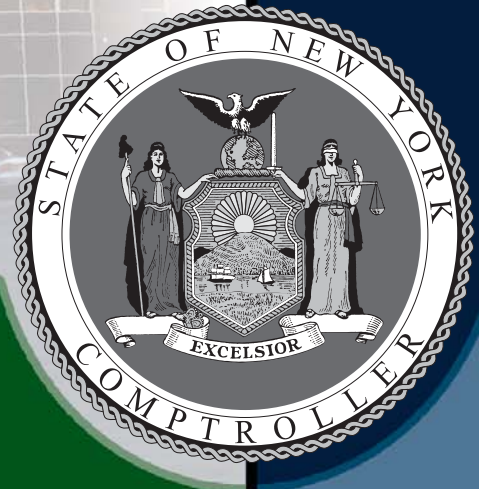


MAKING THE GRADE: FIVE YEARS OF SCHOOL DISTRICT ACCOUNTABILITY

2009 ANNUAL REPORT

OFFICE OF THE
NEW YORK STATE
COMPTROLLER

Thomas P. DiNapoli
State Comptroller



For additional copies of this report contact:

Comptroller's Press Office

110 State Street, 15th floor

Albany, New York 12236

(518) 474-4015

or email us:

localgov@osc.state.ny.us

Date of Issue: February 2010

TABLE OF CONTENTS

Comptroller’s Message	2
Executive Summary	4
SECTION 1: SCHOOL FINANCIAL ACCOUNTABILITY OVERVIEW	6
Legislative Requirements	6
SECTION 2: AUDIT HIGHLIGHTS	9
Looking Back on Five Years of School Audits	9
SECTION 3: FUTURE PLANS	14
Recommendations for District Officials	14
Recommendations for the Governor and State Policymakers	18
SECTION 4: ACTIVITY AND RESULTS IN 2009	22
Summary of Reports Issued in 2009 (Through December 31)	22
Audits – Related to School Legislation and Other Purposes	22
Common Themes in Audits	32
Emerging Issues	37
SECTION 5: TRAINING, EDUCATION AND OUTREACH	39
Increased Education and Outreach in 2009	39
Other Educational Efforts	42
Education and Outreach Plans for 2010 and Beyond	43
Regional Office Directory	45
Central Office Directory	46

A MESSAGE FROM New York State Comptroller Thomas P. DiNapoli



In 2005, in response to a massive fraud by senior administrators in a local school district, the State Legislature adopted legislation directing the Office of the State Comptroller to audit all school districts and BOCES in the state by March 2010. I am pleased to report that we have achieved that mandate, completing 733 audits of school districts and BOCES within that time frame, while maintaining our audit program of all the other local governments in the State at the same time. The success of this effort is a testament to the dedicated professional auditors here in the Comptroller's Office.

This report summarizes the results of that five-year audit effort and provides recommendations to school district officials and state policy-makers that will further strengthen school operations to better safeguard taxpayer funds and provide greater transparency and accountability to our citizens. I urge a careful consideration of the recommendations contained herein.

The legislation spelled out a specific audit scope that was focused on the internal financial controls of school districts. By any measure, the five-year school audit effort has been a success and has led directly to improvements and taxpayer dollars being saved. Most school districts, like most public institutions, are generally well run. But, as with most public institutions, there also are many opportunities for improvement. The audits identified \$615.4 million of excess funds unnecessarily tied up in various reserve funds that were not benefiting taxpayers. We identified \$24 million of potential cost savings and/or revenue enhancements that the school districts could achieve. We identified outright fraud or theft in 19 school districts. In addition, the audits identified approximately \$7.7 million in inappropriate or wasteful expenditures related to separation payments or other salary-related payments. Finally, we also identified more than 100 districts that awarded \$49.4 million in contracts without obtaining competition. Correcting this problem will further save significant taxpayer dollars.

The audits made thousands of recommendations to improve operations in specific school districts, ranging from improving access controls over computerized records, to segregating employee duties in the business offices, to improving claims auditing. This effort has once again shown the value of routine oversight that can be provided by audits. The audits have achieved their intended objective: to provide taxpayers with a detailed review of school district and BOCES operations and to provide the accountability and transparency that has been missing for several decades. I have directed my auditors to now go back to some of the districts and follow up those audit recommendations to determine whether vital internal controls have actually been improved.

And, there was good news from the audits as well. More than 5 percent of all the audits identified districts with a completely clean bill of financial health. Given the fact that my auditors examined the districts with a rigorous and far-ranging audit program, this is not an insignificant number. In many other districts we had a small number of less material findings.

In addition to continuing our standard school audits, I am directing my audit teams to begin new audits in schools that will identify efficiencies and potential savings in administrative staffing, employee benefits, transportation, and other operational areas. Further, we will issue research and audit reports that identify best practices for cooperative and consolidated school services during the coming years. These reports will serve as models for school officials to follow by illustrating joint school efforts to save taxpayer moneys. We also will continue to provide school officials and the public with access to sound financial information (e.g., the Open Book New York website), training (e.g., the Local Government Training Clearinghouse website) and free online tutorials designed to help local government and school district officials improve their working knowledge of financial best practices.

I hope that school district officials find the information in this report useful as they consider ways to improve their own budgeting and financial operations. In the coming year, my auditors and researchers will begin their new mission of identifying efficiencies and cooperative opportunities to save taxpayer dollars and help school districts weather the current fiscal crisis.

Sincerely,

Thomas P. DiNapoli
State Comptroller

EXECUTIVE SUMMARY

In 2005, State legislation was enacted directing the Office of the State Comptroller to audit all school districts and Boards of Cooperative Educational Services (BOCES) within a five-year period ending March 31, 2010. This legislation was created in response to the more than \$11 million theft of public funds by senior administrators at the Roslyn Union Free School District. This report summarizes the results of those audits at 733 school districts and BOCES.

Over the five-year period, the individual audits reported on a wide range of financial operations, ranging from budgeting procedures and financial condition problems, to controls over procurement of goods and services and salary and separation payments, to policies controlling cell phone usage, travel expenses, and computer usage, to inventory controls over food, fuel, and equipment. While individual audits made numerous recommendations to improve the control weaknesses identified during those specific audit engagements, the entire five years worth of audits identified several recurring issues that require attention from the school community and state policymakers.

We found that some school districts' budget processes routinely result in significant annual surpluses. This has resulted in taxpayers routinely paying higher taxes than necessary and districts accumulating more than \$600 million in reserve funds in excess of the liabilities they would reasonably need to pay in the foreseeable future. Also included in the findings of the internal control audits conducted by examiners were issues related to inadequate segregation of financial duties (351 audits), claims auditing inadequacies (274 audits), weak information technology controls (279 audits), and poor use of competition when procuring goods and services (115 audits).

To address these internal control issues, the report provides detailed recommendations for school officials and state policymakers. Recommendations directed at school officials include suggestions to improve controls over computer access and user accounts and help officials create accurate budgets that reserve appropriate levels of fund balance. Because weaknesses in controls over retirement and severance payments led to numerous overpayments, we suggested that school boards formally document employment agreements with school administrators in writing, have their school attorney review all documentation, and approve all agreements with school administrators. To help districts avoid expending significant taxpayer moneys on professional service contracts without first obtaining competition, we recommended that district officials issue requests for proposals (RFPs) for contracts above minimal dollar limits, formally document all contracts in writing, and consider combining these functions through shared service agreements between districts. Other recommendations addressed claims auditing weaknesses, Medicaid claims reimbursements, and the proper classification of employees for retirement purposes.

The report also identifies various improvements state policymakers can address that would provide school mandate relief without sacrificing good internal controls. To provide greater transparency and accountability to taxpayers, our report recommends that policymakers adopt legislation that requires boards of education to authorize any increased funding of reserves. The report also recommends that state officials modify current statutes to allow districts to establish various reserve funds to adequately plan for expenses such as the costs of future retirees' health insurance and other post-employment benefits (OPEB), tax stabilization concerns, teachers' retirement system obligations, and bonded indebtedness.

To streamline the claims audit process for some districts and improve its efficiency for others, the report calls for legislators to modify existing legislation to allow school districts with 10,000 or more students to audit samples of claims, instead of requiring them to audit every claim filed. The report also includes recommendations that address the internal audit function in small school districts, providing a model employment contract to help school boards negotiate administrators' contracts, and adopting legislation that would provide districts and BOCES with greater opportunities for sharing services.

SECTION 1:

SCHOOL FINANCIAL ACCOUNTABILITY OVERVIEW

This report fulfills the Comptroller’s statutory requirement under Chapter 267 of the Laws of 2005 to “inform and advise the governor and the legislature in December of each year regarding a review of all school districts, Board of Cooperative Educational Services (BOCES) and charter schools audits conducted during the preceding twelve months and any other pertinent information that the Comptroller deems appropriate.” This is the fifth Chapter 267 report issued by the Comptroller since enactment of the law in July 2005 and covers audit work occurring through February 2010.

