



# Hampton Bays Union Free School District Controls Over Financial Operations

Report of Examination

Period Covered:

July 1, 2005 — June 30, 2006

2007M-136



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

October 2007

Dear School District Officials:

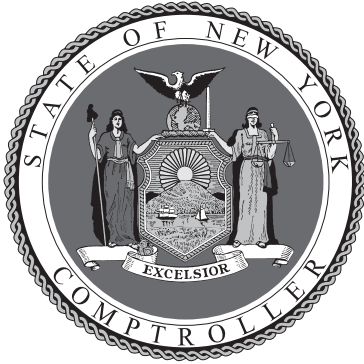
A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits can also identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Hampton Bays Union Free School District, entitled Controls Over Financial Operations. This audit was conducted pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials 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

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# EXECUTIVE SUMMARY

The Hampton Bays Union Free School District (District) is governed by the Board of Education (Board) which comprises five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

The District's audited financial statements for the period ending June 30, 2006 report that expenditures totaled \$31.4 million. Responsibilities relating to the District's finances, and accounting records and reports are largely those of the District's Business Administrator, who also acts as the purchasing agent and finance software administrator.

### **Scope and Objective**

The objective of our audit was to examine the District's internal controls over selected financial operations for the period July 1, 2005 through June 30, 2006. Our audit addressed the following questions:

- Did District officials adhere to adopted policies regarding purchasing and credit card use?
- Did the Board establish policies and procedures that address the safety of computer data?

### **Audit Results**

We found that District officials did not always adhere to Board-adopted policies regarding purchasing and credit card use. The District did not solicit requests for proposals when obtaining professional services and paid four professional service providers \$107,168 during the 2005-06 fiscal year without the benefit of competition. A fifth professional, who received \$11,605, did not have a contract with the District. In addition, the District paid a computer parts vendor \$47,630 during the 2005-06 fiscal year without soliciting competitive bids. We also found that District officials incurred credit card charges totaling \$1,704, but did not submit the documentation necessary to indicate that they were for legitimate District business.

We also found that the Board did not establish policies and procedures to safeguard computer data. As a result, the District's Business Administrator, who is also the purchasing agent and finance system administrator, has the ability to perform management overrides. In addition, four other employees had

system administrator rights allowing them full access to the finance system and data not related to their job duties. The District also did not implement procedures to monitor remote access, periodically review audit trail reports or address disaster recovery. As a result, the District could be vulnerable to unauthorized access to sensitive information, manipulation of District records and the loss or destruction of data.

### **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. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on issues raised in the District's response letter.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3) (c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, the Board must approve a corrective action plan that addresses the findings in this report, forward the plan to our office within 90 days, forward a copy of the plan to the Commissioner of Education and make the plan available for public review in the District Clerk's office. For guidance in preparing the plan of action, the Board should refer to applicable sections in the publication issued by the Office of the State Comptroller entitled *Local Government Management Guide*.

# Introduction

## **Background**

The Hampton Bays Union Free School District (District) is governed by the Board of Education (Board) which comprises five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

There are two schools in operation within the District, with approximately 1,800 students and 250 employees. For the period ending June 30, 2006, the District spent approximately \$31.4 million. The District's budgeted general fund expenditures for the 2006-07 fiscal year are approximately \$32.5 million, funded primarily with real property taxes, State aid and grants. Responsibilities relating to the District's finances, and accounting records and reports are largely those of the District's Business Administrator, who also acts as the purchasing agent and the finance software administrator.

## **Objective**

The objective of our audit was to examine the District's internal controls over financial operations. Our audit addressed the following related questions:

- Did District officials adhere to adopted policies regarding purchasing and credit card use?
- Did the Board establish policies and procedures that address the safety of computer data?

## **Scope and Methodology**

During this audit we examined the District's controls over financial operations for the period July 1, 2005 to June 30, 2006.

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.

