



Salamanca City School District Financial Management and Payroll Report of Examination

Period Covered:

July 1, 2013 – May 19, 2017

2017M-138



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
EXECUTIVE SUMMARY	2
INTRODUCTION	4
Background	4
Objective	4
Scope and Methodology	4
Comments of District Officials and Corrective Action	5
FINANCIAL MANAGEMENT	6
Fund Balance	7
Reserve Funds	8
Recommendations	10
PAYROLL	12
Recommendations	13
APPENDIX A	Response From District Officials 14
APPENDIX B	OSC Comments on the District's Response 28
APPENDIX C	Audit Methodology and Standards 31
APPENDIX D	How to Obtain Additional Copies of the Report 33
APPENDIX E	Local Regional Office Listing 34

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2018

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 Salamanca City School District, entitled Financial Management and Payroll. 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 Salamanca City School District (District) is governed by a Board of Education (Board), composed of seven elected members and responsible for the general management and control of financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer and responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Assistant Superintendent for Finance and Operations (Assistant) is responsible for certifying payrolls, preparing budgets and maintaining accounting records.

The District operates three schools with approximately 1,300 students and 300 employees. The District's budgeted expenditures for the 2016-17 fiscal year were \$29.6 million, funded primarily with State aid, Compact aid,¹ Impact aid,² real property taxes and grants. General fund unrestricted fund balance was approximately \$18 million as of June 30, 2016 and payroll payments totaled approximately \$12.6 million, or 33 percent of reported 2015-16 expenditures.

Scope and Objective

The objective of our audit was to evaluate the District's financial management practices and employee compensation payments for the period July 1, 2013 through May 19, 2017. We extended our scope period back to July 1, 2001 to review certain employee compensation payments. Our audit addressed the following related questions:

- Did the Board and District officials properly manage District finances by ensuring fund balance and reserves were reasonable?
- Were employee salaries, wages and separation payments accurately paid?

Audit Results

The Board and District officials have not effectively managed fund balance. Unrestricted fund balance increased from \$9.5 million as of June 30, 2014 to \$18.3 million as of June 30, 2016. Unrestricted fund balance was 62 percent of 2016-17 budgeted appropriations and exceeded the statutory limit³ by \$17 million (58 percentage points).

¹ A portion of revenues the Seneca Nation collects at its casinos and pays to host communities to offset associated costs from having a casino located within their boundaries.

² A federal program designed to supplement school districts that either have land owned by the federal government within their boundaries or that has been removed from the local tax rolls by the federal government.

³ New York State Real Property Tax Law limits the amount of unrestricted fund balance a school district can retain to no more than 4 percent of the subsequent year's budget.

While the vast majority of accumulated fund balance resulted from retroactive aid payments from the State and payments from the federal government which were outside the District's control, even without these payments, unrestricted fund balance would have exceeded the legal limit as of June 30, 2016 by approximately \$5 million, or 17 percentage points.

The Board and District officials also have not effectively managed four reserve funds with balances totaling approximately \$4.1 million. District officials could have more effectively managed fund balance and reserves had they incorporated multiyear financial and capital plans into their annual budgeting process to better facilitate timely fund balance management in conjunction with meeting long-term District goals (e.g., capital projects). Although from 2013-14 through 2015-16, the Board reduced the tax levy by approximately \$2.3 million or 66 percent, no reductions were made to the 2016-17 levy. Consequently, the Board and District officials missed opportunities to further reduce the tax levy.

We found that employee salary step information was not clearly identified in a prior Collective Bargaining Agreement (CBA). As a result, it was not clear what the proper salary step placement was, at the time of the agreement, for three employees in our audit sample. The Board also has not adopted written policies and District officials have not developed written procedures formalizing controls and oversight associated with the payroll function. We found no discrepancies with four separation payments totaling \$41,525 paid to former employees.

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 disagreed with certain aspects of our findings and recommendations in our report, but indicated that they planned to implement some of our recommendations. Appendix B includes our comments on the issues raised in the District's response letter.

Introduction

Background

The Salamanca City School District (District) is located in the City of Salamanca and the Towns of Carrollton, Great Valley, Little Valley, Napoli and Salamanca in Cattaraugus County. The District is governed by a Board of Education (Board) composed of seven elected members. The Board is responsible for the general management and control of financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer and responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Assistant Superintendent for Finance and Operations (Assistant) is responsible for certifying payrolls, preparing budgets and maintaining accounting records.

The District operates three schools with approximately 1,300 students and 300 employees. The District's budgeted appropriations for the 2016-17 fiscal year were \$29.6 million, funded primarily with State aid, Compact aid,⁴ Impact aid,⁵ real property taxes and grants. Payroll payments totaled approximately \$12.6 million, or 33 percent, of reported 2015-16 expenditures.

Objective

The objective of our audit was to evaluate the District's financial management practices and employee compensation payments. Our audit addressed the following related questions:

- Did the Board and District officials properly manage District finances by ensuring fund balance and reserves were reasonable?
- Were employee salaries, wages and separation payments accurately paid?

Scope and Methodology

We examined the District's financial management practices and employee compensation payments for the period July 1, 2013 through May 19, 2017. We extended our scope period back to July 1, 2001 to review certain employee compensation payments.

⁴ A portion of revenues the Seneca Nation collects at its casinos and pays to host communities to offset associated costs from having a casino located within their boundaries.

⁵ A federal program designed to supplement school districts that either have land owned by the federal government within their boundaries or that has been removed from the local tax rolls by the federal government.

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 C 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 the relevant population size 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 disagreed with certain aspects of our findings and recommendations in our report, but indicated that they planned to implement some of our recommendations. Appendix B includes our comments on the issues raised in the District's response letter.

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.

Financial Management

The Board, Superintendent and Assistant are responsible for accurate and effective financial planning which includes ensuring that fund balance does not exceed the amount allowed by law and that reserve account levels are reasonable. Fund balance represents the cumulative residual resources from prior fiscal years that can, and in some cases must, be used to lower property taxes for the subsequent year. A school district may retain a portion of fund balance, referred to as unrestricted fund balance, but must do so within the legal limit.⁶

Additionally, school districts are legally allowed to establish reserves and accumulate funds for certain future purposes (e.g., capital projects or retirement expenditures). To ensure effective planning and transparent management of financial resources, the Board and District officials should develop and continually update a comprehensive written reserve fund policy (policy) and multiyear financial and capital plans.