In February 2005, the Office of the State Comptroller issued an audit report on the Roslyn Union Free School District entitled “Anatomy of a Scandal.” The report described how the superintendent and assistant superintendent for business, along with their relatives and friends, stole more than \$11 million of district funds over a number of years. The breadth and depth of the theft was astounding. For example, the District paid almost \$6 million for non-school related purchases and cash withdrawals made with the personal credit cards of at least 13 people. More than \$1 million of district funds were used to make payments on private mortgages and loans. Payments of more than \$1.3 million were made to businesses that were established by district officials and their family members and friends. Excessive salary and benefit payments of more than \$549,000 were made to certain district officials. Automobiles, computers, food, postage and travel costs totaling over \$1.3 million were purchased for district officials and their families and friends.

This misappropriation was able to occur because the superintendent and assistant superintendent could override the district’s accounting system and process payments outside of the normal flow of most transactions. Also, several other internal control mechanisms that could have detected the theft were not operating as intended.

State legislation was enacted in response as a means to restore public confidence in school district operations. It restored the Office of the State Comptroller’s (OSC) audit presence in schools, strengthened some of the control mechanisms that were not working properly at Roslyn, such as the claims auditor function, and it helps prevent fraud and mismanagement from the inside by ensuring that school district officials have the information and understanding they need to recognize and prevent existing or potential fraud and abuse.

Legislative Requirements

The State Legislature passed bills to implement the Five-Point Plan and provide additional funding for school audits in June 2005, and the Governor signed them into law in July 2005. The legislation charged OSC with auditing more than 800 school districts, BOCES and charter schools within five years.¹ These audits help deter fraud, expose fraud where it exists and point out best practices in districts that are well run and can serve as models for other districts.

¹ Due to a legal ruling, OSC has stopped conducting audit work and issuing audit reports in all charter schools. Refer to the Charter School Lawsuit section for further information.

SCHOOL FINANCIAL ACCOUNTABILITY OVERVIEW

Fiscal Audits of School Districts (Chapter 267, Laws of 2005)

The law requires the Comptroller to audit each school district, BOCES and charter school at least once by March 31, 2010. Thereafter, OSC will decide which schools to audit based on a risk-assessment process that may include investigations of alleged improprieties, previous audit findings, or other financial indicators. OSC is required to provide reasonable prior notice to districts before conducting these audits.

Other provisions of the legislation require all audit reports to be made available to the public by OSC, and by the audited districts, BOCES and charter schools. These audited entities must post the audit reports to their websites, and retain them on the websites for at least five years. The legislation also requires the Comptroller to refer any criminal misconduct to the appropriate authorities.

The purpose of OSC school audits is to review the internal controls, financial practices and operations of school districts to help ensure that there is adequate protection against fraud, theft and/or professional misconduct. These audits help strengthen accountability by reviewing how public resources are used, and can be used as a tool in the development of school district internal controls. When undertaking these audits, OSC examines and evaluates financial documents, assesses current financial practices, and determines whether adequate protections exist against abuse.

OSC school audits do not duplicate the work performed by school districts' independent auditors. For example, OSC audits do not express an opinion on the reliability of financial statements, as an audit done by a CPA firm would. Rather, OSC audits focus on whether school districts' internal controls are adequately designed and operating effectively to provide adequate safeguarding of assets in areas such as cash receipts and disbursements, purchasing, claims approval, and payroll and personal services.

Five-Point School Financial Accountability Plan (Chapter 263, Laws of 2005)

In 2005, OSC worked with the New York State School Boards Association (NYSSBA), New York State Society of Certified Public Accountants (NYSSCPA), New York State Council of School Superintendents (NYSCOSS), New York State Association of School Business Officials (NYSASBO) and the New York State Education Department (SED) to produce the "Five-Point School Financial Accountability Plan." The Plan promotes stronger internal controls, improves school district audits and strengthens the roles of boards of education in conducting appropriate oversight.

The main components of the Five-Point Plan are:

- **Strengthen the internal claims auditor function:** Many boards of education delegate the duties of reviewing and authorizing payment for district expenses to an internal claims auditor. Nonetheless, these boards are still ultimately responsible for approving all payments. The law emphasizes this responsibility by requiring that the internal claims auditor report directly to the board of education.

SCHOOL FINANCIAL ACCOUNTABILITY OVERVIEW

- School board member financial oversight training: All school board members elected or appointed on or after July 1, 2005, must complete at least six hours of training on their financial oversight, accountability and fiduciary responsibilities. The training must be completed within a year of their election and can be provided by any SED-approved trainer.
- More rigorous external audit standards: The law requires that the external auditor present the annual audit report directly to the school board, and that the board prepare a corrective action plan in response to any findings from that report or from a State Comptroller's report. The law also requires all districts to use a competitive request for proposals (RFP) process for selecting external audit firms. After a district has selected an external audit firm, it may engage that firm annually for up to five years, at which point it must repeat the RFP process. The law does not forbid districts from hiring the same firm for consecutive five-year engagements, as long as they follow the RFP process.
- New internal audit requirements: The law requires all but the smallest school districts to establish an internal audit function by July 1, 2006, to be in operation by no later than the end of the calendar year. This function must include developing, annually updating, and reporting on a risk assessment of district operations. At a minimum, the risk assessment must include a review of financial policies and procedures, and the testing and evaluation of district internal controls. Many larger districts already have this function, and smaller, nonexempt districts can use existing district staff or shared services agreements, or contract for the service.
- Required audit committees: The law requires all but the smallest districts to establish an audit committee by January 2006 to assist the school board with its financial oversight responsibilities. This committee may be made up of all or some of the members of the board of education, but it also can be made up in part or completely of non-board members. In fact, as long as they have requisite experience, committee members do not need to be residents of the district. The guiding principle is that this committee should be able to help the board in its responsibility to select and oversee external and internal auditors, exercise its financial oversight responsibility, and implement any necessary corrective reform.

Charter School Lawsuit

In December 1998, New York State authorized the creation of charter schools by enacting Article 56, Section 2850 through Section 2857, of the Education Law, which is known as the New York Charter Schools Act of 1998. Charter schools provide opportunities for teachers, parents, and community members to establish and maintain schools that operate independently of existing school districts. Charter schools are exempt from most state and local laws, and rules and regulations, except those governing health, safety, civil rights, and student assessment. They are funded on a per student basis by the local public school districts from which their enrollments are drawn.

The New York City Center for Charter School Excellence and the New York Charter School Association, together with 15 New York City-based charter schools, filed a lawsuit to stop the Comptroller from performing audits of charter schools. On June 25, 2009, the New York State Court of Appeals ruled that the Legislature lacked the constitutional authority to require the State Comptroller to audit the finances or performance of charter schools. Accordingly, the Office of the State Comptroller will not conduct audits of charter schools.

SECTION 2:

AUDIT HIGHLIGHTS

Looking Back on Five Years of School Audits

In 2004, Office of the State Comptroller (OSC) examiners identified a multimillion dollar fraud perpetuated by school district officials and the district's external auditors at the Roslyn Union Free School District. The egregiousness of this audit's findings, as well as scandals identified in several other school districts, led the State Comptroller's office to propose and the State Legislature to adopt a Five-Point Plan to improve school financial operations. Among the precepts of this legislation was the requirement that OSC audit every school district and BOCES in the state within five years. Having begun this process in Roslyn, OSC's Division of Local Government and School Accountability moved forward quickly to hire and train new staff, develop new audit plans and procedures, provide training and guidance to school officials, and organize the serious business of auditing more than 700 entities within five years.

At the beginning of the school district initiative, due to the situation discovered during the Roslyn audit, OSC examiners prioritized the search for fraud. Consequently, in the completed 2005 audits, auditors found frauds in three other school districts besides Roslyn. Overall, of the total 733 school district and BOCES audits conducted, OSC examiners found evidence of fraud in 19 school districts that totaled approximately \$17.7 million.

OSC examiners also reviewed districts' and BOCES' operations to help officials determine where they could cut waste, save costs, and enhance revenues. During five years of school audits, examiners found more than \$24 million in cost savings and revenue enhancements that districts and BOCES

Internal controls are those methods that a school district uses to provide reasonable assurance that things are “going according to plan.” These methods should be designed to ensure that only appropriate and authorized transactions occur, errors are minimized, assets are protected, all transactions are recorded accurately and promptly, and that operations are as efficient as possible. This process starts with management modeling appropriate behaviors by adhering to all control procedures themselves and exercising the highest ethical standards. For example, management must ensure that they have disclosed their own interests in any of the financial transactions or contracts of the district.

Effective internal controls ensure that there is an appropriate supervision of staff and separation of duties so that the work of one employee serves as a review and check on another. No single individual should control the entire process of initiating, approving, recording, disbursing, and reconciling cash transactions. Administrative or managerial controls deal with operational efficiency, adherence to managerial policies, and management's authorization of transactions and include quality control and employee performance reports.

AUDIT HIGHLIGHTS

could implement to improve and/or maintain their financial condition. Cost-saving measures included requiring nonresident students to pay tuition, requesting RFPs for contracted security and advertising services, depositing tax receipts on a timely basis for greater interest payments, charging and collecting title search certification fees, claiming state financial aid for applicable school construction projects, and recouping overpayments for life insurance and payroll items.

OSC auditors examined other indicators of fiscal waste and abuse, such as those manifested in inappropriate separation payments made to school officials and employees. Of the 733 total audits, 61 audits (8.3 percent) had findings related to inappropriate separation payments totaling approximately \$3 million. Of this amount, nearly \$1.8 million was made to senior management and administrators. In addition to finding inappropriate separation payments, examiners also found that districts made other inappropriate payments to senior management at 72 districts (9.8 percent) totaling more than \$4.7 million. These payments resulted from questionable salary-related payments; improper payments related to unearned leave time, personal expenses, or improper travel reimbursements; overpayments for life insurance premiums; and payments for improper health insurance coverage.

