

# Kenmore-Town of Tonawanda Union Free School District

## Electronic Records and Reports

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**AUGUST 2022**

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

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# Report Highlights

## Kenmore-Town of Tonawanda Union Free School District

### Audit Objective

Determine whether Kenmore-Town of Tonawanda Union Free School District (District) officials properly maintained electronic disbursement records and reports (e-records) in accordance with applicable legal and regulatory requirements.

### Key Findings

District officials did not properly maintain e-records in accordance with applicable legal and regulatory requirements. The Board and District officials did not:

- Ensure that e-records were preserved in their original format, intact, in a directory or filing system to maintain the records' integrity, as required.
- Adopt an adequate written policy that addressed the creation, maintenance and storage of e-records, as required.
- Without a secure e-record storage system in place, there is a risk that unauthorized changes or modifications could be made to District records without detection.

### Key Recommendations

- Properly maintain e-records to maintain the records' integrity.
- Adopt a comprehensive written policy that addresses the creation, maintenance and storage of e-records.

District officials generally agreed with our recommendations and plan to initiate corrective action.

### Background

The District serves the Town of Tonawanda in Erie County.

The Board of Education (Board) is responsible for managing and controlling the District's financial and educational affairs.

The Superintendent of Schools (Superintendent) is responsible for the District's day-to-day management.

The Assistant Superintendent for Business and Finance (Assistant Superintendent) reports to the Superintendent and is responsible for the District's financial operations.

The District Treasurer (Treasurer), appointed by the Board, performs the District's day-to-day financial duties. The Records Management Officer is responsible for maintaining the District's records.

#### Quick Facts

2019-20 Budgeted Appropriations	\$167 million
Employees	1,700
Electronic Warrant Reports Generated	156
Payroll Cycles	26

### Audit Period

July 1, 2018 – November 6, 2020

# Electronic Records and Reports

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## How Should Electronic Disbursement Records and Reports Be Maintained?

A school district is required by the Commissioner of Education's Codes, Rules and Regulations Section 185.12 (Title 8 Appendix I) to retain warrants (listing of claims) and cash disbursement records, which includes the claims auditor reports, for six years and detailed payroll records for 55 years. If a school district maintains and stores these records electronically (e-records), rather than in hardcopy or the original printed form, it is required to adhere to the Electronic Signatures and Records Act (Act).

The Act enhances and clarifies the authority of governments to create and retain records in computer-produced electronic form, also known as e-records. The Act states that a school district should develop controlled storage or filing systems that maintain the integrity and accessibility of e-records including:

- Once e-records are created or captured, they need to be retained in a controlled environment that can maintain their integrity and authenticity.
- E-records must be stored in a secure, reliable and trustworthy e-records system so that any unauthorized change or modification can be prevented or at least detected.

The Act requires school districts to develop written policies and procedures for the receipt, creation and storage of e-records. These policies and procedures should describe acceptable record formats, indicate the point at which a transaction is completed, and specify how the record is securely stored so that it cannot be modified without detection. The policy should provide specific steps (e.g., increased oversight, archive regularly, etc.) to ensure that data entered and reports generated are accurate and timely.

## District Officials Did Not Properly Preserve Electronic Disbursement Records and Reports

The Treasurer did not preserve e-records in a controlled directory or filing system to maintain their integrity as required. Because District officials did not properly preserve records and reports, we reviewed and analyzed warrants and payroll records to establish the effect of not preserving these e-records.

Warrants – The claims auditor told us that during her audit of claims, she compared the claim vouchers to warrants that the Treasurer printed out and provided to her. After the claims auditor performed her audit of claims, she created a report for the Board, signed the warrant and placed the warrants in a binder that is stored in the Treasurer's office. When we requested to review the warrant reports the claims auditor approved, the Treasurer told us that the paper copies had been discarded at the end of the fiscal year. The Treasurer told us

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...[E]-records were not preserved in a controlled directory or filing system to maintain their integrity as required.

