



# Allegany–Limestone Central School District

## Reserve Funds and Fixed Assets

### Report of Examination

Period Covered:

July 1, 2011 — July 5, 2013

2013M-228



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**

December 2013

Dear School District Officials:

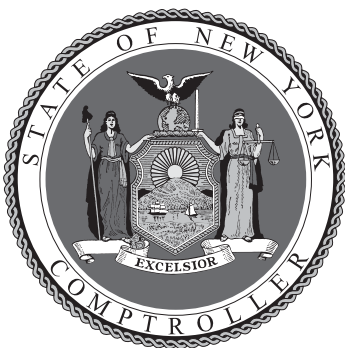
A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, 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 operations and Board of Education governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Allegany-Limestone Central School District, entitled Reserve Funds and Fixed Assets. 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 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

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### EXECUTIVE SUMMARY

The Allegany-Limestone Central School District (District) is governed by the Board of Education (Board) which comprises nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Business Manager is responsible for accounting for all District funds and preparing financial reports for the Board. The District operates two schools with approximately 1,200 students and 200 employees. The District's general fund budgeted expenditures for the 2012-13 fiscal year were approximately \$21 million and were funded primarily with real property taxes and State aid.

#### **Scope and Objective**

The objective of our audit was to review the District's internal controls over reserve funds and movable fixed assets for the period July 1, 2011 through July 5, 2013. We extended our audit period back to the 2007-08 fiscal year to review reserve fund trends. Our audit addressed the following related questions:

- Are internal controls over reserve funds appropriately designed and operating effectively?
- Are internal controls over sought-after, movable assets appropriately designed and operating effectively?

#### **Audit Results**

Over the past five fiscal years,<sup>1</sup> District officials added approximately \$1 million to reserves and increased the real property tax levy by approximately 26 percent. Additionally, the Board failed to adopt a formalized plan for reserve funds that included the intent, funding levels and use of such funds. As of June 30, 2013, the District had more than \$2 million in a debt service reserve that District officials could not associate with any outstanding debt. Additionally, four of the District's six general fund reserves totaling approximately \$1.7 million were not supported by a plan or other documentation validating the amount retained.

While the Board adopted an asset policy, it has not updated it to reflect current District processes. The District engaged a third-party asset tracking company to account for the District's fixed assets without

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<sup>1</sup> Fiscal years 2007-08 through 2011-12

any formal control procedures in place for this process. Our review of 50 movable assets<sup>2</sup> disclosed discrepancies for 16 of them valued at more than \$11,000. Our review of nine assets included on the disposed asset list disclosed that five of them valued at \$6,000 were still in use at the District.

### **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 have initiated or planned to initiate corrective action. Appendix B includes our comment on an issue raised in the District's response letter.

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<sup>2</sup> Our sample consisted of various types of electronic equipment (computer tablets, portable media players, digital cameras and televisions). See Appendix C for information on the sample selection.

# Introduction

## Background

The Allegany-Limestone Central School District is located in the towns of Allegany, Carrollton, Hinsdale, Humphrey and Olean in Cattaraugus County. The District is governed by the Board of Education (Board) which comprises nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Business Manager is responsible for accounting for all District funds, preparing financial reports for the Board, tracking District fixed assets and monitoring fixed asset control procedures.

The District operates two schools with approximately 1,200 students and 200 employees. The District's general fund budgeted expenditures for the 2012-13 fiscal year were approximately \$21 million funded primarily with State aid and real property taxes.

## Objective

The objective of our audit was to review the District's internal controls over reserve funds and movable fixed assets. Our audit addressed the following related questions:

- Are internal controls over reserve funds appropriately designed and operating effectively?
- Are internal controls over sought-after, movable assets appropriately designed and operating effectively?

## Scope and Methodology

We examined the District's internal controls over reserve funds and movable fixed assets for the period July 1, 2011 through July 5, 2013. We extended our audit period back to the 2007-08 fiscal year to review reserve fund trends.

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 is 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 have initiated or planned to initiate corrective action. Appendix B includes our comment on an issue 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, 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 this plan available for public review in the District Clerk's office.

## Reserves

Reserves may be established by a district's board to provide financing for specific purposes pursuant to statutes which determine how reserves are established, funded, expended and discontinued. Generally, the amount of money districts can maintain in reserves is not limited. However, it is important that districts maintain reserve balances that are reasonable. Funding reserves at greater than reasonable levels contributes to real property tax levies that are higher than necessary. Therefore, it is important that a board adopt a written policy that communicates its rationale for establishing reserve funds, objectives for each reserve established, optimal or targeted funding levels and conditions under which the funds' assets will be used or replenished.