During the last few years, auditors became increasingly aware of financial condition problems in districts and BOCES. Of the 733 audits, 102 audits (13.9 percent) had findings related to budgeting deficiencies, overspending budgeted appropriations, failing to create short- and long-range fiscal plans, failing to adequately monitor expenditures and appropriations, inaccurately recording financial data, and retaining fund balance in excess of statutory limitations. OSC examiners also found that 285 school districts and BOCES were improperly retaining moneys totaling approximately \$615.4 million in various reserve funds, with the majority of these excessive funds being held in the employee benefit accrued liability reserve (EBALR) fund that is used to pay for leave time accruals for departing school district employees. Examiners determined that 269 of the 285 districts and BOCES could have had as much as \$443.9 million more in EBALR funds than was needed to pay for compensated absences liabilities.

Auditors also scrutinized districts' financial statements and looked closely at the security of assets – including cash, capital, and information technology assets – while examining the claims audit function, segregation of financial duties, and contract bidding requirements. The findings uncovered during early audits highlighted claims auditing weaknesses and inadequate segregation of financial duties, but as the audits continued over subsequent years, auditors found that these problems were not unique to just those school districts. Of the total 733 school district and BOCES audits conducted by OSC examiners, 351 audits (47.9 percent) included findings related to the inadequate segregation of financial duties. The proper segregation of financial duties ensures that that no single individual is responsible for all phases of a transaction, helps to prevent and detect errors, and reduces the potential opportunities for employees to initiate and conceal improper payments, or make unauthorized changes to the accounting records.

Claims auditing weaknesses also continued to surface in school district and BOCES audits throughout the five-year period. Of the 733 school district and BOCES audits, 274 audits (37.4 percent) identified claims auditing inadequacies. Nearly 66 percent of these 274 audits (180 audits) had findings related

AUDIT HIGHLIGHTS

to the need for districts to improve the claims audit function. Frequently, these findings identified incompatible duties and inadequate procedures for the claims audit function. Some claims auditors did not report directly to the board of education, while others had incompatible business functions where they were both authorizing transactions and approving payment for those transactions. When performing the claims audit, sometimes claims auditors failed to determine whether claims contained required department reviews and approvals, prior authorization of travel expenses, and/or documentation to support the amounts claimed.

Another pervasive issue that examiners found was related to significant vulnerabilities within information technology (IT) systems. Of the 733 total audits, 279 audits (38.1 percent) had findings related to weak IT controls. Computer systems and data represent one of the most critical areas of vulnerability not only to schools, but to other governmental entities as well. Nearly all school districts and BOCES rely on computers and software programs to perform routine tasks such as accessing the Internet, taking daily attendance, sending and receiving e-mail messages, and processing financial transactions, claims, and payroll. As such, it is the duty of the board to ensure that proper IT controls are established and the duty of IT support staff to ensure that these controls are implemented to properly safeguard and protect IT assets. Effective internal controls over IT include establishing a formal disaster recovery plan, establishing policies and procedures for determining user and remote access permissions, ensuring that data are backed up routinely, requiring frequent password changes, and physically securing servers and other computer equipment. In many ways, the Roslyn fraud sprang from inadequate IT controls that were subject to easy manipulation.

Although General Municipal Law requires school district and BOCES officials to procure goods and services by awarding contracts to vendors through a competitive bidding process, OSC examiners found that 115 districts and BOCES (15.7 percent) awarded contracts valued at approximately \$49.4 million without obtaining competition. The purpose of obtaining bids and quotes is to encourage competition in the procurement of supplies, equipment, and services that will be paid for with public funds. The appropriate use of competition provides taxpayers with the greatest assurance that goods and services are procured in the most prudent and economical manner, that goods and services of desired quality are being acquired at the lowest possible price, and that procurement is not influenced by favoritism, improvidence, extravagance, fraud, or corruption. By awarding contracts without the benefit of requests for proposals or quotes, district and BOCES officials cannot assure taxpayers that they are procuring goods and services in the most economically beneficial manner. In addition to not obtaining competition, OSC auditors also found that 98 districts and BOCES (13.4 percent) made inappropriate payments to administrators and contractors totaling approximately \$25.4 million that were not covered under contracts or that exceeded contracted amounts.

Examiners continued to respond to citizen concerns throughout the five-year school initiative by looking at issues identified in districts as they arose. For example, OSC auditors reviewed employee classification issues at all school districts and BOCES. Auditors examined 460 school district and BOCES employees and consequently found that 20 districts and BOCES had improperly classified contractors as employees, enrolled these individuals in the Retirement System, and had reported service credits for these individuals to the Retirement System.

AUDIT HIGHLIGHTS

While conducting internal control audits of all 733 school districts and BOCES that were related directly to the Five-Point Plan legislation, OSC also conducted many special-purpose audits during the past five years that assessed various aspects of school operations for cost savings, revenue enhancements, and/or other program issues. For example, in 2005, 2006, and 2008, auditors determined whether 24 districts across the state had claimed all the Medicaid reimbursements to which they were entitled. Our audit disclosed that the 24 school districts involved in the three audits failed to claim at least \$8.6 million of Medicaid reimbursement for eligible services; therefore, they did not receive at least \$2.1 million in Medicaid reimbursement revenues. These missed reimbursements could result in districts and the state receiving \$140 million less in Medicaid reimbursements to which they are entitled.

In 2008, OSC reviewed 20 school districts' compliance with physical education requirements as part of an examination of the effects of obesity in schools across the state. Auditors found that only one of the 20 districts audited generally was providing physical education classes consistent with the State Education Department's regulations regarding the minimum frequency and duration of physical education classes. OSC extended its review of health care-related costs by also auditing 20 districts' compliance with nutrition requirements contained in the National School Lunch Program (NSLP) federal guidelines. Auditors determined that, overall, the districts had adopted wellness policies, established advisory committees, and provided school lunch programs that met NSLP guidelines.

During an audit of energy conservation practices in six school districts, auditors found that four districts had effective energy monitoring systems in place. Of these four, one district had saved \$200,000 by reducing the school's electricity and natural gas consumption, and another had saved \$284,000 by replacing old equipment, installing motion sensors on lights, and regularly surveying school buildings to evaluate energy conservation measures. Along with evaluating energy efficiencies, OSC auditors also examined whether 10 districts and BOCES were complying with new legislation that required them to procure and use environmentally friendly, or "green," cleaning products. Auditors found that three school districts and BOCES had complied with the legislation relating to the purchase of green cleaning supplies, while the remaining seven units were purchasing products that were not designated as green on a limited basis.

When considering how well school districts complied with the Five-Point Plan legislation, examiners found mostly favorable results. Although 180 audits (24.6 percent) had findings that indicated that the districts needed to strengthen their claims audit function, only 15 audits (2 percent) contained findings indicating that district officials had not received the required six hours of training on their financial oversight, accountability, and fiduciary responsibilities. One district did not procure its external audit properly, and 28 districts (3.8 percent) did not properly establish an internal audit function, or had an established internal audit function that was not operating properly. Concerning the audit committee requirement, only five districts needed to either establish an audit committee or change the member composition of their committees.

On another positive note, examiners highlighted 39 districts (5.3 percent) that were particularly well run, with well-developed financial policies, effective internal controls, and well-managed operations. In addition, district officials responded positively to 587 of the 733 audits (80.1 percent) conducted,

AUDIT HIGHLIGHTS

indicating that they intended to take action to fulfill our recommendations. OSC auditors are currently conducting follow-up audits in a sampling of school districts to review how effectively corrective action plans were implemented.

OSC examiners will continue to focus on these various audit topics going forward with future school district and BOCES audits. These recurring issues represent potential opportunities for individual school districts to improve their financial operations and opportunities for OSC, the State Education Department, and school district associations to provide continuing guidance and education to school officials.

SECTION 3:

FUTURE PLANS

Recommendations for District Officials

By reviewing the findings developed from our school audits over the last five years, we have compiled a set of recommendations for school officials that address common weaknesses and operational shortcomings. We encourage school officials to consider these recommendations when preparing internal audits and/or assessing operations to ensure that common weaknesses are being considered and mitigated.

Monitor School Finances

School boards of education are responsible for appropriately managing school financial affairs. This duty is always important, but it is essential during today's challenging fiscal times. Working with the board, superintendents and business officials are responsible for developing and administering school budgets and finances.