## **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. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to initiate corrective

action. 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 the General Municipal Law, Section 2116-a (3)(c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, the Board must approve a corrective action plan that addresses the findings in this report, forward the plan to our office within 90 days, forward a copy of the plan to the Commissioner of Education and make the plan available for public review in the District Clerk's office. For guidance in preparing the plan of action, the Board should refer to applicable sections in the publication issued by the Office of the State Comptroller entitled *Local Government Management Guide*.

## Procurement and Credit Cards

An effective procurement process, including the use of competition, helps the District obtain necessary goods and services of the right quality, in the right quantity, from the right source, at the right price, and in compliance with Board and legal requirements. This process helps ensure the District expends taxpayer dollars in the most efficient manner and avoids the influence of favoritism in contracting practices. The District's purchasing policies identify when and how competitive bidding will be used to purchase goods and services, and state that requests for proposals will be used to obtain professional services. The Board has also adopted a credit card policy that outlines procedures for officials' use of the District credit card. The Board is responsible for ensuring that District officials adhere to this policy.

We found that District officials did not always adhere to Board-adopted policies. The District awarded professional service contracts totaling \$107,168 without the benefit of competition. In addition, the District paid a computer vendor a total of \$47,630 without soliciting competitive bids. District officials also charged expenses totaling \$1,704 to the District's credit card but did not submit sufficient documentation to indicate that these expenses were for legitimate District purposes. As a result, District officials do not have adequate assurance that purchases are made in the most efficient manner.

### Professional Services

A written agreement for professional services provides the District and the individual or firm furnishing services with a clearly defined and mutually agreed-upon basis for determining entitlement to payments. General Municipal Law states that goods and services which are not required by law to be procured by the District through competitive bidding will be procured in a manner so as to assure the prudent and economical use of public moneys.

We tested five professional service providers that were paid a total of \$118,773 during the 2005-06 fiscal year and found that four professionals were awarded contracts without the benefit of competition. The four professionals included: a therapy services firm that was paid a total of \$61,862; a technical advisor who was paid \$33,351; a firm providing tutoring services that was paid \$6,505; and an academic consultant who was paid \$5,450. The fifth professional did not have a contract with the District; a consulting firm providing psychological services was paid \$11,605. The District made payments in accordance with the contracts of the four professionals that had Board-authorized contracts.

The failure of District officials to adhere to the District's purchasing policy for obtaining professional services increases the risk that the District is not paying the most reasonable costs for those services. In addition, without written agreements or Board resolutions approving and documenting the services to be provided and fees to be paid, the District's claims auditor cannot properly audit the claims and determine if the fees charged were correct and were for properly authorized services. This could lead to the unnecessary expenditure of taxpayer moneys.

### **Competitive Bidding**

The District's purchasing policy and General Municipal Law require that purchase contracts for materials, equipment and supplies involving an estimated annual expenditure exceeding \$10,000 and public work contracts involving an expenditure of more than \$20,000 will be awarded only after responsible bids have been received in response to a public advertisement soliciting formal bids. General Municipal Law also requires purchases of similar items from the same vendor that aggregate more than \$10,000 and \$20,000, respectively, during a fiscal year be competitively bid.

We found that District officials did not always adhere to the Board-adopted purchasing policy regarding the solicitation of bids for purchases in excess of \$10,000. We selected eight vendors that were paid a total of \$648,694 during the 2005-06 fiscal year and found that the District did not publicly advertise for bids for computer hardware. The District paid one of the eight vendors an aggregate total of \$47,630 during the 2005-06 fiscal year for such hardware. The network and system administrator stated that the vendor was used because of prior service to the District. He also believed that expenditures for computer hardware in prior years had not exceeded \$10,000. However, we found that the District expenditures for computer hardware totaled \$18,956 in the 2003-04 fiscal year and \$60,063 in the 2004-05 fiscal year. District officials were unaware that the hardware required public advertisement for bids because no one was monitoring such purchases.