The Board and District officials have not effectively managed fund balance. Unrestricted fund balance increased from \$9.5 million as of June 30, 2014 to \$18.3 million as of June 30, 2016. Unrestricted fund balance was 62 percent of 2016-17 budgeted appropriations and exceeded the statutory limit by \$17 million (58 percentage points).

While the vast majority of accumulated fund balance resulted from retroactive aid payments from the State (Compact aid) and payments from the federal government (Impact aid), which were outside the District's control, even without these payments unrestricted fund balance would have exceeded the legal limit as of June 30, 2016 by approximately \$5 million (17 percentage points).

The Board and District officials also have not effectively managed four reserve funds with balances totaling approximately \$4.1 million. They could have more effectively managed fund balance and reserves if they had incorporated multiyear financial and capital plans into their annual budgeting process to better facilitate timely fund balance management in conjunction with meeting long-term District goals (e.g., capital projects). Although from 2013-14 through 2015-16, the Board reduced the tax levy by approximately \$2.3 million or 66 percent, no reductions were made to the 2016-17 levy. Consequently, the Board and District officials missed opportunities to further reduce the tax levy.

⁶ New York State Real Property Tax Law limits the amount of unrestricted fund balance a school district can retain to no more than 4 percent of the subsequent year's budget.

Fund Balance

The Board and District officials are responsible for effectively managing fund balance by ensuring a sufficient amount is available in the event of revenue shortfalls or unanticipated expenditures and properly planning for amounts that become excessive. Multiyear planning can be a vital tool to effectively manage fund balance, set long-term priorities, work towards goals and see the effect of fiscal circumstances and decisions over time.

The Board and District officials did not adopt or incorporate multiyear financial and capital plans into their annual budgeting process and as a result, have not properly planned for unrestricted fund balance that has become excessive. As of June 30, 2016, unrestricted fund balance was approximately \$18.3 million or 62 percent of the subsequent year's budget. We projected revenue and expenditure trends for the remainder of 2016-17 and subsequent operating results, which agree with the Assistant's estimate of an operating surplus in 2016-17, potentially adding an additional \$4 million to unrestricted fund balance.

Figure 1 - Unrestricted Fund Balance

	2013-14	2014-15	2015-16
Beginning Fund Balance	\$11,669,827	\$18,035,978	\$22,754,375
Add: Operating Surplus	\$6,370,386	\$1,435,286	\$4,146,560
Add: Transfers In	\$35,000	\$3,296,933 ^a	\$0
Less: Transfers Out	\$39,235	\$13,822	\$12,153
Ending Fund Balance	\$18,035,978	\$22,754,375	\$26,888,782
Less: Restricted Fund Balance (Reserves)	\$7,084,571	\$7,437,266	\$7,670,360
Less: Encumbrances	\$204,104	\$392,471	\$259,540
Less: Appropriated Fund Balance	\$1,227,343	\$2,102,947	\$707,768
Unrestricted Fund Balance at Year End	\$9,519,960	\$12,821,691	\$18,251,114
Subsequent Year's Budgeted Appropriations	\$27,572,466	\$27,809,900	\$29,576,962
Unrestricted Fund Balance as a Percentage of Subsequent Year's Budget	35%	46%	62%
Amount of Unrestricted Fund Balance Authorized by Real Property Tax Law	\$1,102,899	\$1,112,396	\$1,183,078
Amount Exceeding the Legal Limit	\$8,417,061	\$11,709,295	\$17,068,036

^a District officials transferred excess funds held in the debt service fund to the general fund to correct a prior erroneous debt payment made from the general fund and also transferred proceeds from the sale of the Seneca Elementary building to the general fund.

In June 2013, the State and the Seneca Nation resolved a three-year dispute regarding the distribution of Compact aid (casino revenues) and the District received a retroactive payment in 2013-14 of approximately \$6 million. As a result, unrestricted fund balance increased by approximately 55 percent from the previous year. In addition, in 2015-16 the District received a retroactive aid payment of approximately \$4 million from the State for a 2014 tuition contract settlement and actual Impact aid revenues exceeded budget estimates by approximately \$585,000, which increased unrestricted fund balance by approximately 18 percent from the previous year.

District officials, uncertain of the reliability of future Compact aid payments, did not include this revenue in the adopted 2017-18 budget. This is expected to have a minimal financial impact on District operations due to increases in Impact aid. District officials anticipate receiving \$3.1 million in Impact aid in 2017-18 (almost double what the District received in 2014-15). If past financial trends continue, we estimate that the District would experience an operating surplus of approximately \$4 million for 2017-18.

In an attempt to reduce unrestricted fund balance, the Board reduced the tax levy by approximately \$2.3 million, or 66 percent from 2013-14 through 2015-16 and in December 2016 proposed a capital project to voters totaling approximately \$59 million, which would be partially funded with \$9 million from unrestricted fund balance. However, the voters did not approve this project. In June 2017, District officials presented and voters approved a revised project with a total maximum cost of \$28 million to be funded by approximately \$7 million of unrestricted fund balance. However, we estimate that approximately \$11 million in unrestricted fund balance remains that exceeds the statutory limit for which District officials have no immediate plans.

District officials could benefit from comprehensive multiyear financial and capital plans being incorporated into the annual budgeting process to prioritize capital investments, long-term budgetary funding goals and maintenance and improvements to existing infrastructure. Multiyear plans can also help residents better understand the District's financial management practices.

Reserve Funds

The statutes pursuant to which reserves are established determine how the reserves may be funded, expended or discontinued. Generally, school districts are not limited as to how much money they can maintain in reserves. However, school districts should maintain reserve balances that are reasonable, based on historical trends and projected costs. To do otherwise, that is, funding reserves at greater than reasonable levels, results in higher real property tax levies than necessary.