- *Accurate budgets.* District management (i.e., boards, superintendents, and business officials) must ensure that accurate budget estimates are prepared and that significant budget transfers are pre-approved by the board to ensure that taxpayers do not pay more than necessary to fund district operations. Reserves may be established and funded in accordance with applicable laws, but reserved moneys must be used in strict compliance with statutory provisions.
- *Appropriate level of fund balance.* It is important that business officials maintain an accounting system that presents fairly the financial position and results of financial operations of all district funds and account groups in conformity with generally accepted accounting principles (GAAP). Fund balance is the accumulated difference between revenues and expenditures. Fund balance may be reserved. The reserved portion of fund balance represents moneys that a district may use only for specific purposes. The unreserved portion of fund balance is the amount that is uncommitted and, therefore, may be appropriated to fund programs in the next year's budget. Real Property Tax Law limits the amount of unreserved, unappropriated fund balance a district may retain at fiscal year-end to 4 percent of the ensuing year's appropriations. District management needs accurate and timely records to manage school finances appropriately.
- *Planning for the end of stimulus funding.* Finally, as mentioned by the Comptroller in his message, district management needs to begin planning for the end of federal stimulus funding, the American Recovery and Reinvestment Act (ARRA), provided during the 2009-10 and 2010-11 school years. While the stimulus funding has helped districts cushion the blow from the recession, schools must plan for the end of the funding after the next fiscal year. This means that school districts need to engage in comprehensive multi-year financial planning that lays out the tough choices that will need to be made over the next two years. OSC has guidance and training available for school districts as they engage in this critical process.

FUTURE PLANS

Retirement and Severance Payments

Numerous school audit reports over the last five years have cited weaknesses in controls over retirement and severance payments that have led to overpayments. School boards must establish effective internal controls over severance and retirement payments to ensure that they are in accordance with board-authorized individual employment contracts and/or collective bargaining agreements.

- *Written administrators' contracts.* To avoid later misunderstandings, boards of education should ensure that every school administrator's employment agreement is documented in writing. The school's attorney should review all employment contracts before the board approves them.
- *Board approval for all payments.* The governing board should approve all retirement and severance payments to school officials. Moreover, to prevent ambiguity and disagreements over contract terms when calculating large retirement and severance payments, the board should have the school's attorney review the relevant employment contracts and calculations underlying the payments.

Information Technology Controls

Weak information technology (IT) controls have been a common theme in our audit reports. Because IT systems and procedures change quickly due to evolving technologies and software, boards of education should ensure that school officials and external and internal auditors regularly review the adequacy of the controls in place.

- *User access controls.* Districts should develop and adopt policies and procedures to ensure that school officials and employees have access to only those specific computer applications that are necessary for them to perform their jobs. It is important that district officials establish policies or procedures to ensure that system administrators provide user access rights to employees based on properly segregated job responsibilities. Also, the district official who changes user access rights should document those changes, and that individual should be independent of the business office function.
- *Deactivate user accounts.* Schools should deactivate employee user accounts immediately when employees leave district employment. Many schools leave the accounts active, risking unauthorized access to their financial applications.
- *Disaster recovery plans.* Schools should develop and periodically update their disaster recovery plans. A district's IT system – including equipment, software, and data – is a critical resource that schools must protect against loss, damage, or misuse. A disaster recovery plan describes how an organization should deal with potential disasters, including precautions to be taken (e.g., the routine backup of software and data) to minimize the effects of a disaster and procedures to be followed to either maintain or quickly resume critical functions. In addition, a disaster recovery plan must be updated periodically to address changing conditions.

FUTURE PLANS

- *Physical security.* Schools should take measures to protect and restrict physical access to IT system components, such as server rooms. Unrestricted access to the server room is dangerous to the security of districts' computer systems. District officials can establish security by controlling access to the server where data resides and by physically securing it in a locked room. Additionally, it is important that servers are located in a fire-safe room with adequate ventilation.

Procuring Professional Services

Professional services generally include services requiring specialized skill, training and expertise, use of professional judgment or discretion, and/or a high degree of creativity. Expenditures for professional services typically represent a significant outlay of public funds and are often made with no tangible evidence of the services received. Because of the cost and complexities associated with these specialized services, school boards must establish procurement policies and procedures for obtaining professional services to ensure that taxpayers receive quality services at reasonable prices.

- *Seek competition.* While boards of education may provide district officials with an exemption from seeking competition for professional services in some instances, sound procurement policies encourage using competition whenever possible. Professional services often involve significant expenditures, and competition can result in lower prices. One way to promote competition in professional services is to issue requests for proposals (RFPs) for contracts above minimal dollar limits. Using an RFP is a common method of seeking competition where competitive bidding is not required and where price is not necessarily the sole criterion for awarding the contract. An RFP generally is a document that provides detailed information concerning the type of service to be provided, including minimum requirements, and, where applicable, the evaluation criteria that will govern the contract award. Potential vendors typically are supplied with copies of the RFP and are requested to submit proposals by a specified date. Proposals can be solicited via public advertisement. Also, district staff can compile a comprehensive list of potential vendors, contact those vendors directly, and provide them with the RFP. An RFP can provide a mechanism for fostering increased competition for professional services and can ensure that these contracts are awarded in the best interests of taxpayers.
- *Written contracts.* To avoid misunderstandings and ambiguity, all professional service contracts should be in writing and approved by the district's legal counsel as appropriate. The terms and conditions of these contracts should be monitored to ensure that services are delivered as intended and that overpayments do not occur.
- *Shared services.* Another way school districts (particularly smaller and more rural districts) can expand their options for procuring professional services is to consider combining these functions into a shared service agreement between districts. Such an approach can broaden the pool of potential individuals or firms that can provide these services, and often lower the overall costs to participating districts.

FUTURE PLANS

Claims Audits

Weak claims audits have been a recurring theme in our audit reports. The board or its appointed claims auditor must ensure that every claim contains sufficient supporting documentation to determine whether it complies with legal requirements and district policies and that the amounts claimed represent actual and necessary district expenditures. The board or its appointed claims auditor also is responsible for verifying that each claim package includes documented approvals and, where required, properly issued purchase orders. Education Law and State Education Department (SED) regulations require that the claims auditor must not be directly involved in the district's accounting or purchasing functions, or directly supervised by the superintendent. Additionally, the claims auditor must report directly to the board and not to any other district staff member or management regarding the results of the audit of claims. The claims auditor's ability to act in an independent manner could be compromised if he or she is placed under the supervision or control of other district personnel.

Segregate Financial Duties

Inadequate segregation of financial duties is perhaps the most common weakness noted during our audits. Strong systems of internal controls include adequate segregation of duties through a combination of organizational restrictions and automated controls over a computerized financial system. Ideally, duties should be assigned so that no one employee controls the key aspects of financial transactions, which are authorization, recordkeeping, and asset custody. When it is not feasible to segregate duties, the board and district management should establish compensating controls, such as management oversight and cross-training with mandatory vacations and job rotations. Another internal control consists of having the individual who performs the monthly reconciliation not be able to enter or modify transactions in the accounting system. Compensating controls are additional procedures that can limit the risks associated with inadequate segregation of duties.

Medicaid-Eligible Reimbursements

The Medicare Catastrophic Coverage Act of 1988 made it possible for school districts to obtain partial Medicaid reimbursement for many special education services that they provide to Medicaid-eligible students. However, our audits have found that many schools do not take full advantage of this potential revenue source. SED and the Department of Health jointly established the School Supportive Health Services Program (SSHSP) to help school districts obtain Medicaid reimbursement for diagnostic and health support services provided to eligible students with individual education plans, and for case management review, which includes coordinating medical and non-medical procedures for students.

To administer the SSHSP, the Department of Health has developed a monthly fee schedule for reimbursable services. Using the fee schedule, districts can submit claims to Medicaid for the gross amounts eligible for reimbursement. Districts must ensure that all eligible services are billed to Medicaid and that the claims are supported by proper documentation and submitted within two years of the date that services were provided. The state and districts share federal reimbursements of approximately 50 percent of the approved claim amounts. To ensure that all eligible services are reimbursed, it is essential

FUTURE PLANS

that district officials reconcile their submitted claims to the reimbursement received and review disallowed amounts to identify claims that can be resubmitted.

As districts struggle to fund educational programs with limited resources, Medicaid reimbursements for services provided to eligible special education students are an important potential revenue source.

Classify Employee Retirement

During 2008, we found that some school districts were reporting individuals to the New York State and Local Retirement System even though the individuals were not actually employees of the districts. In response, OSC auditors reviewed a wide range of individuals in professional titles in school districts across the state to verify their eligibility in the Retirement System. We determined that schools reported as employees a number of individuals who were actually independent contractors and, therefore, these individuals inappropriately gained public pension benefits to which they were not entitled. School officials must properly determine whether professional service providers are employees or independent contractors and ensure that salary, benefits, and time worked reported to the Retirement System is accurate, complete, and adequately supported. District officials have a responsibility to ensure that the persons they enroll in the Retirement System are eligible for this benefit.

Recommendations for the Governor and State Policymakers

Our experience auditing schools during the last five years has resulted in OSC identifying many internal control deficiencies and issues of non-compliance. While the superintendents and boards of education can and have rectified many of these audit concerns locally by implementing our audit recommendations, they cannot address some concerns quite so simply. Some existing statutes need to be modified for schools to be able to address some of our audit concerns fully, or to improve the efficiency and effectiveness of school operations. OSC has identified improvement opportunities for the state to address that would provide school mandate relief without sacrificing good internal controls.