The failure of District officials and employees to consistently follow the Board's procurement policy increases the risk that goods and services are not obtained at the lowest possible price and in the best interest of the taxpayers.

### **Credit Cards**

The Board adopted a credit card policy which states that claims will not be paid unless an itemized voucher approved by the officer whose action gave rise to the claim is presented to the Board and is audited. The policy further requires that users submit detailed documentation, including itemized receipts for commodities, services, travel and/or

other actual and necessary expenses, which have been incurred in connection with school-related business for which a credit card was used. We found that District officials did not adhere to the adopted credit card policy.

During our audit period, July 1, 2005 through June 30, 2006, the District had three credit cards that were used by the Superintendent, Treasurer and Board President. We examined all 36 credit card charges incurred between June 2005 and November 2005 totaling \$7,837. Of the 36 charges, 18 charges totaling \$1,704, for lodging, limousine service, meals, flowers and a donation did not contain the required documentation to show that the charges were for legitimate District business. For example, in August and September 2005, the District paid the credit card company \$855 for five nights lodging at a local hotel. The claim vouchers supporting these payments included the credit card statements showing charges were incurred at the hotel, but there were no hotel bills or charge card receipts attached to the claims.

The current Business Administrator informed us that lodging was provided for the District's new Director of Curriculum and Instruction who was relocating to the area. The District paid for her lodging after she was hired even though her employment contract did not provide for reimbursement for lodging expenses. We found no other unauthorized payments made on behalf of this employee. In November 2006, the Board approved an addendum to the Director's contract to include reimbursement for lodging expenses.

The failure of District officials and employees to adhere to the Board's adopted credit card policy could lead to the District incurring unauthorized and inappropriate charges.

## **Recommendations**

1. The Board should award contracts to professional service providers only after soliciting proposals according to its policy.
2. District officials should enter into written agreements with all professional service providers that clearly describe the services to be provided and the basis for compensation.
3. The Board should follow provisions of its purchasing policy and the law and publicly advertise for bids for significant purchase contracts.
4. District officials should monitor aggregate purchases in order to determine when such purchases exceed \$10,000 and the need to solicit for bids.

5. The claims auditor should approve only those credit card charges that are accompanied by itemized receipts attached to the claim voucher.

## Computer Data Safeguards

Computer data is a valuable District resource. The District relies on computer data for making financial decisions and for reporting to State and Federal agencies. If the computers on which this data is stored fail, the results could range from inconvenient to catastrophic. Even small disruptions in electronic data systems can require extensive employee and consultant hours to evaluate and repair. A formal disaster plan is necessary to provide guidance on the prevention of the loss of computer data as well as the recovery of computer data in the event of a disaster. In addition, access to computer data systems needs to be controlled and monitored to reduce the risk of misuse and/or alteration of data resulting in potential financial loss to the District.

The Board has not designed written policies and procedures regarding the District's financial computer data systems. As a result, the District has insufficient controls over internal user access and remote access of financial data. Additionally, District officials do not monitor audit trail reports and the District has no formal disaster recovery plan. Following are specific areas where the Board should enhance controls over safeguarding computer data.

User Access – Proper segregation of duties and internal controls should include the District's computer system allowing users' access to only those computer functions necessary to fulfill their job responsibilities. Having access controls in place helps prevent users from being involved in multiple aspects of financial transactions. Generally, a system administrator is designated as the person who has oversight and control of the system, and the ability to add new users as well as change users' passwords and rights. With this ability, administrators are able to control and use all aspects of the software. A good system of controls requires that this position be separate from the Business Office function.

We found that the School Business Administrator is the financial software system administrator for the District. This enables the Business Administrator to create a new user, update the users' access rights, and perform other administrative functions including management overrides. The Business Administrator is also the purchasing agent for the District, and has the authority to sign purchase orders and has the ability to create journal entries. This control weakness could allow the Business Administrator to initiate and conceal inappropriate transactions. Although the District employs a network and system administrator, his duties include only those

functions related to the District's network and not the computerized financial system. However, the network and system administrator also has system administrator access within the computerized financial system.

