

Long Lake Central School District

Capital Project

FEBRUARY 2022



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

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Report Highlights

Long Lake Central School District

Audit Objective

Determine whether Long Lake Central School District (District) officials properly established, authorized contracts and claims, monitored and accounted for its 2021 capital project (project).

Audit Results

District officials properly established, authorized contracts and claims, monitored and accounted for the project consisting of building improvements, upgrades and tennis court reconstruction during the audit period. There were no recommendations as a result of this audit. Officials:

- Prepared an itemized budget and properly obtained and approved competitive bids.
- Ensured claims totaling \$907,813 were supported by adequate documentation, for appropriate purposes, correctly recorded as project expenditures and audited and approved by the claims auditor before payment.
- Reviewed and approved all eight change orders totaling \$195,718 for appropriate purposes.
- Maintained adequate project records necessary to account for and monitor the project and accurately separated revenue sources in the accounting records during the audit period to ensure unexpended funds are accurately disposed of when the project is complete.

District officials agreed with our findings.

Background

The District serves the Towns of Arietta and Long Lake in Hamilton County.

The five-member elected Board of Education (Board) is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible, along with other administrative staff, for day-to-day management under the Board's direction. The Business Manager oversees business operations and maintains financial records. The Superintendent and Business Manager are responsible for budget development and administration.

The voters approved a \$3.5 million project for tennis court reconstruction and infrastructure upgrades on May 21, 2019. The Business Manager and Superintendent manage the project.

Quick Facts

| | |
|---|---------------|
| Project Expenditures During the Audit Period | \$1.3 million |
| 2021-22 Appropriations | \$4.6 million |
| Employees | 35 |
| Enrollment | 70 |

Audit Period

July 1, 2016 – August 31, 2021

Capital Project

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

Proper planning of a project requires that the 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.

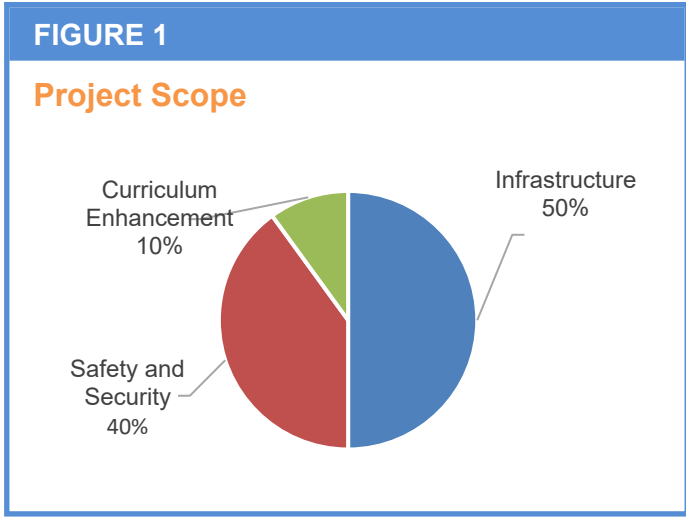
In general, projects involving building improvements require approval by district voters. Taxpayers should be informed of the project's scope and planned financing before the public vote. Additionally, District officials are required to propose all phases of a project, including details of the scope 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 District should seek requests for proposals or 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 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.

Officials Properly Planned, Authorized and Monitored the Project

District officials conducted a building conditions survey during the 2016-17 fiscal year and developed plans to address building improvements, upgrades and tennis court reconstruction. In March 2019, 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 \$3.5 million, to be funded with \$300,000 from reserve funds and up to \$3.2 million from debt (Figure 1).



The Board held a public meeting on May 1, 2019 at which the project architect presented the proposed project to the taxpayers and the project was approved by the voters on May 21, 2019. In August 2020, District officials requested and received proposals and signed a contract with a clerk of the works.¹ NYSED approved the project before work began in February 2021 and the Board, in conjunction with the architect and clerk of the works, properly obtained and approved competitive bids.

District officials monitored the project through bi-weekly meetings with the architect and clerk of the works and by reviewing work-in-progress, approving change orders and inspecting the work completed. The Superintendent provided the Board with monthly status updates and a timeline for completion and the Business Manager provided the budget status and cash flow projections. This enabled the Board to effectively monitor the project by ensuring financing sources were sufficient to fund expenditures incurred and comparing project expenditures to the estimated costs. District officials provided the public with progress updates and photos on their website.

We reviewed 20 project claims totaling \$907,813 during the audit period and found all claims were supported by adequate documentation, for appropriate purposes, correctly recorded as project expenditures and audited and approved by the claims auditor before payment. As a result, officials fulfilled their responsibility to review and approve claims and had accurate records available to help monitor project progress.

We also reviewed all eight change orders totaling \$195,718 associated with the project and determined they were all for appropriate purposes and were reviewed by the contractor, architect and Superintendent.

¹ The role of clerk of the works is to act as a liaison between the architects, contractors and the District and inspect and monitor capital projects to ensure adherence to architectural specifications and quality.

... [O]fficials fulfilled their responsibility to review and approve claims and had accurate records ...

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 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

District officials 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, furnishing the Board and others with necessary project progress reports. We found that officials deposited project debt proceeds into a separate bank account and accurately accounted for this debt, as well as reserve fund money used to finance the project totaling \$300,000. While the project is ongoing, District officials accurately separated funding sources in the accounting records to ensure any unexpended funds are accurately disposed of when the project is complete. The District anticipates the project will be completed during the summer of 2022.

District officials maintained adequate project records necessary to account for and monitor the project.

Appendix A: Response From District Officials



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Mr. Gary G. Gifford, Chief Examiner
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Glens Falls Regional Office
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February 10, 2022

Dear Mr. Gifford:

I am writing on behalf of the Long Lake Central School District. We have received and reviewed the Report of Examination, 2021M-18, Capital Project, issued by the Office of the State Comptroller for the period of July 1, 2016-August 31, 2021. We are pleased and concur with your report.

We would like to express our appreciation for your staff's professionalism and expertise throughout this examination process. We would like to specifically note that [REDACTED] provided our staff with professional and timely insight and was especially accommodating while handling the challenges of our on-site capital project construction.

Thank you for your time and efforts during this examination period. This was a beneficial learning experience for our District and helped us to ensure and solidify that our practices are sound.

Sincerely,

Ms. Noelle J. Short
Superintendent

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 they prepared an itemized budget for the project.
- We judgmentally selected 20 claims totaling \$907,813 from the 57 claims totaling \$1.3 million during the audit period based on dollar value to determine whether they were supported by adequate documentation, for appropriate purposes, correctly allocated to the project and audited and approved before payment
- We reviewed all eight change orders totaling \$195,718 to determine whether they were for an appropriate purpose, properly reviewed and approved by District officials. We reviewed the total cumulative amount and purpose of the change orders to determine whether the increase in cost was reasonable compared to the approved project total.
- 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 reviewed claims for all expenditures related to the project during the audit period to determine whether amounts were posted completely and accurately in the accounting records.
- We reviewed all requests for proposals and 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

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