

Scope and Objectives

The objectives of our audit were to examine the internal controls over District provided community services for the period July 1, 2014 through May 9, 2016. Our audit addressed the following related questions:

- Did District officials implement adequate controls over the Program receipts and disbursements?
- Did District officials properly oversee non-District group transportation services?

Audit Results

District officials should improve controls over Program receipts and disbursements and oversight of non-District group transportation services. District officials deposited Program money, as collected

¹ The various food banks in New York State provide a backpack program through local food banks. However, the food bank that covers Jefferson County does not provide a backpack program. Additional information about food banks and backpack programs is available at www.feedingamerica.org/about-us/helping-hungry-children/backpack-program/. The legal propriety of the District administering the Program, the role of the volunteer and any District participation in the fundraising process was not within the scope of this audit.

and turned over by the volunteer, into District accounts but did not ensure that the volunteer provided adequate documentation to support the amount of cash collected. As a result, approximately \$1,300 in fundraising collections were unaccounted for and the Program's fund did not reimburse the school lunch fund for a minimum of \$4,640 spent on Program expenditures.

Although the Board adopted a transportation and use of building policy, its intentions for fees to be charged for using District property were not clearly outlined. For example, one non-District group that frequently used the Districts' buses was not charged the standard fee of \$2.85 per mile fee charged to other groups. We found that six of the 23 non-District groups who used District bus services did not fill out a *Use of District Property* form, as required by the policy, and obtain the Superintendent's approval to use the buses.

Although District officials have not updated the District's actual cost per mile since 2009, they prepared a cost per mile analysis for reimbursement rates after we began our audit. We reviewed their analysis and determined that the District cost per mile was \$4.59.² However, District officials charged most users \$2.85 per mile, a difference of \$1.74 per mile. As a result, District officials charged non-District groups \$59,000 during our audit period, when it actually cost the District \$105,000 to provide these transportation services.

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 initiate corrective action.

² See Appendix B for information on our methodology.

Introduction

Background

The South Jefferson Central School District (District) is located in the Towns of Adams, Ellisburg, Hounsfield, Lorraine, Rodman, Rutland, Watertown and Worth in Jefferson County, the Town of Boylston in Oswego County and the Town of Pinckney in Lewis County. The District is governed by the Board of Education (Board), which is composed of 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 four schools with approximately 2,100 students and 580 employees. The District's budgeted general fund appropriations for the 2016-17 fiscal year are \$32.6 million, funded primarily with State aid, real property taxes and grants.

The District's Food Service Manager initiated a backpack program (Program)³ in the fall of 2010. A District resident volunteer (volunteer) who is not employed by the District currently operates the Program, which has grown from filling 38 backpacks in 2010 to 85 backpacks as of April 1, 2016. Children eligible for free and reduced lunch are eligible to participate in the Program. Currently, the District has 924 students who are eligible for free and reduced lunch and 200 children participating in the Program. The Program is funded by fundraising events such as dinner sales and donations from employees and community members. Students and the volunteer fill the backpacks weekly with non-perishable foods and toiletries. The Program's 2015-16 revenues totaled \$27,416 and expenditures totaled \$20,882.

In addition to providing transportation to District students for school functions, the District transports non-District groups to and from various locations. The District currently charges \$2.85 per mile for non-District group transportation services. District buses traveled approximately 1.1 million miles from July 1, 2014 through April 30, 2016.

³ The various food banks in New York State provide a backpack program through local food banks. However, the food bank that covers Jefferson County does not provide a backpack program. Additional information about food banks and backpack programs is available at www.feedingamerica.org/about-us/helping-hungry-children/backpack-program/. The legal propriety of the District administering the Program, the role of the volunteer and any District participation in the fundraising process was not within the scope of this audit.

Objectives

The objectives of our audit were to examine the internal controls over District provided community services. Our audit addressed the following related questions:

- Did District officials implement adequate controls over the Program receipts and disbursements?
- Did District officials properly oversee non-District group transportation services?