In addition, four other employees in the Business Office (the payroll clerk, Treasurer, Superintendent's secretary, and the assistant to the network and systems administrator) had system administrator access. The School Business Administrator informed us that although he reviewed the access of users who are added, deleted, or changed, he did not review the access of other current users. The failure to monitor user access has increased the risk that unauthorized users have access to the District's computer data.

Remote Access – An adequate system of internal controls ensures that remote access (i.e., ability to access the computer from the internet or other external source) is controlled and monitored so that only authorized individuals may enter or retrieve data. Internal controls should include policies and procedures addressing how remote access is granted, monitored and controlled.

Currently, after the Business Administrator opens a connection,<sup>1</sup> the financial software vendor has full remote access to the District's financial data with little or no oversight. This control weakness could allow the vendor to make unauthorized changes or updates to the District's software. Because remote access is not adequately monitored, financial data could be manipulated and changes or errors could go undetected.

Audit Trail Reports – Audit trails maintain a record of system activity by system or application processes and by user. Audit trails help accomplish several security related objectives, including individual accountability, reconstruction of events, intrusion detection, and problem identification. Internal controls over District transactions and the integrity of the information in the financial system require the periodic review of changes or additions to the system by management.

Although the District's financial software system can generate an audit trail report with sign on and off time by user, no one reviews this report. The failure of District officials to periodically examine the audit log could allow users to access and make unauthorized changes to the District's financial records without detection by District officials.

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<sup>1</sup> The financial software vendor calls the Business Administrator, who allows access to the system. The vendor also calls the Business Administrator when he is finished accessing the system.

Disaster Recovery – A good internal control system also includes policies that require the adoption of a formal disaster plan to prevent loss of computer equipment and data and procedures for recovery in the event of a loss. The plan may include precautions to be taken to minimize the effects of a disaster so that the organization will be able to either maintain or quickly resume mission-critical functions. It may also include a significant focus on disaster prevention.

We found that the Board has not established a formal disaster recovery plan. In the event of a disaster, District personnel have no guidelines or plan to follow to prevent the loss of equipment and data or data recovery procedures. The lack of a formal disaster recovery plan could lead to the loss of important financial data along with a serious interruption to District operations, such as not being able to process checks to pay vendors or employees. The failure to establish policies and procedures for the District's computer data systems can result in unauthorized access to sensitive information, manipulation of District records and the loss or destruction of data.

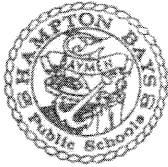
## **Recommendations**

6. The Board should establish policies and procedures to strengthen internal controls over computer data addressing access authorizations, remote access, the periodic review of audit trail reports and disaster recovery.
7. The Board should designate an individual outside of the daily Business Office operation as the system administrator responsible for oversight and control of the financial management system.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



# HAMPTON BAYS

## Union Free School District

Administrative Offices • 86 East Argonne Road, Hampton Bays, New York 11946 • (631) 723-2100 • Fax (631) 723-2109  
www.hbschools.us

Joanne S. Loewenthal  
Superintendent of Schools

August 31, 2007

████████████████████  
Office of the State Comptroller  
NYS Office Bldg, Room A310  
Veterans Memorial Highway  
Hauppauge, New York 11788-5533

RE: 2007M-136

Dear ██████████

The Hampton Bays Union Free School District respectfully accepts the Comptroller's Audit Report for the 2005-06 school year and offers the following in response.

The audit addressed the 2005-06 fiscal period when the District operated without a full-time business official. The District re-created the position as full-time and appointed a new Business Administrator in June 2006. Since that time, the new Business Administrator, along with the Superintendent and the Board of Education, has addressed many of the deficiencies mentioned in the Comptroller's Audit Report and remedies were put in place during the 2006-07 school year. Improvement of our fiscal policies, practices and procedures is an on-going goal.