As of June 30, 2016, the District reported six general fund reserves totaling approximately \$7.7 million. Four of these reserves were excessively funded with balances totaling approximately \$4.1 million. While the Board adopted a written reserve policy documenting its financial objectives for each reserve, it did not subsequently update its policy⁷ as needed and chose not to follow it. In addition, officials have not used the following four reserves to pay related expenditures during the last three years (2013-14 through 2015-16).

Retirement Contribution Reserve – General Municipal Law (GML) authorizes this reserve for the payment of retirement contributions to the New York State and Local Retirement System (NYSLRS). As of June 30, 2016, the balance of this reserve totaled \$2 million, which represents nearly five times the District’s annual average cost for retirement contributions of approximately \$400,000.

The reserve policy states that 50 percent of the annual NYSLRS billing will be paid from this reserve. However, officials did not use this reserve to fund retirement contributions because the Board levied taxes for this purpose. As a result, we question the reasonableness of maintaining this reserve at its current funding level given the ability of the District to comfortably incorporate these costs directly within the budget.

Employee Benefit Accrued Liability Reserve (EBALR) – GML authorizes this reserve for the cash payment of accrued and unused sick, vacation and certain other leave time due to employees when they leave District employment. As of June 30, 2016, the balance of this reserve totaled \$1.2 million.

The policy states that EBALR eligible expenses will be included in the annual budget with actual costs reimbursed from this reserve at year-end. While the Board budgeted for and incurred annual average EBALR costs totaling approximately \$86,000 a year for the last three years, officials have not made the corresponding reimbursement from this reserve as directed by the policy. Instead sizeable annual operating surpluses made those transfers unnecessary.

Although District officials’ liability calculations supporting the amount held in this reserve fund are reasonable, this reserve has not been used as required by the policy and officials instead paid for these costs through budget appropriations each year. As a result, we question the reasonableness of maintaining this reserve at its current level of funding given the ability of the District to comfortably incorporate these costs directly within the budget.

⁷ The adopted reserve policy states that the majority of funding sources for reserve funds are tied to a percentage of unrestricted fund balance.

Unemployment Reserve – GML authorizes this type of reserve for reimbursing the New York State Unemployment Insurance Fund for unemployment benefits paid to claimants on the District’s behalf. As of June 30, 2016, the balance of this reserve was \$690,000 which represents more than 90 times the District’s three-year annual average unemployment costs of approximately \$7,300 per year.

Over the past three years, the Board included appropriations in the annual budgets averaging approximately \$75,000, which was more than adequate to cover actual unemployment costs annually averaging \$7,300. We question the reasonableness of maintaining this reserve at its current level of funding as it is excessive compared to annual average expenditures.

Workers’ Compensation Reserve – GML authorizes establishing this type of reserve to pay for compensation and benefits, medical, hospital and other expenses authorized by New York State Workers’ Compensation Law and to pay the expenses of administering a self-insurance program. As of June 30, 2016, the balance of this reserve was \$260,000.

The policy states that 10 percent of actual costs will be funded from this reserve. However, additions to this reserve have made any deductions unnecessary and the reserve has continued to grow to its current funding level. The District incurred expenditures averaging \$95,000 annually, which were adequately covered with budgeted appropriations during the same time period. As a result, we question the reasonableness of maintaining this reserve at its current funding level.

While it is prudent to provide for unforeseen circumstances, overfunding and not using reserves for their intended purpose results in property taxes being higher than necessary because the excessive balances are not being used to fund operations.

Recommendations

The Board and District officials should:

1. Develop, adopt and routinely update comprehensive multiyear financial and capital plans to document goals and objectives for funding long-term operating and capital needs, revenue and expenditure trends, changes to reserve fund balances and estimates for using unrestricted fund balance and how funds exceeding the statutory limit will be used. The plans should be monitored and updated on an ongoing basis.

2. Maintain unrestricted fund balance within the statutory limit.
3. Develop and implement a plan to reduce unrestricted fund balance in a manner that benefits residents. Such uses could include, but are not limited to:
 - Funding one-time expenditures;
 - Funding needed reserves; and
 - Further reducing property taxes.
4. Review and update the reserve fund policy.
5. Review all reserves at least annually to determine if the amounts reserved are necessary and reasonable. Any excess funds should be transferred to unrestricted fund balance (where allowed by law) or to other reserves established and maintained in compliance with relevant statutes.

Payroll

An effective payroll system provides assurance that payroll transactions are appropriately supported, authorized by management and accurately paid. The Board should adopt adequate policies and District officials should develop written procedures to help ensure employees are accurately paid their salaries and wages. The Board should approve the amounts to be paid to District employees through collective bargaining agreements (CBAs), individual employee contracts and Board-established rates. Additionally, school districts may, in some cases, provide separation payments to employees for all or a portion of their earned but unused leave time when they leave district employment. The Board is responsible for ensuring departing employees are paid the amounts to which they are entitled.

We found that employee salary step information was not clearly identified in a prior CBA. As a result,⁸ it was not clear what the proper salary step placement was, at the time of the agreement, for three employees in our audit sample. To help ensure employees are accurately paid, we recommend that sufficiently clear salary schedules and salary step information are included in employment agreements. The Board also has not adopted written policies and District officials have not developed written procedures formalizing controls and oversight associated with the payroll function to help ensure rates of pay are clearly identified and entered into the payroll system. We found no discrepancies with four separation payments totaling \$41,525 paid to former employees.

We examined payroll payments for 15 employees during three payroll periods totaling more than \$82,000 and found no significant exceptions with 14 of them. However, while examining District payroll and personnel records for the salary variances we noted initially with the one employee, we found a memorandum in the employee's personnel file, which was signed by the Superintendent in April 2016, indicating that a clerical error occurred in 2003-04, and that the employee should have been advanced to a different salary step. According to the memorandum, the employee's salary step was adjusted to the correct step in 2015-16. We were informed by District officials, that the District did not examine further into other similar employees' payroll histories to determine whether the apparent clerical error may have impacted other employees.

As a result, we extended our testing in an effort to assess whether other employees, who were employed during 2002-03, could also

⁸ We discussed other less significant payroll issues with District officials.

have been affected by the apparent clerical error. We found that the CBA, effective during 2003-04, did not include language to help clearly identify salary step placement for employees subject to the agreement.