Reserve Funds

Our audits have identified a variety of problems with how reserve funds are handled. While the mechanisms used by the schools to fund these reserves were not always appropriate, superintendents and boards of education need greater flexibility to budget and manage school district finances adequately during these difficult economic times. In each case, we would include express requirements governing deposits, transfers, and withdrawals from these funds. We propose the following legislative approaches for reserves:

FUTURE PLANS

- *Reserves Funded by Annual Budget Appropriation or Board Resolution.* Adopt legislation that requires boards of education to authorize any increased funding of reserves. Currently, in many schools, business officials transfer operating surpluses to the school's reserve funds without board involvement or the public's knowledge. Because we found in some of our audits that the boards of education were not aware of their districts' excess reserve balances, we feel that this measure would help ensure that the boards of education are involved in managing the school reserves.
- *Employee Benefit Accrued Liability Reserve (EBALR).* Modify current statutes to allow schools to transfer excess reserve balances back to the general fund, or to an other post-employment benefits (OPEB) trust once it is established. The Comptroller again will be proposing legislation to establish OPEB trusts for the state and local governments (refer to the OPEB Trust section for more information).
- *Tax Stabilization Reserves.* Modify current statutes to allow school districts to establish a tax stabilization reserve fund. School districts would be limited to using any moneys in this fund only to lessen or prevent projected tax increases that would otherwise be above 2.5 percent of the amount of the real property tax levy needed to finance the annual budget. The legislation would require schools to appropriate any annual amounts placed in the reserve for budget purposes within three years. Such a fund could help stabilize district property taxes in a transparent fashion for taxpayers.
- *Teachers' Retirement Reserves.* Modify current statutes to allow schools to establish reserves for teachers' retirement system obligations. Current statutes allow schools to establish reserves only for the common employees' retirement system. This would allow school districts to reserve moneys for this largest component of their pension costs.
- *Reserve for Bonded Indebtedness.* Adopt legislation that would allow schools to establish a reserve for bonded indebtedness. The legislation would require that schools make expenditures from this reserve only to pay the principal and interest on bonds, or to reduce principal when refunding bonds. Also, if school officials establish budget provisions during a given fiscal year to pay the principal and interest on the bonds from sources other than the reserve for bonded indebtedness, the legislation would prohibit school officials from transferring the reserve fund moneys during that fiscal year.
- *Notice of Reserve Funds and Their Planned Use.* Adopt statutes that would require schools to include a schedule of all reserve funds as part of the detailed statement that is appended to the annual budget document. The legislation would require that the schedule include the name of each reserve, a description of its purpose, the balance of each reserve as of the third quarter of the current fiscal year, and any plans for its use during the coming budget year.

OPEB Trust

Some school officials have told us that they established and/or funded their districts' employee benefit accrued liability reserve (EBALR) funds to set aside money for future other post-employment benefits

FUTURE PLANS

pursuant to GASB 45.² While this is not permissible within existing statutes, having a mechanism to begin to fund this long-term liability would be fiscally prudent. The State Comptroller has proposed legislation creating the authority to establish OPEB trusts for the state and local governments. The State Legislature could greatly assist schools in this effort by providing them with the authority to establish OPEB trusts to fund the costs of future retirees' health insurance and other benefits. The legislation would restrict the use of the moneys placed in this trust solely for these purposes.

Claims Auditing

Our audits have identified weaknesses in the claims audit function in school districts and BOCES throughout the five-year audit period. While some schools may have improved their internal controls over claims auditing, some obstacles remain for them in the process of achieving an effective and efficient claims audit function. For example, it can be difficult for small districts, particularly in rural areas, to find and hire qualified people for the claims audit position. Conversely, large districts sometimes find that their claims auditing operations spend inordinate amounts of time reviewing and approving low-risk vouchers. We recommend the following legislative modification:

- Authorize school districts to establish the position of deputy claims auditor to act in the absence of the appointed claims auditor. Also, if the entity that provides claims auditing services does so pursuant to an inter-municipal cooperative agreement or a shared services agreement, or is an independent contractor, the legislation would require the board of education to audit the claims generated by these entities.
- Allow school districts with 10,000 or more students to audit samples of claims, instead of requiring them to audit every claim filed. Acceptable methodologies for this method of claims auditing include auditing all or samples of claims above certain dollar or risk thresholds and using statistical sampling. This proposal would currently benefit 18 large school districts, including the “Big Five” dependent school districts.³

Internal Audit Function

As we have shown in our audit guidance, the internal audit function can assist districts with a variety of operational needs, including performance areas. However, many small schools struggle to maintain their internal audit function because they do not have the breadth or complexity of operations that larger districts have, which allow larger districts to maximize the benefits from using an internal audit staff. We propose allowing school districts with fewer than 1,000 students to forego establishing or maintaining an internal audit function.⁴ School districts that resolve to eliminate their internal audit functions pursuant to this legislative change would have to notify SED and Office of the State Comptroller of their decision.

² GASB 45 is an accounting standard released in 2004 by the Government Accounting Standards Board regarding guidelines on accounting and financial reporting by employers for post-employment benefits other than pensions.

³ New York City, Buffalo, Rochester, Syracuse, and Yonkers

⁴ Current legislation allows districts with fewer than 300 students, expenditures of \$5 million or less, or fewer than eight teachers to forego establishing or maintaining an internal audit function.

FUTURE PLANS

Model Employment Contract

Many boards of education consist of individuals who have little background in school finance or negotiating employment contracts. To assist them in negotiating the superintendent's contract, the Comptroller is calling on the Commissioner of Education to develop and distribute a model employment contract for school superintendents. SED has indicated its willingness to develop such a model. The model contract would help establish guidance and parameters for what SED considers acceptable employee benefits, but would give the board flexibility to decide salary rates and overall compensation. We believe that this model contract would add transparency to the current process.

Cooperative Services and Efforts

School districts can potentially generate operational efficiencies by using BOCES to deliver “back office” administrative and fiscal services, including accounting (e.g., payroll processing), purchasing, and IT functions and health insurance administration. BOCES or multiple school districts working cooperatively also could potentially generate cost savings, with the assistance of the State Legislature, if the Legislature adopted legislation that clarified the ability of districts and BOCES to do the following:

- Clarify that BOCES and school districts have the ability to coordinate non-public school transportation through legislation. School districts must provide transportation to resident students who attend private schools, regardless of the districts' boundaries. This results in instances where buses from multiple districts transport students to the same private school. Clarifying the ability of school districts and BOCES to coordinate this service will minimize confusion as to whether this type of coordination is permitted under current law. In the final report released by the Commission on Local Government Efficiency and Competitiveness, one BOCES estimated that it could save its component districts \$1 million (5 percent) by coordinating this type of transportation.⁵
- Allow school districts to enter into credit card contracts of national scope. There are numerous national contracts that can lead to cost savings, such as if the companies provide rebates to participating school districts based on the level of their annual purchases (i.e., the higher the total annual purchase amount, the higher the rebate percentage). Schools need statutory authorization to participate in national contracts for this type of service. The legislation would require districts to let these contracts in accordance with current New York State statutory requirements.
- Clarify that BOCES has the authority to contract for telecommunications on behalf of their component school districts. BOCES often operate and service school district equipment used for telecommunications and technology services and computer networks. When procuring this high-tech equipment, school districts would benefit if BOCES contracted for these purchases on their behalf. This would ensure that the school districts' equipment is compatible with BOCES' telecommunication and network equipment and would allow BOCES and district personnel to efficiently service the equipment.

⁵ 21st Century Local Government: Report of the New York State Commission on Local Government Efficiency & Competitiveness, available at: www.nyslocalgov.org.

SECTION 4: ACTIVITY AND RESULTS IN 2009

Summary of Reports Issued in 2009 (Through December 31)

Internal Control Audits	200
Budget Review Audits	16
Audits of School Districts' External Audits	1
Special Subject Matter Audits	44
Total	261

The State Comptroller's Office of State and Local Government Accountability (SLGA) – which comprises the Division of Local Government and School Accountability (LGSA) and the Division of State Government Accountability (SGA) – spent more than 51,297 staff days conducting various school and school-related audits in 2009. These audits included audits of financial operations and school district budgets, as well as performance audits of various aspects of school district operations to identify revenue enhancements and/or cost savings. From these efforts, OSC issued 261 individual school audit reports in 2009.

Audits – Related to School Legislation and Other Purposes

The school legislation calls for audits of the fiscal practices of each school district, including assessing current financial practices and determining whether school districts have adequate internal controls to prevent fraud, theft, and/or professional misconduct. Since the beginning of the school initiative, OSC has issued 733 audits that specifically conform to Chapter 267 of the Laws of 2005. OSC conducted 19 audits in 2005, 87 audits in 2006, 217 audits in 2007, 210 audits in 2008, and 200 audits in 2009 that met the requirements of the legislation.⁶

OSC also performed other school district audits in 2009, including 16 audits that focused on school districts' budgets and financial condition. Because external annual audits are a significant part of the internal control process in each district, additional audits were performed focusing on the independent audit services at one district, while conducting separate audits of internal controls. Finally, 44 special purpose audits were conducted that assessed various aspects of school operations for cost savings, revenue enhancements, and/or other program issues.

⁶ Prior to June 25, 2009, OSC also completed 18 charter school audits. These audits are not including in the yearly totals.

ACTIVITY AND RESULTS IN 2009

Internal Controls Audits

Internal control audits relate to the establishment of internal controls over specific areas of operations, including expenses incurred on the behalf of school district managers and members of the boards of education. These audits focus on high-risk areas identified through a risk assessment process and based on complaints, letters and requests from taxpayers and local and state officials. Although some districts had strong internal control systems, we also found a wide range of weaknesses in internal controls.