Scope and Methodology

We examined internal controls over the District's Program and non-District group transportation services for the period July 1, 2014 through May 9, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of District Officials and Corrective Action

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

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Backpack Program

District officials should establish internal controls over cash receipts and disbursements so that Program resources are properly collected, safeguarded and accounted for. District officials should ensure that staff maintain adequate supporting documentation for receipts, such as a record of meals prepared, meals purchased and cash collected, so they can verify that all amounts collected are deposited. Officials should also ensure that the Board-adopted policy for the timeliness of cash deposits, which requires that money be deposited daily, is followed. Additionally, if the District makes Program purchases from the school lunch fund, these expenditures should be reimbursed from Program funds. Therefore, it is important for District officials to maintain adequate records to support Program expenditures and obtain accurate reimbursements.

District officials should improve controls over Program receipts and disbursements. District officials allowed Program money to be deposited into District accounts but did not ensure that the volunteer provided adequate documentation to support the amount of cash collected. As a result, approximately \$1,300 in fundraising collections were unaccounted for. In addition, the District spent an estimated \$4,640 on Program costs and did not receive reimbursement from the Program for these expenditures.

Cash Receipts – Although key duties within the District’s cash receipts process were adequately segregated, District officials did not ensure adequate supporting documentation for money received from fundraising events or donations was maintained to ensure that all money collected was deposited. For example, although fundraising volunteers filled out individual receipts to keep track of the number of meals ordered and donations received from customers, this documentation was not provided to District officials so they could verify whether all the money collected was deposited. In addition, the volunteer did not keep adequate records to show other donations that the Program received.

Further, District officials did not have procedures in place requiring adequate supporting documentation for the amounts collected be provided when money was turned over to the Food Service Manager or her secretary, who were responsible for making the deposits. The volunteer originally told us that he kept receipts to support money collected at fundraisers. However, when we asked for them, he told us he disposed of the receipts after the fundraising events were finished.

To determine whether the amounts donated by individuals to the Program were properly recorded and deposited, we requested confirmation letters from 60 donors. We received 41 responses and found that the amounts these individuals donated were properly recorded and deposited. We also tested all recorded fundraising events and, although receipts for money received from these events were not maintained, the Food Service Manager provided us with documentation indicating the number of meals sold at these events based on information provided to her by the volunteer.

However, our testing revealed unaccounted for money and we estimate (based on the Food Service Manager's records) at least⁴ \$1,300 of fundraising money was not deposited. For example, documentation for one event deposit indicated that \$400 was taken from the collected funds to pay for supplies outside of the normal disbursements process. In addition, none of the fundraising money was deposited within one day of being received, in accordance with Board policy. We found that money collected at four events was deposited within eight days after the events were held, money collected at one event was deposited three weeks after the event and an estimated \$900 received for one event was not deposited at all.

Cash Disbursements – Overall, employees' duties within the District's purchasing and disbursement processes were properly segregated. However, at times, both the general and school lunch funds paid for Program expenditures. We reviewed 40 disbursements totaling \$15,776, of the 108 disbursements totaling \$42,852 that were paid during our audit period, and found that all these disbursements were reasonable Program expenditures. However, the school lunch fund paid for purchases of Program fundraising supplies that were not subsequently reimbursed by the Program's fund.

Although event sponsors donated on average of \$530 per event to the Program to cover food costs for four of the events, these donations were used for the Program and not to reimburse the school lunch fund for food and other costs. District officials estimated that the school lunch fund paid unreimbursed expenditures totaling approximately \$3,220 to buy supplies for these fundraising events. We estimated that \$1,400 in salary and benefits was paid from the school lunch fund to employees who worked at these events (after normal school hours), which also was not reimbursed by the Program's fund.