For example, according to the prior CBA, employee salary step schedules were reduced from 25 steps to 20 steps, but did not include information to help identify which steps were to be compressed. The CBA also did not expressly address whether employees would advance a step for 2003-04, or be “frozen on step” and not advanced in 2003-04.

As part of our extended testing we reviewed payroll histories for five other employees who currently work for the District and began their employment before 2003-04. We found that two employees who were covered by the same CBA as the one employee with salary variances that we initially identified in our original sample, were not advanced a step in 2003-04.⁹ As a result, we question whether these three employees had been placed on the correct salary step. However, because the prior CBA did not clearly address which salary steps were to be compressed or whether employees were to advance a salary step for 2003-04, it remains unclear what the intent of the parties were in regards to salary step placement for such employees when the CBA was negotiated. Subsequent to the exit conference, we confirmed that none of the employees covered by this CBA were advanced a salary step in 2003-04.

To help ensure that employees are accurately paid, we recommend that salary step information be more clearly addressed in future employment agreements.

Recommendations

The Board and District officials should:

6. Develop and adopt written payroll policies and procedures.
7. Ensure that CBAs contain sufficiently clear salary step information.

⁹ We noted no exceptions with the salaries paid to the remaining three employees in the extended sample.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

The District's response letter refers to page numbers that appeared in the draft audit report. The page numbers changed during the formatting of this final report.



SALAMANCA

CITY CENTRAL SCHOOL DISTRICT

Main Campus

Seneca Intermediate 716-945-5140
High School 716-945-2404
District Offices 716-945-2403
50 Iroquois Dr.
Salamanca, New York 14779
Website: www.salamancany.org

Prospect Elementary School

300 Prospect Avenue
Salamanca, New York 14779
716-945-5170

Facebook: www.facebook.com/SalamancaWarriors

October 23, 2017

Mr. Jeffrey D. Mazula
Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

Dear Mr. Mazula,

The Salamanca City Central School District ("District") is in receipt of the draft Report of Examination (2017M-138) prepared by the Office of the State Comptroller. The District Board of Education has been apprised of the audit findings and is in agreement with this response. The District would like to commend the staff of the Comptroller's Office for their level of courtesy and professionalism in conducting the recent audit of our school district. The Comptroller's Office staff was respectful of our mission and the necessary work to educate our students.

The Scope and Objective of the audit centered on two areas:

- A. Did the Board and District officials properly manage district finances by ensuring fund balance and reserves were reasonable? The District's answer is: **YES**
- B. Were employee salaries, wages and separation payments accurately paid? The District's answer is: **YES**

Generally speaking, the District concurs with three (3) recommendations provided by the Comptroller. Similarly, certain findings are worthy of further Board of Education and Administrative discussions where the District agrees, in part, with the Comptroller's findings.

However, the District categorically disagrees with multiple assertions that are "opinion" rather than "legal" requirements, and also with several assertions that are simply inaccurate. If the intent of the Comptroller's Office is to improve operational efficiencies, the District welcomes such conversation so long as it is based on actual facts, as opposed to suggestion and supposition masquerading as fact.

Superintendent of Schools
Robert J. Breidenstein
716-945-2403

Assistant Superintendent for Academics
Dr. Mark D. Beehler
716-945-2400 Ext. 6128

Assistant Superintendent for Finance & Operations
Karen S. Magara
716-945-2400 Ext. 4018

Director of Pupil Services
Kristin Dudek
716-945-5142

Where Learners Become Leaders

DIVISION OF LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY

15

The District concurs with following three (3) Audit Result recommendations, which are set forth on pages 4 and 5 of the draft report:

- An annual, formal adoption of our existing Fund Balance Reserve Plan by the Board of Education is appropriate *[Recommendation #4]*.¹
- Relating to unassigned fund balance, “the vast majority of accumulated fund balance resulted from retroactive payments from the State (Compact Aid) and payments from the federal government (Impact Aid) were outside of the District’s control” *[Comptroller’s Office finding]*.
- There are no discrepancies in the implementation of required collective bargaining agreement separation payments with former four (4) sample employees. *[Note: the Comptroller’s Audit findings did not indicated which records were sampled, only that four (4) sample records were reviewed and 100% of the sample were appropriate and compliant]*.

See
Note 1
Page 28

The District agrees, in part, with four (4) items referenced in the Audit Result findings. These citations can similarly be referenced on pages 4 and 5 of the draft report. The express content of the Comptroller’s Office findings are clear and where warranted the District has provided supplemental clarification:

- An annual, formal adoption of a Long Range Financial Plan by the Board of Education is a desired goal, however this is only a recommendation and not a legal requirement.
 - During the initial scope of this audit, July 1, 2013 to May 19, 2017 the District has facilitated six (6) public forums annually (3 Board of Education Meetings and 3 Public Budget Forums) to outline in extensive detail the budget proposals, propositions and financial health of the district. These presentations were and still are available to the public electronically to review. The Comptroller’s Office findings recommend action where none is required. The District’s position is unequivocal, we have met and exceed the requirements for fiscal planning and parallel if not surpass the same requirements for the State of New York, any municipality including school districts.
- The claim that certain employees were not accurately paid is not supported by prior collective bargaining agreements, re-negotiated collective bargaining agreements and Board action governing compensation, and instead appears to be based on a misunderstanding of the facts and/or misapprehension of the law.
 - The facts are beyond dispute: A 25-step salary schedule was first negotiated between the District and its teachers’ union in 1999. In the next round of bargaining during 2002, the parties agreed to “compress” the salary schedule to 20 steps. The Comptroller’s Office staff

See
Note 2
Page 28

¹ Where relevant, the response has attempted to cite the pages of the Draft Audit Findings. However, at the time of our response, there have been multiple revisions to the draft document, consequently the Comptroller’s Office draft and their final reports may not entirely align with our citations. We appreciate the revisions made by the Comptroller’s office to more accurately reflect our conversations during the post audit conference on October 3, 2017.

apparently (and incorrectly) assumed automatic step advancements occurred in concert with salary increases even though steps were clearly and intentionally compressed.

