

Greater Amsterdam School District

Capital Project

JULY 2022



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Greater Amsterdam School District

Audit Objective

Determine whether the Greater Amsterdam School District (District) Board of Education (Board) and officials properly managed the District's capital project (project) that includes building improvements and safety upgrades.

Key Findings

The Board and District officials properly planned, authorized contracts and accounted for the ongoing project. However, we found:

- While the Business Administrator maintained financial reports that documented the project's budget-to-actual expenditures, she did not provide them to the Board for review.
- The claims auditor did not audit and approve seven claims totaling \$873,056 prior to payment.

Key Recommendations

The Board should:

- Ensure the Business Administrator provides periodic budget-to-actual capital project status reports to the Board to enable it to properly monitor the project's status.
- Ensure the claims auditor audits and approves all claims prior to payment.

District officials generally agreed with our recommendations and they have initiated or planned to initiate corrective action.

Background

The District serves students in the City and Town of Amsterdam, Town of Florida and Village of Hagaman in Montgomery County, the Towns of Duanesburg and Glenville in Schenectady County and the Town of Perth in Fulton County.

The seven-member elected 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. The Business Administrator oversees the business office, maintains financial records and prepares financial reports.

The voters approved a \$48.9 million project for renovations to the District's six school buildings, property improvements and athletic facility upgrades on March 17, 2016. The Business Administrator, Superintendent and contracted Project Manager manage the project.

Quick Facts

Project Expenditures During the Audit Period	\$44.1 Million
2021-22 Appropriations	\$79.3 Million
Employees	1,206
Enrollment	3,700

Audit Period

July 1, 2015 – December 31, 2021

Capital Project

How Should District Officials Plan, Authorize and Monitor Capital Projects?

Proper planning of a capital project requires that a school board (board) have a thorough understanding of the project's overall scope and cost before authorizing the project. Estimated costs must be realistic to allow the board to plan sufficient financing for the project. The board should adopt a resolution at the project's inception to identify the project scope, authorize the maximum project cost and establish how the project will be financed.

In general, projects involving building improvements require approval by school district voters. Taxpayers should be informed of the project's scope and planned financing before the public vote. Additionally, school district officials are required to propose all phases of a project, including details of the scope of work to be performed, to the New York State Education Department (NYSED) for approval.

Officials should prepare an itemized budget to be used to monitor project costs and scope. Project records must be maintained in a manner that allows for a ready comparison of the budget to actual financing sources received and expenditures incurred throughout the course of the project. Officials should review and approve any amendments, including change orders, to project plans to confirm that all changes are valid and are within the project scope.

The school district should seek requests for proposals or, if required, competitive bids for the work to be performed to ensure that contracts provide the best value for the taxpayers. In addition, all claims against the school district related to the project should be audited and approved prior to payment. An effective claims audit process helps ensure that every claim is subjected to an independent, thorough and deliberate review in a timely manner prior to authorizing payment and that the claim contains adequate supporting documentation to determine the amount claimed represents an actual and necessary project expenditure.

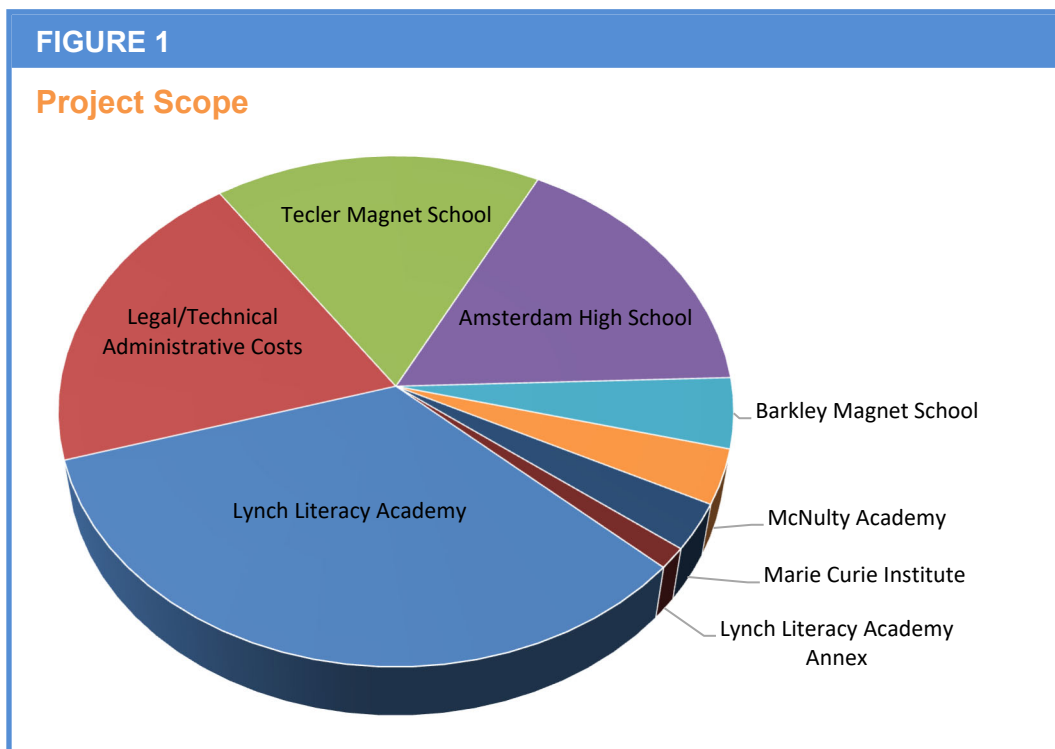
The Board Properly Planned and Authorized the Project