Over the past five fiscal years,<sup>3</sup> District officials added approximately \$1 million to reserves and increased the real property tax levy by approximately 26 percent. Additionally, the Board failed to adopt a formalized plan for reserve funds that included the intent, funding levels and use of such funds. We analyzed the District's reserve balances as of June 30, 2013 for reasonableness and adherence to statutory requirements. As of June 30, 2013, the District had more than \$2 million in a debt service reserve that District officials could not associate with any outstanding debt. Additionally, four of the six<sup>4</sup> general fund reserves totaling approximately \$1.7 million were not supported by a plan or other documentation validating the amount retained.

Debt Service Reserve – A debt service reserve must be established if a capital improvement was financed with debt that remains outstanding or is sold, or if State or Federal aid is received for a capital improvement for which there is outstanding debt. In addition, if a district has residual bond proceeds and/or interest earned on bond proceeds, those moneys must be used only to pay for debt service on the related obligations or for related capital expenditures. Districts are not allowed to establish a debt service reserve for any other purpose.

The District reported a balance in the debt service fund of approximately \$2.5 million as of June 30, 2013. While officials transferred approximately \$500,000 to the debt service fund during the 2010-11 fiscal year to close-out a capital project with related outstanding serial bonds, officials could not provide supporting documentation

<sup>3</sup> Fiscal years 2007-08 through 2011-12

<sup>4</sup> The other two reserves reported during our audit period were the Tax Certiorari reserve with a zero balance as of June 30, 2013 and the Employee Benefit Accrued Liability Reserve that appeared to be reasonable and within statutory guidance.

associating the remaining \$2 million debt service reserve balance with any specific debt issue. Unless District officials identify the source of the remaining balance and document its restriction for debt service related to specific outstanding debt issues, by law this balance must be transferred to the general fund to be used for any District purpose.

Retirement Contribution Reserve – The General Municipal Law (GML) authorizes the establishment of this type of reserve for the payment of retirement contributions to the New York State and Local Employees’ Retirement System (ERS). The moneys in this reserve cannot be used for contributions to the Teachers’ Retirement System. The District’s reserve was established in October 2004, funded in the 2006-07 fiscal year and had a recorded balance as of June 30, 2013 of \$809,758. Over a three-year period,<sup>5</sup> District officials paid a total of \$947,878 in ERS contributions,<sup>6</sup> all of which were budgeted for and paid from the District’s annual real property tax levy.

No ERS payments have been made from this reserve. We question the need for this reserve at its present level of funding, given its lack of use, substantial balance and the lack of a formalized plan detailing the need and expected use of these funds.

Insurance Reserve – This type of reserve may be established to fund certain uninsured losses, claims, actions or judgments for which the District is authorized or required to purchase insurance coverage.

The balance in this reserve as of June 30, 2013 was \$282,590. Since the establishment of this reserve in June 2008, the District has not used any of these moneys to pay for any losses, claims, actions or judgments and current insurance coverage appears adequate to cover losses. Given the absence of a formalized plan detailing the need and expected use of these funds, we question the need for this reserve.

Unemployment Insurance Reserve – This reserve is authorized for reimbursing the State Unemployment Insurance Fund (SUIF) for payments made to claimants.

The balance in this reserve as of June 30, 2013 was \$109,925. The District incurred unemployment costs averaging approximately \$20,000 per year over the five-year period from 2008-09 through 2012-13. All of these expenditures were paid directly from general fund appropriations with no use of these reserve funds. We question the reasonableness of this reserve’s funding level, given that it

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<sup>5</sup> Fiscal years 2010-11 through the 2012-13

<sup>6</sup> ERS contributions totaled \$255,117 in 2010-11, \$318,923 in 2011-12 and \$373,838 in 2012-13.

exceeds five times the average expenditures, the Board's decision to fund these expenditures directly from the real property tax levy and the absence of a formalized plan detailing the need and expected use of these funds.

Repair Reserve – This reserve is authorized to pay for certain repairs, which do not recur annually or at shorter intervals, to capital improvements or equipment.

This reserve had a balance as of June 30, 2013 of \$446,234. No repairs have been paid from this reserve. Aside from interest earnings, the reserve balance has remained unchanged for the past three years. We question the need for this reserve, given the absence of a formalized plan detailing the need and expected use of these funds.