It is reassuring that the Business Administrator and the District's external auditors identified and instituted remedies to rectify many of the same items the Comptroller's team identified when they audited 2005-06. This underscores the District's continuous efforts to improve the effectiveness and efficiency of its financial operations.

The Comptroller's audit team identified a few deficiencies and the District has addressed or responded to those deficiencies as follows:

1. The Audit Report stated that the District did not adhere to policies regarding purchasing and procurement, specifically using Requests For Proposals (RFPs) for professional services.

Four of the five professional services cited by auditors were for special education services required by students' Individual Education Plans (IEPs). The District is not at liberty to delay special education services while preparing an RFP. The District or its representative did

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*Building the future . . . child by child . . .*

“due diligence” in seeking qualified agencies and person(s) to meet IEP requirements in a timely and cost effective manner. The District will review its policy regarding legally mandated special education services and RFP use for hiring professional service providers. We will also consider the use of a Request for Quotes process where we can specify the exact services that need to be professionally performed.

2. The Audit Report stated that the District did not always adhere to policies regarding credit card use.

Of the roughly \$12,000 in total credit card charges incurred during the 2005-06 year, a few instances totaling \$1,704 did not have the required detailed receipt or in-depth explanation of purpose and list of individuals attending. Although these few transactions do not constitute a material defect, the District has increased training and has improved its accuracy by insisting on detailed original receipts with purpose of expenditure and a list of individuals in attendance. This process is audited and verified each time by the newly trained District Claims Auditor who will conduct claims audit activities in a manner consistent with Education Law Section 1724 and General Municipal Law Sections 77-b and 77-c.

3. The Audit Report stated that the District purchased computer parts from a vendor totaling \$47,630 without the benefit of competition (specifically competitive bidding).

The multiple purchases to meet immediate instructional needs, which cumulatively over the year equated to \$47,630, were purchased from the vendor with the lowest known available price. Not one of these purchases individually raised question because no individual purchase was greater than \$10,000 (the bidding threshold) nor were all the purchases of like or similar items. These purchases were not of a nature where foreseeable aggregation would have indicated a mandate for competitive bidding under Section 103 General Municipal Law standards. At the time these purchases were made the District had neither a dedicated business official nor a dedicated purchasing agent due to personnel cuts. The District has secured a Business Administrator who has instituted checks and balances to detect and prevent any further occurrences of cumulative overage. Training sessions with all District administrators occurred in June 2006 and August 2007 on the purchasing policy, practices and monitoring. This situation is noted and the District will strive to take full advantage of bid law and procurement policy purchasing economies.

See  
Note 1  
Page 21

4. The Audit Report stated that the District Policies and Procedures do not safeguard computer data, noting that the Business Administrator is both purchasing agent and finance system administrator.

The District has, for fiscal reasons, attempted to operate many years with minimal non-instructional staff. It is a reality of our size and available resources, that we do not have an additional person with the time, the knowledge and the skills to be the finance system administrator other than the Business Official. The District investigated the hiring of a shared purchasing agent with a neighboring school district in order to remove this responsibility from the Business Administrator, but this effort was not successful. The District continues to explore

and seek reasonable solutions to this issue that the community will welcome and can afford. Inquiries will be made into a BOCES CoSer Agreement for the 2008-09 school year.

5. The Audit Report stated that four employees, other than the Business Administrator, had full system access and rights not immediately related to their jobs.

The original installation of our computer financial system, [REDACTED], created this access for the four individuals noted. This discrepancy was not noted nor discussed as a problem until pointed out by the Comptroller's audit team. This was corrected immediately and the District endeavors to provide users only with the access necessary to perform the tasks for which they are accountable. The District would like to thank the Comptroller's audit team for noticing and alerting us to this potential risk.