The Board contracted with an engineering and architectural firm that conducted the District's State-mandated building conditions survey during the 2015-16 fiscal year and developed plans to address building improvements and safety upgrades in the District's six buildings. The improvements address deficiencies identified in the building conditions survey and facilities plan, including water damage due to poor drainage and ventilation, crumbling sidewalks, aging windows and poor lighting. Additional renovations include:

- Plumbing,
- Electrical and mechanical system work,
- Parking lot and road reconfiguration,

- Interior and exterior repairs to school buildings, and
- Athletic facility upgrades.

In January 2016, the Board adopted a resolution calling for a proposition to be submitted to the voters seeking approval of the project with a maximum cost of \$48.9 million (Figure 1).



The Board held public meetings on March 2, 2016 and March 10, 2016 to present the proposed six-phase project to the taxpayers, and the project was approved by the voters on March 17, 2016. NYSED approved the project before work began in September 2017 and the Board, in conjunction with the architect and Project Manager, properly obtained and approved competitive bids for each phase of the project.

Not All Claims Were Audited and Approved

The Project Manager oversees the project and is on site daily during construction. He reviews claims to ensure the work has been completed and is assigned to the correct budget line before the claims auditor audits and approves the claims for payment. We reviewed 40 project claims totaling \$6.2 million between July 1, 2019 and December 31, 2021. All were supported by adequate documentation,

for appropriate purposes, and correctly recorded as project expenditures. However, four claims totaling \$243,112 were not reviewed and approved by the Project Manager and seven claims totaling \$873,056 were not audited and approved by the claims auditor prior to payment. The Business Administrator said additional documentation is provided with the claims indicating the Project Manager's review and approval; however, that documentation was not maintained for the four claims. The Business Administrator stated it is likely the claims auditor was not provided with the seven claims for audit prior to payment.

We also reviewed 14 change orders totaling \$1,582,860 associated with the project and determined they were all for appropriate purposes and reviewed by the architect, contractor, Project Manager and Superintendent.

When claims are paid without review, audit and approval of payment, there is an increased risk that improper or deficient claims could be paid.

The Board Did Not Receive Project Expenditure Reports

Although regular meetings occurred to monitor the progress of the project, the Board was not provided with budget-to-actual expenditure reports to better enable it to manage the project more effectively. The Superintendent, Business Administrator and a Board member monitored the project by attending bi-weekly meetings with the architect and Project Manager, and by reviewing work in progress, approving the change orders and inspecting the work completed. The Project Manager provided the Board with verbal progress updates and a timeline for completion at Board meetings, when requested. Additionally, the Board member who attended the bi-weekly meetings would inform the other Board members of the information discussed. The Business Administrator provided verbal budget status updates to the Board periodically, which included total expenditures and remaining budgeted balances. However, without financial reports that show budget-to-actual expenditures, the Board cannot effectively manage the project.

How Should Capital Projects' Financial Transactions Be Accounted For?

Complete and accurate accounting records for projects are necessary for project management and proper financial reporting. Because projects are budgeted on an individual basis, an individual project fund should be established for each authorized project to document the project's complete financial history, including assets, liabilities, fund equity and results of operations (revenues and expenditures).

With certain exceptions, a separate bank account is required for debt proceeds issued to wholly, or partially, finance a capital project. A separate bank account

...[W]ithout financial reports that show budget-to-actual expenditures, the Board cannot effectively manage the project.

and individual project accounting records clearly identifying all revenue sources help ensure that proceeds are expended only for the object or purpose for which the obligations are issued and the accurate disposition of unexpended balances when a project is complete.

Officials Properly Accounted for Financial Transactions

The Business Administrator maintained adequate project records necessary to account for and monitor the project. We found that project transactions were posted accurately and in a timely manner. The Business Administrator deposited debt proceeds into a separate bank account and accurately accounted for this debt, as well as the \$835,000 fund balance used to finance the project. While the project is ongoing, the Business Administrator is aware of the need to track funding sources in the accounting records to ensure any unexpended debt service funds are used to pay future debt service costs. The District anticipates the project's two remaining phases will be completed during the fall of 2022.

While the Business Administrator properly accounted for financial transactions, she did not provide the Board with these reports so that it could monitor the project. Board members told us they felt the verbal updates were sufficient. However, verbal updates cannot take the place of complete and accurate financial reports to provide a proper accounting of the project's status. Without such reports, the Board could not properly monitor the project's financial progress.

What Do We Recommend?

The Board should:

1. Ensure the Business Administrator provides periodic budget-to-actual capital project status reports to properly monitor the project's financial progress.
2. Ensure the claims auditor audits and approves all claims prior to payment.