By maintaining millions of dollars of excessive and/or unnecessary reserves, the Board and District officials have withheld significant funds from productive use, levied unnecessary taxes and compromised the transparency of District finances to the taxpayers.

## **Recommendations**

1. District officials should identify the source of all money in the debt service reserve fund and transfer all funds not attributable to outstanding indebtedness to the general fund.
2. The Board should develop and implement a comprehensive policy for establishing and using reserve funds' that includes optimal or targeted funding levels and the conditions under which reserve funds will be used or replenished.
3. The Board should review existing reserves, determine the total amounts reserved that are not necessary and reasonable and develop a plan for using the reserve funds surplus balances identified in this report in a manner that benefits District taxpayers. Such uses could include, but are not limited to:
  - Reducing real property taxes,
  - Paying off debt, and
  - Financing one-time expenditures.

## Movable Fixed Assets

Fixed assets such as machinery and equipment represent a significant investment of District resources. Movable, sought-after assets such as computers and other electronic devices are more susceptible to loss and unauthorized use and, therefore, require more restrictive controls. As of June 30, 2013, the District reported approximately \$4.1 million in machinery and equipment<sup>7</sup> of which approximately \$175,000 represented movable, sought-after assets. District officials are responsible for ensuring that these assets are adequately protected from loss and that records are current and accurate. Officials can fulfill this responsibility by adopting an asset policy that sets forth the duties, records and control procedures required to adequately safeguard such assets.

District officials can enhance asset protection by establishing formal procedures to ensure that accurate and up-to-date asset records are maintained and physical inventories are performed, at least annually, to monitor the accuracy of the records and determine the existence and condition of the assets. District asset records should include each item's description (including make, model and serial number), assigned identification number, date purchased, cost, the department or individual authorized with custody and the item's location. Additionally, each asset should be affixed with a numbered identification tag that readily identifies it as District property.

While the Board adopted an asset policy, it has not been updated to reflect current District processes. The policy designates the Superintendent of Schools or her designee with the overall responsibility of tracking fixed assets and monitoring adherence to control procedures. However, District officials engaged a third-party asset tracking company (Company) to account for the District's fixed assets, without any formal control procedures in place for this process. The District's agreement with the Company specifies that the Company is to record and supply identification tags for each movable asset valued at more than \$1,000,<sup>8</sup> and to perform an annual physical inventory. District personnel place identification tags on assets as they are purchased and notify the Company of these purchases and any asset disposals. The Company submits a physical inventory report to the Business Manager that includes tracking information for movable assets (machinery and equipment).<sup>9</sup>

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<sup>7</sup> Replacement cost

<sup>8</sup> Although the agreement states a \$1,000 minimum, we found that assets with a value of \$100 or more were tagged and included on the physical inventory report.

<sup>9</sup> This report was last updated as of March 1, 2013.

We selected a sample of 50 movable assets<sup>10</sup> totaling approximately \$30,000 from the District's physical inventory report to determine if they could be located within the District. We found the following discrepancies for 16 assets valued at more than \$11,000 (one asset had multiple discrepancies):

- Five assets (\$2,900) could not be located by District officials. These assets included three camcorders, two of which officials said were obsolete and disposed of, but remained on the inventory report; one computer tablet that officials said was damaged and returned to the vendor, but remained on the inventory report;<sup>11</sup> and one digital camera.
- Eight assets (\$7,100) had no identification tags affixed to them.
- Four assets (\$1,800) had identification tags or serial numbers that did not agree with the inventory report.

We also tested nine assets from the 2012-13 disposed asset list and found five flat-screen televisions valued at \$6,000 that were still in use at the District. These assets were erroneously classified by the Company as equipment owned by BOCES<sup>12</sup> and, based on that, the Company placed them on the disposed asset list to remove them from the District's fixed assets inventory.

Although the Board adopted an asset policy, the procedures do not achieve all the objectives of the policy. The Board contracted with an asset management company and paid \$5,500 for them to develop the inventory listing; however, the Board did not monitor the work done to make sure the District received the appropriate service. Consequently, there is a lack of timely, complete and accurate asset information. This has resulted in unreliable records and reports and reduced accountability. Without accurate fixed asset records, District officials cannot ensure that District assets are being adequately protected against loss or unauthorized use.

## Recommendations

4. The Board should update its asset policy to reflect the District's current practices and establish procedures for the timely, complete and accurate tracking of inventory.