- Individuals on staff in 2002-2003 were frozen on step or re-stepped into the schedule in accordance with the negotiated total salary increase. Nonetheless, each affected teacher still received a wage rate increase, even if the teacher was placed on the same or lesser step following compression of the step schedule than the step the teacher was on the year previous to compression. Once the compressed schedule was adopted, teachers advanced one step each year beginning in year two (2003-04) of the new labor agreement. Supporting documentation clearly identified the pattern, methodology and practice implemented to execute the express language and intent of the collective bargaining agreement.
- The wage rates to be paid to District teachers are established solely by the terms of the applicable collective bargaining agreement. At no time since the salary schedule compression in 2002 has a teacher or the union representing the District's teachers filed a grievance to challenge a teacher's placement on the salary step schedule or to claim that a teacher has been incorrectly paid. Inasmuch as the contractual grievance procedure is the exclusive process available to claim a contractual violation, there is no legal basis whatsoever to support the suggestion that a District teacher has been underpaid, nor any legal basis on which the District could remedy any such alleged underpayment even if it wished to. Indeed, the District could very well be alleged to be engaging in an unconstitutional gift of public funds if it provided additional compensation to a District employee without any valid legal or contractual obligation supporting the payment.
- The audit fails to recognize that there have been several collective bargaining agreements negotiated since the 2002 agreement which compressed the step schedule. During the negotiation of those subsequent agreements new step schedules have been implemented, and the District and union have exchanged information identifying the placement of teachers on the step schedule. Even if an error was made during the implementation of the 2002 step schedule compression, the actual placement of each teacher on the salary schedule was effectively ratified during each successive round of bargaining, with the result that there cannot possibly be any valid current claim of underpayment relating to the implementation of the 2002 step schedule compression.

See
Note 2
Page 28

See
Note 2
Page 28

See
Note 3
Page 29

See
Note 2
Page 28

- The District acknowledges this process was detailed and complicated, especially so given the fifteen (15) year timeframe from initial implementation and personnel changes in administration and within the business office and Association. Thankfully, the Comptroller's Office staff recognized fidelity in our practice. It is clear however, throughout this process, the likelihood of a single employee, first hired by the District in 2002, was incorrectly advanced (up a step) in 2015-16. The District will continue to investigate and consult with legal counsel and the impacted employee and his/her Association representatives to re-coup the incorrect payment.
- The Board and District have not developed written policies [with respect to payroll].
 - This is not a legal requirement of school districts governed by the New York State Education Department, Commissioner's Regulation or statute. Internal procedures are in place and are well documented. These actions have been in place and continue to be monitored by competent, well trained personnel. The District welcomes further conversation about improving practice beyond legal, statutory requirements already firmly entrenched on our protocols.
- District personnel could have more effectively managed certain fund balances.
 - Existing fund balance reserve categories, such as Retirement Contribution Reserves, EBLAR, Unemployment Reserves, Workers' Compensation Reserve (page 11 & 12 of the draft report) comply with existing statutes, it is however relevant to suggest more frequent review as an appropriate oversight.

See
Note 2
Page 28

The District disagrees with the following four (4) items referenced in the Comptroller's Recommendations. The dissent with the Comptroller's findings and audit report are detailed below. It is important and relevant to note, the tone contained in their report is disappointing. As with prior audit findings in other districts across New York State, it is entirely inappropriate for the findings to distort facts or worse, minimize the unique circumstances that have existed, currently exist and will in all likelihood continue to exist within a community. The findings too often and cavalierly ignore relevant facts, policy considerations and the unique realities of operating a school district. The Comptroller's Office findings are inaccurate and District clarification is provided supporting our dissent:

- The Board and District missed opportunities to further reduce the tax levy.
 - The audit findings in our opinion miss the bigger picture of the unique nature of the Salamanca community. The report minimized the historic, unprecedented financial initiatives the Board of Education and District officials have undertaken in the timeframe of the audit to reduce taxes.

See
Note 4
Page 29

The Salamanca City Central School District defies the Comptroller's Office to identify any municipality, District or governmental entity that, over three fiscal years, has reduced school taxes by 67% and increased services by over 23% as our District has.

- Quite simply, the report fails to accurately identify the following financial actions and factors undertaken by the District to meet our financial obligations. Since the audit finding essentially ignored these facts, the District, for the record affirms the following:

- ✓ During the timeframe 2012-2017, the District's operating budget has increased from \$24,697,411 (2012-13) to \$31,992,550 (17-18) or a budget to budget increase throughout this period of time of 23.19%; and

See
Note 5
Page 29

- ✓ Since 2012, the District has had four (4) school budget propositions that carried a zero percent (0%) levy increase (2012-13, 2013-14, 2016-17, 2017-18); and

- ✓ The District **has twice reduced the tax levy** by an aggregate amount of 67% (2014-15 minus 29% and 2015-16 minus 54%)

See
Note 4
Page 29

- ✓ The zero percent budgets and levy reductions were made possible because of strategic fund balance reserve management, comprehensive planning, community outreach, Board of Education and Administrative budgetary awareness. To suggest otherwise is inaccurate and incredibly unfair.

- ✓ The historic reductions of the tax levy also occurred concurrently with the disastrous Gap Elimination Adjustment, skyrocketing unfunded mandates and a nation-wide economic recession.

See
Note 5
Page 29

- ✓ Despite the Comptroller's editorial comment, the Board of Education alone has the obligation and authority to determine the District's tax levy.. We firmly believe that the community overwhelmingly supports Board's reasoned decision to engage in a planned, methodical and deliberate increase in services while simultaneously reducing the tax levy by TWO-THIRDS, as demonstrated by the six (6) consecutive successful budget votes from 2012 through

2017. Our financial planning has been spot on and suggesting we could have reduced the levy more is blatant boilerplate language devoid of common sense, when the District has done just that. The chart below provides additional detail on the fiduciary commitment the Board of Education has demonstrated to increase budgeted services (instruction, facilities & program), reduce the percentage of the total budget associated with the tax levy and comply with the levy limitation law:

See
Note 6
Page 29

School Year	Tax Cap Levy Limit	Tax Levy	% Change	% Levy of Budget	Budget
2010-11	n/a	\$3,233,865	3.00%	13%	\$25,868,541
2011-12	n/a	\$3,427,897	6.00%	14%	\$25,051,804
2012-13	2.39%	\$3,427,897	0.00%	14%	\$24,697,411
2013-14	10.59%	\$3,427,897	0.00%	14%	\$25,369,136
2014-15	3.26%	\$2,427,897	-29.17%	8.81%	\$27,572,466
2015-16	4.09%	\$1,152,500	-52.53%	4.14%	\$27,809,900
2016-17	3.41%	\$1,152,500	0.00%	3.90%	\$29,567,962
2017-18	1.27%	\$1,152,500	0.00%	3.60%	\$31,992,550

See
Note 5
Page 29

- ✓ The Salamanca City Central School District has provided more services while simultaneously reducing the tax levy than any other entity in the State. This should have been the headline to serve as a template for 21st Century Fiscal Management in a school district in New York.
- The Board and District have not effectively managed fund balance (*unrestricted*)
 - As the report identifies, the vast majority of fund balance is outside of the District's control. This is true and we recognize the optics of our levels, based on unprecedented increases in revenue and strategic leveraging of

available resources. The facts already cited in this response, confirms we have managed fund balance reserves remarkably well.

See
Note 7
Page 29

- Two (2) Capital Improvement Projects have been put forward for community approval. In 2015, a \$59,000,000 referendum was defeated by the community that would have significantly reduced unassigned reserves, utilized the 2012 approved Capital Project Reserve and re-assigned the Maintenance Repair Reserve to support this project. The voters rejected this proposition in large part due to concerns that New York would not honor its financial commitment if the project was approved. A revised Capital Improvement Project of \$27,500,000 was approved in June of 2017. While smaller in scope, this project will be at no additional cost to the taxpayers over the bonding period and utilize a significant level of unassigned fund balance reserves.
- The Audit findings ignore the reality that a well-designed plan, to reduce reserves, ultimately not supported by the community at the ballot box is also, to a large extent, outside of the control of the District. The effort and activity is present, yet the Audit findings fail to account for these mitigating realities school districts face.
- Continue to review payroll histories of affected employees and retirees, consult with legal counsel and the New York State and Local Retirement System, as needed, and reimburse these individuals for identified salary underpayments, as appropriate.
 - The District categorically disagrees with the Comptroller's Office in this regard. Written payroll policies, per counsel and the Policy Unit of Erie 1 Board of Cooperative Educational Services have indicated this is not a requirement of Education Law or Commissioner's Regulation. Extensive time, energy and care are given in following all Collective Bargaining Agreements, codified by the Board of Education and each Association (and respective counsel) are faithfully implemented by administration and well trained staff members. The assertion that the District has not done this with fidelity is a supposition, not grounded in factual citations.
 - The District has properly established payment schedules, authorized documentation verifying payments, as well as fiscal measures to insure timely, proper, accurate and authorized payments. In the unlikely event of a human error or coding calculation error, a highly detailed process of accountability is already established through the Collective Bargaining Agreement process, including annual salary compensation statements, informal grievances, formal grievances and arbitration. In the

See
Note 8
Page 29

See
Note 2
Page 28

See
Note 2
Page 28

established timeframe parameters of this audit, the Comptroller's Office cites one (1) possible error in a fifteen (15) year period.

- Upon a thorough review of the written, anecdotal and historical records, the District contends no employee has been improperly compensated (undercompensated) and has in accordance with applicable law, labor agreements and contracts fulfilled its legal fiduciary obligations.
- The District contends as a result of the Comptroller's Audit, one (1) employee has been identified and may have been overcompensated during the 2015-16 school year. The labor agreement executed in 2002 and cited in the report, as well as subsequent labor agreements (2005, 2009, 2012, 2014 and 2017) and countless Memorandums of Agreement between the parties, support a single, isolated computational error (step advancement on the salary schedule) and will pursue reclamation action to rectify the overpayment.
- During the post-audit conference, it was terribly disappointing for the Comptroller's staff to suggest the District "provide proof that something wasn't done". When presented with substantial anecdotal and written evidence, the Comptroller's Office simply implied, "It's not enough. Because something may have happened, you have to prove it didn't. Our report is completed and won't change." Fortunately when pressed by legal counsel, revisions were made by the Comptroller's Office to alter their findings to more closely align with our evidence.
- The District can defend its processes and protocols. This audit finding is simply incorrect and inflammatory with no valid reason. Collective bargaining agreements, monthly labor management meetings with the parties representing the Associations and District, Board action, internal and external financial audits and internal processes over fifteen years is ample evidence supporting what needed to happen, was contractually required to happen, did in fact happen.

See
Note 2
Page 28

See
Note 9
Page 30

The New York State Comptroller's Office has made eight recommendations regarding its findings, specifically five (5) recommendations relating to question 1 (fund balance and reserves) and three (3) recommendations relating to question 2 (payroll).

Recommendation #1: District Response

Develop, adopt and routinely update comprehensive multiyear financial and capital plans to document goals and objectives for funding long-term operating and capital needs, revenue expenditure trends, changes to reserve fund

balances and estimates for using unrestricted fund balance and how funds exceeding the statutory limit will be used. The plans should be monitored and updated on an ongoing basis.

- The Salamanca City Central School District Board of Education and District Officials have begun to explore the development of a long range financial plan including fiscal predictions of future revenue, expenditures and use of existing fund balance reserves.
- In 2013, the voters approved a referendum to sell an underutilized, under enrolled elementary school in the District. Re-assigning students and staff into existing buildings provided a financial savings of roughly \$100,000 per year in maintenance and operational expenses.
- In 2015, the District refinanced existing debt service which saved taxpayers in excess of \$412,656.
- The Salamanca City Central School District has put forward two Capital Improvement Plans (2015 and 2017) for voter approval to address short term and long term facility needs.
- The Salamanca City Central School District established through a 2012 Community Referendum to establish a Capital Reserve account for \$2,000,000 for future Capital Improvement Projects. This reserve was authorized for a ten (10) year timeframe. This reserve account will be expended as a result of the affirmative June 2017 referendum.
- The Salamanca City Central School District Board of Education and District Officials are considering a referendum in May of 2018 to re-establish the Capital Reserve account, at a higher ceiling, to address future referendums and to further address unrestricted fund balance reserve levels. These will of course be contingent on positive community support.
- The Salamanca City Central School District Board of Education Finance Committee and District officials actively monitors and reviews current, future expenditures to maintain programs, personnel and operating needs.