⁴ This amount does not include minor variances we found in the deposits for the other fundraisers, because those variances might be caused by inaccurate estimates of meals sold provided by the Food Service Manager. In addition to collecting money from fundraising event attendees, other donations were collected at fundraising events. We were not provided with any documentation that would support these donations, therefore, this figure could be higher.

Moreover, District officials paid additional Program costs from the general fund to pay business office staff to maintain Program records, deposit money and write and audit Program disbursements, which were not reimbursed by the Program. Because District officials did not maintain any records documenting employees' time spent on these Program tasks, we were unable to determine the amounts due from the Program for these expenditures.

District officials were unaware that the Program's fund did not reimburse the costs that were paid for by the general and school lunch funds. In addition, the Food Service Manager told us she thought the Program was a District function and did not think these expenditures needed to be reimbursed from the Program's fund. Therefore, she did not segregate the amounts paid for fundraising supplies on the invoices. As a result of these weaknesses, the District paid a minimum of \$4,640 for Program expenditures from the school lunch fund that were not reimbursed by the Program's fund.

Without proper documentation to support Program funds collected and expenditures paid, there is an increased risk of theft, fraud or abuse of Program money. Furthermore, District school lunch funds were used to fund Program expenditures, which was an inappropriate use of District money.

Recommendations

The Board should ensure:

1. Documentation is maintained for all money received from fundraising events and donations.
2. Documentation is maintained for all Program expenditures paid by the District.
3. The Program's fund reimburses the District for all Program expenditures paid from other funds.

Transportation Services

As the body charged with the custody, control and supervision of school property, the Board is responsible for creating and adopting policies and procedures for the use of District property, which includes the use of its buses for non-District group transportation. These policies and procedures should include, at a minimum, completion and approval of designated forms for bus use and establishment of a rental fee structure for non-District bus use (such as charging a specific cost per mile to these users to cover the District's costs). In developing its fee structure, District officials should estimate the District's actual cost per mile to enable the Board to make informed decisions regarding the amount to charge non-District bus users. In addition, District officials should update the cost per mile periodically so the Board can assess if any fee adjustments are necessary.

District officials need to improve their oversight of non-District group transportation services. Although the Board adopted a transportation and use of building policy, its intentions for fees to be charged for using District property were not clearly outlined. For example, one non-District group that frequently used the District's buses was not charged the standard fee of \$2.85 per mile that was charged to other groups. Although non-District group transportation was allowed by District policy, the person or group using the transportation services was required to complete a *Use of District Property* form (form) and obtain the Superintendent's approval.

We tested 23 bus rentals⁵ from non-District groups and found that for six bus rentals the non-District groups did not complete the required form and obtain the Superintendent's approval to use the buses. Additionally, District officials were unaware that a group of residents were using the District's transportation services each week without being charged. Furthermore, District officials did not have a process in place to ensure all non-District transportation users completed the required form and obtained approval from the Superintendent.

Although District officials had not updated the District's actual cost per mile since 2009, after we began our audit officials prepared an updated cost per mile analysis for reimbursement rates. We reviewed their analysis and determined that the District cost per mile was \$4.59.⁶ However, District officials charged most users \$2.85 per mile,

⁵ We tested all bus rentals from non-District groups that District officials provided to us. However, we could not determine if all bus rentals were provided to us for review.

⁶ See Appendix B for information on our methodology.

a difference of \$1.74 per mile. As a result, District officials charged non-District groups \$59,000 during our audit period, when it actually cost the District \$105,000 to provide these transportation services.

Recommendations

The Board should:

4. Establish clear guidelines to reflect its position on free transportation services.
5. Ensure that non-District groups comply with District policy when requesting transportation services.
6. Revise its transportation policy periodically to include updated reimbursement rates that cover the District's costs.