6. The Audit Report stated that the District did not monitor remote access, periodically review audit trail reports, or address disaster recovery.

This finding is inaccurate. The District did have a process for monitoring remote access and a plan for disaster recovery. While neither plan was documented nor approved by the Board, both plans were actively practiced by district employees. Audit trail reports are not commonly used by the District; however other reports are reviewed at least monthly and the District is confident that the Business Administrator is capable of and would detect any significant unauthorized changes to financial data. The District will request that our internal auditors examine the use of audit trail reports and their capabilities in conjunction with currently used fiscal reports and procedures.

See  
Note 2  
Page 21

See  
Note 3  
Page 21

In summary, significant changes have occurred in our business operations since the 2005-06 audit year. Of particular consequence in moving towards fiscal excellence are the following events:

- Appointment of a full-time certified School Business Administrator in June 2006
- Development of new fiscal policies in December 2005
- Appointment of a new Internal Claims Auditor in February 2007 with provision of on-going training and support
- Appointment of a new external auditor, effective Spring 2005
- Training of administrative staff in purchasing and other fiscal policies
- Regular meetings between the Board of Education/Audit Committee and all District auditors
- Reversal of negative financial trends as recognized by the State Education Department, the external auditors and District staff; this includes recovery of fund balance and establishment of reserve accounts

On behalf of the Board of Education, I thank the Comptroller's Audit team for assisting the Hampton Bays Union Free School District to identify and rectify business office deficiencies. As a small district with limited financial resources, our employees commonly have multiple job titles and functions in order to meet the many compliance requirements. We will explore with

our Internal Auditor and the Audit Committee options to reduce risk in the control environment domains in a cost efficient manner that does not unduly burden the District's taxpayers.

The Comptroller's Office and the taxpayers can rest assured that we will continue to address each and all noted business office deficiencies as quickly and completely as resources allow.

With regards,

A handwritten signature in cursive script that reads "Joanne Loewenthal".

Joanne Loewenthal

Cc: Board of Education  
Larry Luce, Business Administrator

## APPENDIX B

### OSC COMMENTS ON THE DISTRICT'S RESPONSE

#### Note 1

We disagree with the assertion that District officials were unable to foresee that computer parts purchases would aggregate to more than \$10,000 in the fiscal year ended June 30, 2006. The District paid the same vendor approximately \$60,000 for computer parts during the 2004-2005 fiscal year and \$18,000 during the 2003-2004 fiscal year.

#### Note 2

Although the District has a process whereby the Business Administrator is contacted by the financial software vendor to allow remote access to the District's system, we found no indication that the Business Administrator monitors the vendor's activity.

#### Note 3

The District does not have a plan to follow to prevent the loss of equipment and data or data recovery procedures in the case of a catastrophic event. Such a plan should include precautions to be taken to minimize the effects of a disaster so that the organization will be able to either maintain or quickly resume mission-critical functions. Although we were presented at the exit conference with a document entitled "Disaster Recovery Protocol," it only addressed how data is backed up.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, and payroll and personal services.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents such as District policies and procedures manuals, Board minutes and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the District's financial transactions as recorded in its databases. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we review. We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected information technology and purchasing for further audit testing.

In order to accomplish the objectives of this audit, our procedures included the following:

- Interviews with District personnel and evaluations of internal controls and safeguards over computer generated data.
- Examining the District's June 30, 2005 annual audit report.
- Reviewing the District's adopted purchasing and credit card policies and the District's compliance with these policies.
- Verifying that purchases were made, that goods were received and claims were processed as authorized.
- Examining paid claims to contractual agreements to confirm rates and services.
- Examining bid, quote and RFP documentation to determine if the lowest responsible vendor was selected.
- Examining credit card claims for itemized receipts.

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

## APPENDIX D

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Steven J. Hancox, Deputy Comptroller  
John C. Traylor, Assistant Comptroller

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