Recommendation #2: District Response

Maintain unrestricted fund balance within the statutory limit.

- The Salamanca City Central School District Board of Education and District Officials recognize the optics of our unrestricted fund balance levels and has attempted to reduce the unrestricted fund balance notably through:

- A \$59,000,000 Capital Improvement project in December of 2015 which would have occurred with no cost to the community. Regrettably this referendum was defeated.
- A subsequent \$27,500,000 June 2017 referendum was supported by the community and is progressing through the planning and submission process to SED. This project also comes at no additional cost to the taxpayer and utilizes a large portion of unrestricted fund balance reserves
- The Salamanca City Central School District has, as cited in this response demonstrated a clear pattern of utilizing unrestricted fund balance reserves for tax levy reductions and increasing services, 67% and 23% respectively.
- Further conversations will occur, as part of our normal budget development to determine additional considerations and use of unrestricted fund balance to comply with statutory requirements.

Recommendation #3: District Response

Develop and implement a plan to reduce unrestricted fund balance in a manner that benefits residents. Such uses could include, but are not limited to:

- *Funding one-time expenditures*
- *Funding needed reserves*
- *Further reducing property taxes*
- The Salamanca City Central School District Board of Education and District Officials are currently exploring and discussing needed and appropriate one-time expenditures such as:
 - Bus purchases, athletic program enhancements, extended learning opportunities for students, expansion of Community Education, labor agreement extensions, additional health and safety measures, STEAM program initiatives and early childhood education programming opportunities for an underserved portion of the community. These conversations are not appropriate to have in isolation or outside of the resident's purview and awareness. Community forums occur in the district to discuss the development of the budget as well as capital and program investments in our district.
- The Salamanca City Central School District Board of Education Finance Committee and District officials are currently investigating and will make recommendations to the full Board of Education to expand allowable reserve accounts.
- The Salamanca City Central School District Board of Education Finance Committee and District Officials are currently discussing the established tax levy and will through the budget development process determine if any additional property tax reductions are warranted and appropriate. Again four (4) zero percent tax levy increases and

two (2) significant property tax levy reductions equaling a two-thirds reduction of the levy while the year-to-year budget has increased by more than 23% has occurred since 2012.

Recommendation #4: District Response

Review and update the reserve fund policy.

- The Salamanca City Central School District Board of Education and District Officials are currently reviewing the reserve fund policy and is anticipated to take formal Board action by the conclusion of the 2017 calendar year.
- Additionally, the Salamanca City Central School District has actively worked with local elected official in the pursuit of special act legislation to create a new reserve account as a direct result of increased federal aid. Ultimately this legislative action is not yet authorized, but we continue to work with elected statewide officials to make this a reality.

Recommendation #5: District Response

Review all reserves at least annually to determine if the amounts reserved are necessary and reasonable. Any excess funds should be transferred to unrestricted fund balance (where allowed by law) or to other reserves established and maintained in compliance with relevant statutes.

- This recommendation, will be adhered to prior to the release of the Comptroller's Final report, anticipated on or about December 2017.

Recommendation #6: District Response

Develop and adopt written payroll policies and procedures.

- The Salamanca City Central School District has comprehensive, thorough payroll procedures enacted by highly trained and competent employees. Safeguards are in place to ensure fidelity and proper authorizations, payments in strict accordance with contractual obligations, existing policy and legal requirements. Payroll procedures are reviewed through ongoing internal mechanisms including faculty meetings with staff, mentor/mentee conversations with newly hired certificated personnel and in-service opportunities. Payroll procedural information is included in the employee handbook which is revised and distributed to each employee annually.
- It is important to note, there is no legal requirement for a school district to have a supplemental "payroll policy," as suggested by the Comptroller. However, should any such requirement be adopted, the District shall take measures to comply, including consultation with the Policy Unit of Erie 1 Board of Cooperative Educational Services and legal counsel.

See
Note 2
Page 28

Recommendation #7: District Response

Ensure that salaries are properly established, authorized, documented in the payroll system and issued for payment accurately.

See
Note 10
Page 30

- The Salamanca City Central School District has properly established, authorized and documented within our payroll system mechanisms to ensure accurate and timely payments.
- The Salamanca City Central School District recognizes as a result of the findings of this Comptroller's Office audit, one (1) singular payment where a staff member may have been incorrectly advanced in the salary schedule over a fifteen (15) year period from 2002-2017. This advancement occurred during the 2015-16 school year and was due to a clerical error. The District has begun the process of reclamation of these funds through the negotiated collective bargaining agreement process and in concert with legal counsel.

See
Note 2
Page 28

Recommendation #8: District Response

Continue to review payroll histories of affected employees and retirees, consult with legal counsel and the New York State and Local Retirement System, as needed, and reimburse these individuals for identified salary underpayments, as appropriate.

See
Note 11
Page 30

- The Salamanca City Central School District has properly established, authorized and documented within our payroll system mechanisms to ensure accurate and timely payments.
- It is the staunch position of the Salamanca City Central School District Board of Education and District Officials that no underpayments occurred in this fifteen (15) year period of time and that the historical data of the Comptroller's Office findings supports one (1) instance where an overpayment occurred in the 2015-16 school year due to an inadvertent step advancement in the salary schedule impacting one (1) employee.
- The District has begun the process of reclamation of these funds through the negotiated collective bargaining agreement process and in concert with legal counsel. Upon resolution, the appropriate retirement system will be notified of the reclamation of funds, as warranted through legal action.

See
Note 2
Page 28

In summary, in response to the two pressing questions:

Did the Board and District officials properly manage District Finances by ensuring fund balance and reserves were reasonable and were employee salaries, wages and separation payments accurately paid?

Our answer, except where otherwise noted in this response, is categorically **YES we did.**

Sincerely,

Theresa A. Ray
President
Salamanca City Central School District

Robert J. Breidenstein
Superintendent
Salamanca City Central School District

CC: B. Sande, VP BOE
L. Hoag, Trustee
K. Nary, Trustee
Z. Tucked, Trustee
K. John, Trustee
D. Colton, Trustee
K. Magara, Asst Supt.