In 2009, we issued 200 audits of the internal controls of the following school districts:

Abbott Union Free School District	Chenango Valley Central School District
Albany City School District	Chester Union Free School District
Albion Central School District	Churchville-Chili Central School District
Alexandria Central School District	Clarence Central School District
Alfred-Almond Central School District	Clinton-Essex-Warren-Washington BOCES
Altmar-Parish-Williamstown Central School District	Cobleskill-Richmondville Central School District
Arlington Central School District	Cold Spring Harbor Central School District
Attica Central School District	Colton-Pierrepont Central School District
Auburn Enlarged City School District	Copiague Union Free School District
Babylon Union Free School District	Corning City School District
Baldwinsville Central School District	Dansville Central School District
Barker Central School District	Deer Park Union Free School District
Batavia City School District	Delaware-Chenango-Madison-Otsego BOCES
Bath Central School District	Delhi Central School District
Bayport-Blue Point Union Free School District	Depew Union Free School District
Beacon City School District	DeRuyter Central School District
Bellmore Union Free School District	Dryden Central School District
Bemus Point Central School District	Dutchess County BOCES
Binghamton City School District	East Rochester Union Free School District
Blind Brook-Rye Union Free School District	Edgemont Union Free School District
Brasher Falls Central School District	Ellenville Central School District
Brocton Central School District	Erie 1 BOCES
Brookhaven-Comsewogue Union Free School District	Erie 2 Chautauqua-Cattaraugus BOCES
Broome-Delaware-Tioga BOCES	Fairport Central School District
Buffalo City School District	Falconer Central School District
Caledonia-Mumford Central School District	Fayetteville-Manlius Central School District
Canandaigua City School District	Fillmore Central School District
Canton Central School District	Franklin Square Union Free School District
Carle Place Union Free School District	Franklin-Essex-Hamilton BOCES
Cato-Meridian Central School District	Friendship Central School District
Cattaraugus-Allegany-Erie-Wyoming BOCES	Fulton City School District
Cattaraugus-Little Valley Central School District	Garden City Union Free School District
Cayuga-Onondaga BOCES	Garrison Union Free School District
Chautauqua Lake Central School District	General Brown Central School District
Cheektowaga-Maryvale Union Free School District	Genesee Valley BOCES

ACTIVITY AND RESULTS IN 2009

Glen Cove City School District	Madison-Oneida BOCES
Goshen Central School District	Maine-Endwell Central School District
Grand Island Central School District	Malverne Union Free School District
Granville Central School District	Marlboro Central School District
Greater Amsterdam School District	Merrick Union Free School District
Greater Southern Tier BOCES	Middle Country Central School District
Greenburgh Central School District No. 7	Middleburgh Central School District
Greenburgh Eleven Union Free School District	Milford Central School District
Greenburgh-Graham Union Free School District	Monroe 1 BOCES
Greenburgh-North Castle Union Free School District	Monroe 2 Orleans BOCES
Greenwood Lake Union Free School District	Monroe-Woodbury Central School District
Half Hollow Hills Central School District	Morristown Central School District
Hamilton Central School District	Mount Pleasant-Blythedale Union Free School District
Hamilton-Fulton-Montgomery BOCES	Mount Pleasant Central School District
Hammond Central School District	Mount Pleasant Cottage Union Free School District
Hammondsport Central School District	New Hyde Park-Garden City Park Union Free School District
Hendrick Hudson Central School District	Niagara-Wheatfield Central School District
Hewlett-Woodmere Union Free School District	North Collins Central School District
Hilton Central School District	North Salem Central School District
Hornell City School District	North Syracuse Central School District
Huntington Union Free School District	Norwood-Norfolk Central School District
Indian Lake Central School District	Oceanside Union Free School District
Irvington Union Free School District	Ogdensburg City School District
Island Park Union Free School District	Olean City School District
Ithaca City School District	Oneida-Herkimer-Madison BOCES
Jasper-Troupsburg Central School District	Oneonta City School District
Johnson City Central School District	Onondaga-Cortland-Madison BOCES
Kenmore-Town of Tonawanda Union Free School District	Ontario-Seneca-Yates-Cayuga-Wayne BOCES
Kings Park Central School District	Orleans Niagara BOCES
Kiryas Joel Union Free School District	Otsego Northern Catskills BOCES
Lackawanna City School District	Palmyra-Macedon Central School District
LaFargeville Central School District	Panama Central School District
Lancaster Central School District	Parishville-Hopkinton Central School District
Lansing Central School District	Pearl River Union Free School District
Levittown Central School District	Pembroke Central School District
Lindenhurst Union Free School District	Phelps-Clifton Springs Central School District
Lisbon Central School District	Potsdam Central School District
Little Falls City School District	Putnam-Northern Westchester BOCES
Livonia Central School District	Raquette Lake Union Free School District
Long Beach City School District	
Lyndonville Central School District	
Lyme Central School District	
Lynbrook Union Free School District	

ACTIVITY AND RESULTS IN 2009

Red Creek Central School District	Syracuse City School District
Rensselaer-Columbia-Greene BOCES	Thousand Islands Central School District
Ripley Central School District	Ulster County BOCES
Rochester City School District	Union Springs Central School District
Rocky Point Union Free School District	Utica City School District
Rondout Valley Central School District	Valley Stream Union Free School District No. 24
Rush-Henrietta Central School District	Valley Stream Union Free School District No. 30
Rye City School District	Valley Stream Union Free School District Thirteen
Rye Neck Union Free School District	Van Hornsville-Owen D. Young Central School District
Salmon River Central School District	Wallkill Central School District
Sayville Union Free School District	Wantagh Union Free School District
Schenectady City School District	Watertown City School District
Sharon Springs Central School District	Wayland-Cohocton Central School District
Sherman Central School District	Wayne Central School District
Skaneateles Central School District	West Babylon Union Free School District
South Huntington Union Free School District	West Hempstead Union Free School District
South Mountain Hickory Common School District	West Irondequoit Central School District
Southampton Union Free School District	West Park Union Free School District
Southern Westchester BOCES	Western Suffolk BOCES
Southwestern Central School District	Williamson Central School District
Spencerport Central School District	Williamsville Central School District
St. Lawrence-Lewis BOCES	Willsboro Central School District
Susquehanna Valley Central School District	York Central School District
Sweet Home Central School District	Yorkshire-Pioneer Central School District

Following are brief descriptions of the scope and findings of some major internal control audits issued in 2009. The summaries not only illustrate the services, but also demonstrate the many ways that OSC provides an independent voice for taxpayers while, at the same time, educating school officials with its routine audits.

- **Kenmore-Town of Tonawanda Union Free School District – Financial Condition and Internal Controls Over Procurement (2009M-21)** The district accumulated more than \$22 million in excess funds that should have been used to benefit taxpayers by paying one-time expenditures, funding necessary reserves, reducing debt, and/or reducing the tax levy. If the district had used appropriate budgeting practices, real property taxes could have been significantly lower. District officials seemed to be following a pattern of adopting budgets that generated more revenue than required for district operations and then adding the unused balance to reserve funds. In addition, district officials improperly used blanket purchase orders to circumvent procurement requirements, and certain departments did not properly use the accounting system or require annual bids. District officials' ability to monitor these activities is hindered by deficiencies with the district's financial accounting system. Consequently, district officials cannot ensure that purchasing personnel are complying with purchasing policies and applicable statutes.

ACTIVITY AND RESULTS IN 2009

- **Caledonia-Mumford Central School District – Internal Controls Over Selected Financial Operations (2009M-20)** The district did not monitor extra-classroom activity (ECA) activities, did not properly segregate the cash receipts duties, and did not keep adequate records. As a result of these internal control weaknesses, approximately \$4,000 in ECA funds was stolen by the former central treasurer. She later admitted to petit larceny, was prosecuted in county court, and made restitution to the district. Although the district’s response to the theft at the time of our audit was to review the internal controls surrounding ECA funds, additional reported bookstore thefts and other discrepancies totaling \$3,154 occurred during the district’s review of its internal controls. Also, the board had not adopted formal policies relating to the physical security of computer equipment and data, computer access rights, disaster recovery procedures, and acceptable computer use.
- **Hewlett-Woodmere Union Free School District – Internal Controls Over Selected Financial Operations (2009M-88)** The district has reserved approximately \$10.1 million more in its employee benefit accrued liability reserve (EBALR) fund than its liability for compensated absences. Also, the district’s administrative salary costs for all of its administrators, excluding fringe benefits, were higher than the costs for three other neighboring school districts. The district’s costs-per-student for fringe benefits provided to its superintendent and three assistant superintendents also were approximately \$45 higher than the average costs of the other three neighboring school districts. If the board had achieved an administrative salary and fringe benefits cost-per-student similar to the average of the other three districts in the area, it could have realized a total savings of about \$838,000 in the 2006-07 fiscal year and \$881,000 in the 2007-08 fiscal year. In addition, the district improperly classified an independent contractor (an attorney) as an employee and improperly enrolled this individual in the New York State and Local Retirement System (NYSLRS). As a result, NYSLRS revoked the attorney’s membership status in December 2008. Finally, district officials need to improve controls over the collection of cash receipts, check-signing procedures, and information technology.
- **Maine-Endwell Central School District – Internal Controls Over Selected Financial Activities (2009M-120)** Our audit identified nearly \$6.7 million in funds that have been tied up due to accounting errors or in unnecessary reserves that the district could use to benefit the taxpayers. For example, we found that district officials made incorrect adjustments to the district’s accounting records at the end of the year, resulting in the board and administrators believing that they had approximately \$1.6 million of unreserved fund balance in the general fund as of June 30, 2008, when in fact they had more than \$5.3 million. The district also had a balance of nearly \$1 million in the unemployment insurance reserve, which was sufficient to pay for the district’s average unemployment claims for over 100 years, and district officials did not use the unemployment insurance reserve or their employee benefit accrued liability reserve (EBALR), with a balance of almost \$2 million, to pay for appropriate reserve expenditures. In addition, the treasurer’s duties were not sufficiently segregated in relation to the cash receipt function, there was a lack of controls over the treasurer’s computerized signature and manual checks and the board appointed a claims auditor who was also involved in the purchasing process. We also found that the district expended a total of \$37,000 to pay health insurance premiums for two retirees after they were deceased. Finally, the board and district officials did not establish adequate policies and procedures to effectively safeguard the district’s computer systems and data.