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that the warrants were discarded because all the warrant information was still in the financial system and a copy of any warrant could be generated electronically whenever it was needed. In addition, the Treasurer maintained electronic copies of the warrants in a folder on a shared drive, but these copies were not signed by the claims auditor. The Treasurer retained the pages with the claims auditor's signature in a separate folder. When we reviewed these warrants, 23 of the 156 warrants on the shared drive had been modified since the date of the warrant. The Treasurer was not aware of the Act or its requirements; therefore, she did not preserve these records in an appropriate manner or in compliance with the Act. Because the warrants were not electronically preserved in a controlled environment to ensure they remained intact, there is an increased risk the claims listed on these warrants were not originally presented to the claims auditor and were paid without audit and approval.

Because of the modified warrants, at our request, the Treasurer provided us with 21 electronic warrant reports saved on the shared drive, totaling over \$11.5 million from the 2018-19 fiscal year. We compared these reports with the claims auditor's reports to the Board and identified two warrants, totaling over \$32,500, were not included on the claims auditor's reports. Although we reviewed the claims listed on these two warrants and found them to be appropriate, there is no evidence that the claims listed on these warrants were ever audited and approved, as required. The claims auditor told us she forgot to include these warrants in her report to the Board.

Payroll – On August 8, 2019, District officials generated the February 8, 2019 detailed payroll report for our audit. While the District generated and preserved a summary payroll check register during February 2019, it did not include the detail for deductions or the calculation of gross pay for each employee. When we compared these reports, we identified that the total gross pay listed on the summary report (which was approved by the former Superintendent) was nearly \$35,000 less than the total gross pay for the detailed payroll check register. The difference was attributed to a 403(b) plan (tax-sheltered annuity) employer's contribution which was not included on the summary payroll report that had been approved by the former Superintendent. We identified a similar situation for the February 22, 2019 payroll and noticed that the former Superintendent approved this payroll four days after payroll payments had been disbursed.

We also identified eight differences that were attributed to employees who had a name change since the time the summary payroll check register was generated. For example, if an employee's last name was changed by marriage, then the approved summary check register would correctly include the employee's maiden name at the time payroll was originally processed. Then, when the Treasurer generated the February 2019 detailed payroll report in August 2019, it incorrectly showed the employee's married name rather than the maiden name. The former Assistant Superintendent indicated that this information could be

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identified with the employee identification number. However, the fact that payroll records generated from the system are showing different information than when the payroll was originally processed demonstrates that the information in these reports could be subsequently altered from their original form without detection and a detailed payroll report should be preserved in a format that cannot be modified.

The District adopted regulations on Records Management in 2003 and in February 2016, the Board adopted a written records management policy that included provisions for the storage and management of inactive records. While the Board revised this policy in July 2018, the policy does not provide clear guidance on how e-records were to be generated, maintained and stored and the regulations did not properly address the Act's requirements for e-records.

Without having a secure e-record storage system in place, there is a risk that unauthorized changes or modifications could be made without detection. Due to these deficiencies, we performed numerous procedures<sup>1</sup> to ensure that disbursements during our audit scope period were for a legitimate District purpose and did not find any material discrepancies other than those indicated previously.

## What Do We Recommend?

The Board should:

1. Adopt a more comprehensive written records management policy and regulations in accordance with the Act, that specifically:
  - a. Designates approved data file formats for each record "type."
  - b. Defines procedures for the storage and management of e-records to ensure access for the full length of their required retention period.
  - c. Develops controlled storage or filing systems that maintain the integrity and accessibility of e-records.

The Records Management Officer and Treasurer should:

2. Ensure that e-records are preserved in their original format, intact, in a directory or filing system to maintain their integrity.
3. Develop and implement written procedures which address the day-to-day guidance for District officials and staff so that they can meet the objectives of the Board's policies relating to e-records management.

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Without having a secure e-record storage system in place, there is a risk that unauthorized changes or modifications could be made without detection.