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<sup>10</sup> Our sample consisted of various types of electronic equipment (computer tablets, portable media players, digital cameras and televisions). See Appendix C for information on the sample selection.

<sup>11</sup> The replacement tablet was also listed on the report.

<sup>12</sup> The Board of Cooperative Educational Services

5. District officials should compare the physical inventory report to the District's existing fixed assets and investigate and resolve all differences.
6. The Board should require the asset management company to perform the services required pursuant to the contract and monitor future activity of the company to make sure it is accurate and timely.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

# *Allegany - Limestone Central School*

3131 Five Mile Road

Allegany, New York

14706

[www.alcsny.org](http://www.alcsny.org)



December 6, 2013

Mr. Robert E. Meller

Chief Examiner of Local Government and School Accountability

295 Main Street, Suite 1032

Buffalo, New York 14203-2530

Dear Mr. Meller:

On behalf of the Allegany-Limestone Board of Education, administrative team, and school community, I wish to thank you and recognize the fair and thorough audit recently performed in our district. The two questions driving the audit are worthy of investigation, and we appreciate the analysis of controls over reserve funds and movable assets, which assists us in our cycle of continuous improvement.

The Allegany-Limestone Central School District (ALCSD, heretofore "the District") holds a long standing philosophy to fund long term liabilities and obligations on a current basis whenever possible. This is a philosophy born of the 1995 efficiency study to explore the feasibility of reorganization between the Limestone Union Free School District and the Allegany Central School District and the resulting recommendations to ensure that incentive reorganization funds were used wisely, and did not create an unnecessary burden to future budgets.

With this in mind, the District maintains a Debt Service Fund (V) for the legal accounting of interest and earnings from the investing of proceeds of obligations, proceeds from the sale of real property, premiums and accrued interest on obligations, and any remaining bond proceeds from capital projects, all to be held until appropriated for debt payments. The \$2,575,538 balance in the Debt Service Fund as of June 30, 2012 represents the local share of principal and interest payments due on serial bonds through June 15, 2039 totaling \$32,471,510. While the District has identified the source of this balance, it will work with our consultants and advisors to attribute this balance to the remaining outstanding debt. This is a process that has been complicated by numerous bonds refunding, and in some instances more than one refunding for the same bond issue.

See  
Note 1  
Page 17

The refunding (or refinancing) of existing serial bonds affords the district the opportunity to take advantage of historically low interest rates to reduce the local share of debt service. We anticipate being able to identify excess fund balance in the Debt Service Fund that will enable the District to formulate a plan to finance one-time expenditures, further reducing the burden to future budgets. It should also be noted the District's Standard & Poor's "A" Credit Rating affords the District access to favorable interest rates when financing debt. The strong position of the Debt Service Fund plays an important role in providing additional liquidity in maintaining this "A" rating.

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*Special Education*  
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*Bus Garage*  
Ext. 6612  
Fax: 375-6627

The ALCSD Board of Education has begun to develop a Financial Reserve Plan using the guidance from the Office of the NYS Comptroller in anticipation of this report. The chart below is intended to provide a better understanding of the funding levels for the different types of reserves over the past five fiscal years.

<b>General Fund Reserves</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>
Unemployment Insurance	9,298	109,326	109,493	109,652	109,796
Retirement Contribution	162,638	163,819	164,115	750,436	808,962
Insurance	296,328	298,481	299,018	299,527	309,796
Tax Certiorari	0	342,000	342,616	343,199	0
Employee Benefit	316,272	318,522	366,560	390,183	380,944
Repair Reserve	198,520	199,619	199,849	445,189	445,710
Tax Reserve	45,715	14,715	0	0	0
<b>Total Reserves</b>	<b>1,028,771</b>	<b>1,446,482</b>	<b>1,481,651</b>	<b>2,338,186</b>	<b>2,055,208</b>
Net Change from Prior Year		417,711	35,169	856,535	-282,978
<b>Accrued Liabilities (A632)</b>	<b>869,926</b>	<b>904,313</b>	<b>1,044,865</b>	<b>141,605</b>	<b>84,000</b>
Net Change from Prior Year	4,535	34,387	140,552	-903,260	-57,605

Fiscal distress at the state level and the corresponding reductions to state aid to schools raised concern for reductions in staffing and the potential for declining property values. During the 2008-2009 school year, the District began preparations to address these concerns by increasing the Unemployment Insurance Reserve and funding a new Tax Certiorari Reserve. While the Unemployment Insurance Reserve remains funded at the same level, the Tax Certiorari Reserve was later returned to the unappropriated fund balance as per regulation.