ACTIVITY AND RESULTS IN 2009

- **Buffalo City School District – Internal Controls Over Information Technology and Retiree Health Insurance Benefits (2009M-221)** The district’s controls over information technology (IT) security were poorly designed and unenforced. As a result, 25 of 47 laptop computers that OSC auditors examined had downloaded pornographic images and full-length movies, music files, unencrypted confidential student information, and/or evidence of visits to gambling and social networking websites. Four of these 25 laptops were issued to Board members, and two of the laptops issued to board members contained pornographic images and unauthorized software. Although district personnel compare the Social Security Administration (SSA) death master file on a monthly basis to the district’s list of social security numbers for all retirees and their dependents, examiners found that the district paid \$51,000 in health insurance premiums for six deceased individuals.
- **Churchville-Chili Central School District – Financial Condition (2008M-234)** The district’s total fund balance in its general fund has quadrupled over the five fiscal years ending in 2007-08 because district officials did not develop realistic budgets, but continually overestimated expenditures and underestimated revenues. As a result, the district has had \$20 million in operating surpluses over the past five years. We estimate that the district has routinely generated 14 percent more tax revenues than it has needed, on average, for ongoing operations. The district has used some of these surplus moneys to fund general fund reserves, which totaled approximately \$22 million at the end of the 2007-08 fiscal year and accounted for almost 85 percent of the district’s total general fund balance. We estimate that there is almost \$4 million of excess funds in the general fund reserves.

Budget Review Audits

A budget review is an audit of a district’s budget prior to its adoption to determine whether information contained within the preliminary budget is supported, and whether revenue and appropriation estimates are reasonable and balanced. The audit includes gaining and documenting an understanding of the internal control environment and the specific controls that are significant to the budget process, and then assessing the reasonableness of major revenue and expenditures areas. The State Legislature mandates a budget review audit when a school is authorized for deficit financing (borrowing to pay off an accumulated deficit). In addition, we continued auditing the Roosevelt Union Free School District on a real-time basis to determine whether the district was adequately monitoring its own spending and staying within its 2008-09 budget. This effort has been continued into the 2009-10 fiscal year, and the division has already issued its review of Roosevelt’s first quarter fiscal status.

We performed mandated budget reviews in the following school districts:

Beacon City School District	Liberty Central School District
Campbell-Savona Central School District	Monroe-Woodbury Central School District
Chenango Valley Central School District	Patchogue-Medford Union Free School District
East Moriches Union Free School District	
Enlarged City School District of Troy	Roosevelt Union Free School District
Fabius-Pompey Central School District	Schenectady City School District
Greater Amsterdam School District	South County Central School District

ACTIVITY AND RESULTS IN 2009

Following are brief descriptions of the scope and findings of some major budget review audits issued in 2009. The summaries illustrate this service provided to school districts.

- **Roosevelt Union Free School District – Second Quarter (2009M-22), Third Quarter (2009M-77), and Fourth Quarter (2009M-175) Real-Time Fiscal Monitoring for the 2008-09 Adopted Budget, and First Quarter Real-Time Fiscal Monitoring for the 2009-10 Adopted Budget (2009M-228)** As a result of our ongoing audits, we issued three quarterly reports for the 2008-09 fiscal year and a first quarter report for the 2009-10 fiscal year. In the fourth quarter report for the 2008-09 fiscal year, we determined that as of June 2009, the district had a potential operating surplus of more than \$21 million, leaving it with a projected accumulated fund balance of more than \$18.1 million. District officials intended to reduce this available fund balance by approximately \$5.6 million by appropriating and encumbering moneys to finance expenditures in the 2009-10 fiscal year budget and by designating unused academic improvement grant (AIG) funds for academic improvement expenditures. Furthermore, examiners found that the district’s available fund balance could have been further decreased by up to \$4 million if the board funded additional reserves, which it approved in July 2009. In the division’s first quarter report for the 2009-10 fiscal year, we found that the district’s spending had generally been within the limits established by the board in its enacted budget. However, the district continues to over-expend various budget line codes and, in the first quarter, has over-expended budget codes by a significantly larger amount than in the previous fiscal year. Additionally, district employees processed three budget transfers totaling \$2.8 million without board approval in violation of district policy.
- **South Country Central School District – Budget Review (B7-9-6)** We found that the significant revenue and expenditure projections in the district’s tentative budget appeared to be reasonable. The district projected that its fund balance would be \$10.9 million as of June 30, 2009, which was about \$6.7 million more than the legal limit. Examiners cautioned district officials that they must use the district’s surplus fund balance to benefit taxpayers and ensure that the district’s fund balance does not exceed 4 percent of the 2009-10 fiscal year budget. The district also issued a \$3 million bond anticipation note in October 2008 without prior notice to the State Comptroller, as required by law. Further, examiners found that district officials had not submitted required quarterly reports to the State Comptroller in a timely fashion.
- **East Moriches Union Free School District – Budget Review (B7-9-5)** We found that the budgeted estimated revenues and appropriations appeared reasonable. However, the district’s tentative budget did not include an appropriation for payments to retiring employees for their unused leave time, which examiners estimated to be \$214,000. We also found that district officials generally implemented the recommendations as stated in the April 2008 budget review audit report regarding adequately appropriating funds for the costs of health insurance, BOCES services, and utility and fuel purchases.

ACTIVITY AND RESULTS IN 2009

Audits of School Districts' External Audits

School districts in New York State are required by law to contract for an annual audit by an independent public accountant. This independent audit must be performed in conformity with generally accepted government auditing standards (GAGAS). The independent audit is considered a significant part of a school district's internal controls. The following school district audit is related to the acquisition of audit services and the audit work performed by the district's independent public accountants.

We audited the annual external audit of the following school district:

Menands Union Free School District – Independent Audit Services

Below is a brief description of the scope and findings from our audit of the school district's external audit issued in 2009. This summary demonstrates how this information serves as an educational tool to school officials and external auditors.

- **Menands Union Free School District – Independent Audit Services (2008M-196)** The district followed appropriate policies and procedures when procuring audit services; however, the district's certified public accounting (CPA) firm could have improved its audit approach and documentation in certain areas. For example, our examiners found instances of non-compliance with auditing standard requirements relating to the consideration of fraud. The standardized checklists that the CPA firm used did not contain the CPA's conclusions regarding the risk of fraud. Examiners found no indication that the CPA firm documented an audit response to the risk of district management overriding controls, as mandated by auditing standards. Finally, the CPA firm did not properly report control deficiencies noted during the audit to the board.

Special Subject Matter Audits

In 2009, LGSA and SGA conducted 44 school-related, special subject audits of 30 school districts, nine BOCES Regional Information Centers, a New York City agency, and a state agency.

LGSA assessed whether 20 school districts ensured that all food available to students during the school day and at school activities met established nutritional guidelines to promote healthy eating habits and proper nutritional goals. LGSA auditors also determined whether eight school districts complied with applicable provisions of Education Law and the Regulations of the Education Commissioner relating to students referred for special educational services. LGSA auditors reviewed fuel purchasing practices for one school district to determine whether it received the best price possible, the contract's bid specifications were complete, and whether the district had procedures in place to ensure that it was being charged the correct price according to the prevailing contract. In addition, LGSA auditors examined the IT controls over financial accounting software and technology assets maintained by nine BOCES Regional Information Centers (RICs).

ACTIVITY AND RESULTS IN 2009

SGA auditors examined the New York State Education Department's (SED's) monitoring of prospective school district employees' criminal history background checks and reporting of high school graduation and dropout rates to the public. SGA determined whether the New York City Department of Education (DoE) was properly monitoring nutritional practices in New York City public schools' lunch programs and competitive food sales (vending machine and school store food sales). SGA also assessed whether the DoE effectively monitored a federally funded tutoring program available to low-income students in poor performing schools. In addition, SGA auditors performed a follow-up audit of SED to determine whether it had implemented recommendations suggested during an audit of SED's monitoring of school districts' compliance with RESCUE Act provisions for building assessment and planning.