APPENDIX B

OSC COMMENTS ON THE DISTRICT'S RESPONSE

Note 1

We provided the payroll clerk with the four employee names selected for our sample to obtain the records needed for examination.

Note 2

While examining District payroll and personnel records for the salary variances that we noted initially with the one employee in our audit sample, we found that during 2015-16, an employee brought to District officials' attention the possibility of not having been placed on the correct salary step. According to a memorandum signed by the Superintendent (which was included in the employee's personnel file), upon a closer examination of the employee's salary step, it was determined that due to a clerical error that occurred in 2003-04, the employee should have been advanced to a different salary step. The memorandum further indicated that the employee's salary step would be adjusted to the correct salary step as of April 2016. The memorandum did not address whether any additional adjustments should have been made for previous years due to the apparent clerical error.

As a result, we expanded our audit testing to address whether other employees, who were employed during 2002-03, could also have been affected by the same clerical error.¹⁰ Pursuant to the CBA, effective for 2003-04, the teachers' salary step schedule was changed from 25 steps to 20 steps. The CBA listed the 20 salary steps and the corresponding pay rates. However, the CBA did not expressly identify which steps were to be compressed or how to identify which step an employee was to be placed in for 2003-04. The CBA also did not expressly state that employees were to be "frozen on step" or "re-stepped" for 2003-04. The District did provide additional documentation which could be read to suggest that the parties intended to have employees' salaries frozen or "re-stepped" for 2003-04. However, there was no indication that the documentation provided was approved by the Board. Under these circumstances, it remains unclear to us what the intent of the parties were as it related to the salary step placement of employees for 2003-04.

We acknowledge, however, that the parties to the CBA have subsequently negotiated and entered into new agreements which included implementing new salary step schedules. It also is our understanding that no grievances have been filed against the District challenging an employee's placement since the schedule was compressed in 2003. Nonetheless, the Board is ultimately responsible to ensure that employees are paid accurately and, in our view, had additional clarifying language been included in the 2003-04 CBA, it could have helped reduce any confusion regarding salary step placement of employees for 2003-04.

We have modified the findings regarding this concern.

¹⁰ We inquired of District officials whether a review was performed by the District to address whether other employees, who were employed at this time (employed since 2002-03), may also have been affected by the apparent clerical error. District officials stated that, based on the advice of the District's legal counsel, they had not done so.

Note 3

In contradiction to the statement that the District could not increase an employees pay without going through the grievance procedure, the District did in fact increase one employee's salary based on an April 2016 memorandum from the Superintendent that we found in the employee's personnel folder.

Note 4

We stated in our report that from 2013-14 through 2015-16 the Board reduced the tax levy by approximately \$2.3 million or 66 percent.

Note 5

Our audit covered the period July 1, 2013 through May 19, 2017.

Note 6

As stated in our report, the Board and District officials are responsible for effectively managing fund balance by ensuring a sufficient amount is available in the event of revenue shortfalls or unanticipated expenditures and properly planning for amounts that become excessive. Multiyear planning can be a vital tool to effectively manage fund balance, set long-term priorities, work towards goals and see the effect of fiscal circumstances and decisions over time.

The Board and District officials have not developed and adopted a written multiyear long-term plan of capital and financial priorities to guide the District. As a result, the District retained excess money in unrestricted fund balance that significantly exceeded the amount allowed by statute and in reserves that are excessively funded and not being used.

The District has experienced operating surpluses in each of the last three years (2013-14, 2014-15 and 2015-16). These operating surpluses substantially exceeded the budgeted amounts raised each year through the annual tax levy, essentially making the levy unnecessary and contributing to the substantial increase of unrestricted fund balance in violation of Real Property Tax Law.

Note 7

As stated in our report, four reserves are excessively funded. As a result, property taxes were higher than necessary because the excessive balances were not used to fund operations. We are pleased that officials agreed with our recommendation to improve its reserve fund management by reviewing all reserves annually and reviewing and updating the reserve fund policy.

Note 8

None of the four reserves cited in our audit report can be used to fund a capital project. As such, these reserves are not affected when voters do not approve a capital project.

Note 9

This information is not accurate. We did not make the statements in quotations.

Note 10

We revised recommendation #7.

Note 11

We removed recommendation #8.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, our audit procedures included the following:

- We interviewed District officials to gain an understanding of the District's financial management practices.
- We analyzed 2013-14, 2014-15 and 2015-16 budgeted appropriations and revenues and compared them to actual results. We calculated whether there was an operating surplus or deficit for each of these years.
- We calculated unrestricted fund balance as a percentage of the subsequent year's budget.
- We reviewed the 2016-17 budget and compared it to budgets and operating results of the three previous years. Based on these comparisons, we projected revenue and expenditure trends for the remainder of 2016-17 and subsequent operating results and compared to the Assistant's projections.
- We identified and reviewed all general fund reserves to determine whether funding levels appeared reasonable based on the District's apparent needs.
- We documented the transfers of funds from and to reserves over the previous three years and determined whether reserve funds were used towards related expenditures.
- We interviewed and observed District officials and employees to understand the procedures used to process regular payroll and separation payments.
- We reviewed Board minutes for evidence of approval of individual employee contracts, CBAs, individual salaries, rates of pay, resignations, retirements and separation payments.
- We reviewed payroll records of 10 randomly selected employees and five additional employees judgmentally selected, based on their involvement with, and proximity to, the payroll process. We expanded our sample size to include an additional five employees judgmentally selected based on their years of service with the District.
- We randomly selected three payroll periods from July 1, 2015 through March 17, 2017 and reviewed total contracted compensation paid in 2015-16 to determine whether payments were accurately calculated, supported and approved by the Board.
- We reviewed the payroll schedule for 2016-17 to determine whether scheduled payments for the selected employees were accurately calculated, supported and approved by the Board.

- We traced the amounts paid to individual contracts, CBAs, salary notices and Board resolutions to determine whether the selected employees' pay was properly calculated and accurately paid.
- We reviewed all separation payments paid during our audit period to determine whether they were accurate.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX E
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313