Appendix A: Response From District Officials

THE GREATER AMSTERDAM SCHOOL DISTRICT
Colleen M. DiCaprio, Business Manager
Central Administration Building
PO Box 309
140 Saratoga Avenue
Amsterdam, New York 12010



www.gasd.org

July 6, 2022

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor
Albany, NY 12236

Reference: Greater Amsterdam School District, Capital Project, Report of Examination, 2022M-50

To whom it may concern,

The District is in receipt of the draft findings and recommendations as presented in the above referenced Report of Examination as presented by the Office of the NYS Comptroller. The District has reviewed these findings and appreciates the recommendations as outlined.

In response to these findings, the District would like to offer both our response and corrective action plan to the findings as noted:

- 1) Key Findings:
 - a) While the Business Administrator maintained financial reports that documented the project's budget to actual expenditures, they were not provided to the board for review.

District Response: As affirmed in the report, the District properly accounted for the financial transactions and maintained adequate project records necessary to account for and monitor the capital project. All transactions were posted accurately and in a timely manner. Internal reports of fiscal progress and status were provided to the District Superintendent to ensure proper oversight, review and monitoring. We recognize and acknowledge a more formal reporting of the actual expenditures and/or status reports should be provided to the BOE to provide necessary information and project status.

Main Office: 518-843-3180

Superintendent:	Ext. 7801	CSE Office:	Ext. 7302
Secondary instruction:	Ext. 7201	CPSE Office:	Ext. 7305
Elementary Instruct/Federal Programs:	Ext. 7101	Purchasing:	Ext. 7408
Coordinator of Data/Personnel:	Ext. 7500	Business Office:	Ext. 7400
Special Education:	Ext. 7301		

Where students succeed and community cares.

THE GREATER AMSTERDAM SCHOOL DISTRICT

Colleen M. DiCaprio, Business Manager

Central Administration Building

PO Box 309

140 Saratoga Avenue

Amsterdam, New York 12010



While the verbal presentations and updates were provided to the BOE, the District acknowledges it is a best practice and not a suitable replacement for financial reporting of budget to actual and project status.

Corrective Action Plan: The District will provide quarterly written status reports on budget to actual of the capital project(s) to the GASD Board.

b) Not all claims were audited and approved

District Response: The District is cognizant of the responsibility of the district to ensure all claims are properly reviewed and approved by the claims auditor. The claims as noted for exception were purely an exception to what we feel has been an exemplary history of the District's adherence and compliance with this practice. The District had several changes during this period and a reduction in a key staff member responsible for this. While the claims did not get approved by the claims auditor, the amount of the claim was verified and supported by the necessary documentation and approvals. These claims were also verified as processed through the bank and payee was confirmed. While we acknowledge this was District oversight, it should be noted \$6.2 million of disbursements were indeed supporting these processes. We will continue to improve on our processes and be steadfast in preventing this from occurring in the future.

District Corrective Action Plan: The District has recently added additional staff who will be tasked with entering the claims and also ensuring that the claims auditor has been provided with ALL claims and supporting documentation. All claims will also be double checked and ensured by the Business Administrator to prevent a recurrence.

In closing, the District gratefully acknowledges the thoroughness of the OSC review and its recommendations for improvements to the District's processes. It is always our intention to provide the adequate and necessary oversight of the District's finances and monitoring of same. We are always striving to improve on our internal controls and processes and appreciate OSC's dedication to assisting schools in this process.

Best Regards,

Richard Ruberti
District Superintendent

Main Office: 518-843-3180

Superintendent:	Ext. 7801	CSE Office:	Ext. 7302
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Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed Board minutes, project documentation and District policies to gain an understanding of the District's project management operations and determine whether the Board adopted a resolution at the inception of the project that identified the project, authorized the maximum estimated cost and established how the project would be financed, and if an itemized budget for the project was prepared.
- Using our professional judgment, we selected 40 claims totaling \$6,235,933 from the 765 claims totaling \$24.5 million paid between July 1, 2019 and December 31, 2021. We selected claims paid to each vendor to determine whether they were supported by adequate documentation, for appropriate purposes, correctly allocated to the project and audited and approved before payment.
- We identified 70 change orders related to the project. We traced 50 change orders from the four completed phases of the project to the NYSED website to verify they were approved by NYSED. Using our professional judgment, we selected 14 change orders totaling \$1,582,860 to determine whether they were for an appropriate purpose, properly reviewed and approved by District officials.
- We reviewed the District's accounting records during the audit period to determine whether separate accounting records including assets, liabilities, fund equity, revenues and expenditures were maintained for the project. We also reviewed debt proceeds to determine whether they were maintained in a separate bank account.
- We reviewed all expenditures related to the project during the audit period to determine whether amounts were posted completely and accurately in the accounting records and were paid out of a separate bank account designated to be used for the capital project.
- We reviewed all bid information to determine whether District officials solicited competition for these services and contracts.

We conducted this performance audit in accordance with generally accepted government auditing standards (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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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.

The Board has the responsibility to initiate corrective action. 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, 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. 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 CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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