Over the past five fiscal years, the District has successfully defended itself against certain claims and actions. The existence of the Insurance Reserve has allowed the District to avoid adversely impacting the budget development process and any associated tax increase.

The District unsuccessfully attempted to fund postemployment benefits in the A632 account for Accrued Liabilities. While consistent with our philosophy to fund long term obligations on a current basis, there is currently no provision in law or regulation to support this practice. This resulted in a reallocation of the Accrued Liabilities Account during the 2010-2011 school year to the Retirement Reserve in anticipation of increased contribution rates to the Employees Retirement System and to the Repair Reserve to help provide for the increased potential for unexpected repairs to aging facilities.

Instructional technology (IT) equipment, such as laptop computers, iPads, iPods, printers, cameras, camcorders, and TV's/monitors, account for the majority of the District's movable fixed assets, the vast majority of which is provided to the District through the Erie 1 Regional Information Center (RIC). The RIC retains ownership and is responsible for tagging, inventory, and in most cases providing insurance coverage. Additionally, the district owned IT equipment is purchased with State Aided Hardware funds and, to a much lesser extent, State and Federal grants. The challenge of

accurately accounting for both RIC and district owned IT equipment by a third party inventory firm has been problematic. Also, the practice of tagging district owned equipment upon deployment as opposed to receipt compounds this problem.

It should be noted that the only item that could not be accounted for was a flip camera valued at \$399 on the inventory. This item is obsolete, no longer available for purchase, and research indicates that used flip cameras in good condition can be purchased on eBay for less than \$50.

The District acknowledges the need to develop better internal controls relating to district owned moveable fixed assets. The Board of Education has recently concluded a total review and update of district policies, and administrative procedures are currently being reviewed and updated to align with district policy. The District will also address communication concerns with the asset management company to ensure that their reports are accurate and timely.

The recommendations of this audit will be considered and addressed in the District's action plan. We appreciate the assistance provided by the representatives from the Office of the State Comptroller.

Sincerely,

Dr. Karen Geelan  
Superintendent

## **APPENDIX B**

### **OSC COMMENT ON THE DISTRICT'S RESPONSE**

#### **Note 1**

Districts are required to set aside residual debt proceeds and/or interest earned on debt proceeds to be used only for debt service on that issue. To the extent that District officials cannot identify the debt related to the money in its reserve, those amounts should be transferred to the general fund.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by District 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, payroll and personal services and information technology.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedure manuals, Board minutes and financial records and reports.

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. We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected internal controls over reserve funds and the District's movable assets for further audit testing. To accomplish our objectives, we performed the following procedures:

#### Reserves:

- We interviewed District officials to obtain an understanding of the District's internal controls over financial operations, budgeting and the use of reserve funds.
- We reviewed the last five years of financial information submitted to the Office of the State Comptroller and compared the amounts reported with bank statements, Board minutes, externally audited financial statements and interviews to verify the reliability of the District's data.
- We reviewed Board minutes, policies, accounting records, audited financial statements, applicable statutes and activity within the reserves to determine if they were properly funded and used.
- We evaluated the methods used to fund the reserves and the level of fund balance remaining as unreserved and unappropriated in the general fund.
- We compared budgets with actual results for the five fiscal years 2007-08 through 2011-12, to assess if the amounts appropriated from the reserves were actually needed and used.

#### Movable Fixed Assets:

- We reviewed District policies, procedures and records pertaining to movable, sought-after assets.

- We interviewed District personnel and evaluated internal controls and safeguards over moveable, sought-after assets.
- We reviewed 50 moveable assets to determine if they actually existed by tracing each asset's recorded identification tag number, as listed on the physical inventory report, to the identification tags affixed to the asset. We judgmentally selected our sample to include various types of electronic equipment, as listed on the physical inventory report, which would be susceptible to loss or unauthorized use; such assets included computer tablets, portable media players, camcorders, digital cameras and televisions.
- We reviewed all nine moveable assets on the asset disposal list to determine if they were actually disposed of and if the disposal was approved by the Board, noting any unusual trends. We compared a list of deletions from the inventory report to Board meeting minutes for acquisition date, disposal date and useful life to determine if there were any trends with disposals.
- We reviewed physical inventory status reports and determined the extent to which District officials investigated or resolved the discrepancies identified.

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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