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<sup>1</sup> Refer to Appendix B for further information on our testing methodology.

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The Superintendent should:

4. Review and approve detailed payroll reports that include detail of deductions and 403(b) plan payments.

# Appendix A: Response From District Officials

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## Kenmore-Town of Tonawanda Union Free School District

Office of the Superintendent

**Sabatino Cimato**  
Superintendent of Schools  
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Buffalo, New York 14223  
(716) 874-8400 ext. 20342  
scimato@ktufsd.org

July 15, 2022

Ms. Melissa A. Myers  
Chief Examiner  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

Dear Ms. Myers,

The Kenmore - Town of Tonawanda Union Free School District acknowledges receipt of your draft Report of Examination, 2022M-62, concerning the Electronic Records and Reports of the District from July 1, 2018 - November 6, 2020.

Please note that the District submits this letter as both our response to the draft audit and our corrective action plan. The Corrective Action Plan was developed as a collaborative effort by the Superintendent, District Staff and the Board of Education.

### **Response to Key Findings and Recommendations**

**Audit Recommendation 1:** Properly maintain e-records to maintain the records' integrity.

**Implementation Plan of Action:** The Board of Education revised Policy 5670, Records Management, on January 12, 2021. In addition to the policy revision the District is ensuring procedures for:

- A. Designating approved data file formats for each record type.
- B. The storage and management of e-records to ensure access for the full length of their required retention period.
- C. Developing a filing system that maintains the integrity of the e-records in the original format.
- D. Developing written processes on day-to-day guidance for District officials and staff to ensure the Policies are being followed.

**Implementation Date:** Policy was revised and implemented January 12, 2021 and will be revised as necessary. The procedures identified above will be reviewed annually. This process will be completed by June 30, 2023 and ongoing each year.

**Person Responsible for the Implementation:** The Records Management Officer is responsible for the creation of a procedural manual to ensure the Policies are being followed. The Board of Education Policy Committee and District Officials work to revise Policies based on the policy review cycle.

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**Audit Recommendation 2:** Adopt a comprehensive written policy that addresses the creation, maintenance and storage of e-records.

**Implementation Plan of Action:** The Board of Education revised Policy 5670, Records Management, on January 12, 2021.

**Implementation Date:** Policy was revised and implemented January 12, 2021.

**Person Responsible for the Implementation:** The Records Management Officer is responsible for the creation of a procedural manual to ensure the Policies are being followed. The Board of Education Policy Committee and District Officials work to revise Policies.

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Sabatino Cimato, Superintendent

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Matt Chimera, Board President

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*We educate, prepare and inspire all students to achieve their highest potential.*

## Appendix B: Audit Methodology and Standards

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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 (former Superintendent, former Assistant Superintendent, Treasurer, Records Management Officer and claims auditor) and reviewed Board minutes, correspondences, relevant laws, District policies and procedures governing disbursements and e-record management to gain an understanding of the District's practices for maintaining e-records and reports.
- We reviewed 21 electronic warrants from the 2018-19 fiscal year totaling over \$11.5 million which the Treasurer generated in September 2019. We compared these reports to the claims auditor's reports to ensure that the amounts agreed and to verify that there was sufficient evidence to document the claims auditor's review.
- We randomly selected February 2019 to review electronic payroll records to determine whether payroll reports were preserved in their original form and in compliance with records retention requirements of the Electronic Records Act.
- We performed numerous procedures to ensure that disbursements were for a legitimate District purpose including:
  - We compared April 2019 non-payroll disbursements to check images to determine whether the payee and amount matched.
  - We verified the February 8, 2019 gross pay for 15 hourly employees who were randomly selected and 15 salaried employees who were selected based on our professional judgment by using a risk-based approach to select key employees.
  - We randomly selected 51 employees to determine whether there was documentation that they were employed by the District.
  - We randomly selected four payrolls and ensured direct deposits matched the payroll registers.

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.

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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

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/local-government/required-reporting)

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