District officials should:

7. Periodically update the Districts' cost per mile reimbursement rate analysis.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



ELEMENTARY BUILDINGS
Wilson: (315) 583-5418
Mannsville-Manor: (315) 465-4281

DISTRICT OFFICE
P.O. Box 10
Adams, New York 13605-0010
Phone: (315) 583-6104
FAX: (315) 583-6381

OTHER OFFICES
Senior High: (315) 232-4531, ext. 1
Middle School: (315) 232-4531, ext. 2
Transportation: (315) 583-5221

April 11, 2017

Dear [REDACTED]

The South Jefferson Central School District is in receipt of the Report of Examination of internal controls over district-provided community services for the period of July 1, 2014 - May 9, 2016. The District appreciates the opportunity to review and respond to the report and the recommendations contained therein.

The District is pleased that this extensive examination has resulted in no findings of material weakness, operational improprieties, or abuse. The District accepts the recommendations designed to improve internal controls over the receipt and disbursement of Back Pack Program funds and the oversight of non-District transportation. Please accept this letter as South Jefferson Central School District's Response and Corrective Action Plan.

As a result of participating in this audit process, the District has already taken the following actions to strengthen the internal controls regarding the receipt and disbursement of funds donated expressly for the Back Pack Program and currently maintained by the District for that Program.

1. The Business Manager has reviewed the District's purchasing and requisitioning processes with Back Pack Program volunteers. The Business Office will monitor all Program purchases to insure that appropriate receipts are maintained and submitted to the Business Office in a timely manner. No disbursement of funds may occur without complete and proper documentation.
2. The Business Manager has met with Back Pack Program volunteers and District staff who voluntarily help with the Program to review proper documentation and depositing procedures for all monies raised through Program fund-raising events.
3. The Program will reimburse the District's school lunch fund \$4,640 for expenditures charged to that fund for supplies and/or labor.

Further, because the auditor suggested that backpack programs are usually operated by non-profit organizations and are not generally administered by school districts, Back Pack Program volunteers have completed the process of establishing a 501-c (3) (South Jefferson Back Pack Program, Inc.) so that the Program can operate independently from the District. Should the South Jefferson Back Pack Program, Inc. wish to use District facilities to store supplies and prepare back packs each week, they will follow the District's policy and procedures for requesting use of District facilities. The District will continue to cooperate with the Back Pack Program to insure that eligible families have access to this important support.

“EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER”

Regarding transportation services, the District has already taken the following steps to improve internal controls over the transportation of non-district groups:

1. The Board of Education has updated District Policy 5740.1 Special Use of School Buses.
2. The fees for transportation use by non-district groups in 2016-2017 have been reviewed and updated to reflect current district expenses.
3. Fees for transportation use by non-district groups will be reviewed and approved annually by the Board of Education.
4. The District's Request for Transportation form has been updated and the Business Manager has reviewed the submission, approval and billing process with the Transportation Supervisor to insure consistency.

The South Jefferson Central School District found the audit recommendations helpful and informative. They support the District's commitment to fiscal responsibility and positive community partnerships.

Sincerely,

Todd Dack
Board of Education President

Mary Beth Denny
Superintendent

Angela Picunas
Business Manager

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials, staff, volunteers and third parties to gain an understanding of the Program and transportation for certain groups.
- We reviewed internal controls over Program cash receipts and disbursements to determine whether adequate controls were in place and operating effectively.
- We reviewed a randomly selected sample of 60 donations from individuals who made donations to the backpack program to determine whether these donations were collected and recorded.
- We reviewed 40 randomly selected purchases to determine whether they were for proper Program expenditures.
- We calculated the amount of money that should have been collected from fundraising events based on the Food Service Manager's determination of the number of meals sold to determine whether the amount of money deposited was reasonable when compared to the amount of money collected.
- We calculated the District's costs to provide staffing at Program fundraisers to determine the financial impact.
- We reviewed all bus rental invoices given to us by the District to determine if all bus rentals were approved by District officials.
- We reviewed the District's cost per mile analysis to determine the cost of transporting non-District groups to and from the District's bus garage. We calculated the cost per mile by dividing the total transportation costs for 2014-15 by the total miles driven that year.

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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