LGSA and SGA audited special subject matters in the following schools and school-related entities:

Baldwin Union Free School District	New Rochelle City School District
Bethpage Union Free School District	New York City Department of Education
Brentwood Union Free School District	New York Mills Union Free School District
Broome-Delaware-Tioga BOCES RIC	New York State Education Department
Catskill Central School District	Niskayuna Central School District
City of Oneonta School District	North Shore Central School District
East Islip Union Free School District	Northeastern (Capital Region) BOCES RIC
Eastern Suffolk RIC	Northport-East Northport Union Free School District
Erie 1 BOCES RIC	Plainedge Union Free School District
Gates-Chili Central School District	Port Jefferson Union Free School District
Greater Southern Tier BOCES RIC	Sachem Central School District
East Greenbush Central School District	Syosset Central School District
Hancock Central School District	Warrensburg Central School District
Hudson Falls Central School District	Waterloo Central School District
Lansingburgh Central School District	Watervliet City School District
LeRoy Central School District	Waverly Central School District
Madison-Oneida BOCES RIC	Wayne Finger Lakes BOCES RIC
Massapequa Union Free School District	Webster Central School District
Monroe 1 BOCES RIC	Westbury Union Free School District
Monticello Central School District	Wyandanch Union Free School District
Nassau BOCES RIC	

Following are brief descriptions of the scope and findings from some major special subject matter audits issued in 2009. The summaries illustrate the diverse topics covered by this particular service, and demonstrate ways that OSC provides an independent voice for taxpayers and identifies cost savings and revenue enhancement strategies for school officials and those agencies that monitor schools and school-related issues.

- **Nutrition in School Districts Across New York State (2009-MS-3)** LGSA's audit found that 20 school districts did a good job of adopting wellness policies, establishing advisory committees, and

ACTIVITY AND RESULTS IN 2009

providing school lunch programs that meet NSLP guidelines. However, four of the 20 districts did not develop any guidelines in their wellness policies for the sale of competitive foods and beverages, which are snacks and beverages available in vending machines and elsewhere on districts' campuses that are not included in the traditional, federally reimbursable, school lunch program. Of the 16 districts that adopted such guidance, 12 districts did not fully comply with it. Examiners found that only 109 of 160 competitive food items tested in these sixteen schools (about 68 percent) met the districts' guidelines. In addition, two districts did not comply with SED regulations because they offered certain competitive foods to students that are prohibited from sale prior to the end of the last scheduled meal period. Only four districts both adopted guidelines for competitive foods and complied with those guidelines. OSC auditors also examined 200 competitive food and beverage items sold in the districts and found that only nine items (about 5 percent) met the Institute of Medicine (IOM) guidelines for "wholesome" items, including fruits, vegetables, and whole grain food items, and low-fat or non-fat milk. Items available in the schools that failed to meet IOM guidelines included chocolate shortcake, ice cream bars, cheddar and bacon-flavored potato chips, and cherry pies.

- **New York State Education Department – Criminal History Background Checks for School Employees (2007-S-119)** Applicants for teaching and most other positions in New York's public schools must be checked for criminal histories by the Division of Criminal Justice Services (DCJS) and the Federal Bureau of Investigation (FBI). Outside New York City, these criminal history background checks are coordinated and overseen by SED. SGA auditors examined SED's monitoring of background checks from March 2006 to August 2008 and found that 469 background checks had not been completed and had been in process for an average of at least eight months. One application was outstanding for at least 27 months. Because SED was not monitoring the status of background checks, it did not know that most of these background checks could not be completed because of data transmission failures or blurred fingerprint images. Examiners found that at least 157 of the 469 applicants being checked had been hired by public schools before their background checks were completed. Thirty of the 157 had some kind of criminal history, including charges such as assault and criminal possession of a controlled substance. Auditors also identified one individual who worked in a school for three months who would have been denied clearance for employment because of his criminal background.
- **New York State Education Department – Accuracy of Graduation and Dropout Data in Annual Report Cards for Selected High Schools (2008-S-45)** SED is responsible for reporting high school graduation and dropout rates to the public. SED publishes an annual report card for each public high school in the state. SGA auditors examined the rates published in the 2007 reports cards of 12 high schools and found that graduation rates reported by two of the schools, and dropout rates reported by four of the schools, were inaccurate by more than 5 percentage points. For example, one high school reported a graduation rate of 50 percent, when the actual graduation rate was 41 percent. Similarly, another high school reported a dropout rate of 24 percent, when the actual dropout rate was 44 percent. The rates reported by the schools were incorrect because they were incorrectly excluding certain students from their calculations, such as students who had supposedly transferred to general education diploma (GED) programs. However, there was no evidence the students had actually enrolled in such programs.

ACTIVITY AND RESULTS IN 2009

- **New York City Department of Education – School Nutrition (2008-N-15)** SGA examiners identified widespread non-compliance with New York City Department of Education (DoE) requirements for promoting good nutritional practices in New York City’s public schools. Auditors found that in 20 of 30 city schools visited, school stores and/or vending machines were routinely selling competitive foods, including candy, soda and other unhealthy snacks, during the schools’ lunch periods, in direct competition with healthy lunches. At 21 of the 30 schools, many of these food and beverage items had not been approved for sale by the DoE because they were non-nutritional items such as candy and high-fat, high-sugar snacks. School principals were generally aware of the problem but were either unwilling or felt unable to shut down the inappropriate sales, primarily because the money from the sale of the competitive foods was used to subsidize extracurricular activities at the schools. Officials from the DoE’s Office of School Food (SchoolFood) were aware that unhealthy food was being sold during lunch time, but did not pursue corrective action.
- **Compliance With Education Law for Individualized Education Programs (2009-MS-1)** LGSA’s audit found that eight school districts all complied with the statutory and regulatory requirements for students referred for special educational services. The districts adequately complied with the referral and evaluation requirements in Education Law and the Education Commissioner’s Regulations. They developed and implemented individualized education programs (IEPs) for students with identified disabilities in a timely manner, and all of the IEPs examined contained the required elements as prescribed by law. Also, District officials ensured that teachers and other providers involved in implementing students’ IEPs were aware of their responsibilities and had access to the IEPs. Examiners reviewed 255 IEPs to verify that students had actually received the 939 special education services prescribed and concluded that school districts or other providers had likely delivered 928 of the services (almost 99 percent).
- **Oneonta City School District – Regional Fuel Purchases (P4-8-03)** LGSA’s audit found that the district did not receive the best price possible for fuel, because Otsego County’s purchasing agent did not research and compare pricing methods to ensure that the bid specification’s pricing options – which formed the basis for the District’s awarded bids – would be as good as or better than the Office of General Services’ (OGS’) contract pricing options. The district could have saved approximately \$3,000 on diesel and fuel oil by using bid specifications similar to those used by OGS. Also, the fuel contract bid specifications were incomplete. Because the district’s purchasing agent failed to ensure that the bid specifications included base pricing information, the vendor was able to charge the District whatever price it wanted. Although examiners did not find any overcharges on diesel fuel purchases, they did find that the vendor overcharged the district approximately \$133 on three propane purchases.

Common Themes in Audits

Although the school districts audited have improved many internal controls, effective governance extends far beyond adopting policies and procedures. It requires a concerted effort on the part of those charged with district management and oversight to understand the business of the district. That understanding includes knowing how employment, personnel and other contracts are approved and

ACTIVITY AND RESULTS IN 2009

modified; who performs and who supervises key financial-related duties; and the types of weaknesses that might preclude the board or its administrators from reasonably preventing and/or detecting the loss or misappropriation of district assets. Furthermore, it requires a considerable amount of attention to information technology (IT). Computer systems and data represent one of the most critical areas of vulnerability not only to schools, but to other governmental entities as well.

LGSA identified several recurring themes in its audits in 2009. These common findings represent potential opportunities for individual school districts to improve their financial operations, as well as opportunities for OSC and its partner organizations to provide better guidance and education to school officials. It is clear from the patterns identified in our audits that not all administrators and boards of education are familiar with the full breadth of their internal control responsibilities. In addition, because some of the findings relate to the inappropriate actions of school administrators, it also is evident that not all districts were successful in establishing an environment where the possibility of management override has been fully considered.

Financial Condition Problems

Findings regarding financial condition problems were included in 39 of 200 internal control reports (19.5 percent) issued. Although the development of realistic budgets is essential for school districts to avoid fiscal stress, we found that some districts had inadequate budgets that over-relied on appropriating fund balance or using nonrecurring revenue sources to fund expenditures. In other cases, auditors found that district officials did not accurately record and report the districts' financial activities to allow the boards to monitor and evaluate the districts' financial condition in a timely manner. As a result, district officials subsequently over-expended appropriations and the districts' fund balances deteriorated to a deficit position.

A school district's financial condition determines its ability to provide public educational services to its students. The responsibility for effective financial planning and management of school districts rests with the board of education and district management. The board and district management must make sure that budgets are prepared, adopted, and amended based on reasonable and accurate assessments of resources that can be used to fund appropriations. They must also make sure that policies, procedures, and competent personnel are in place to ensure that financial information is recorded correctly and in a timely manner. Accurate financial information allows boards to perform periodic analyses of district appropriations and revenues, and to plan appropriately and act accordingly during the fiscal year.

Separation Payments

Findings about inappropriate separation payments, primarily to senior officials, were included in 16 of 200 internal control reports (8 percent) issued. Effective control over separation payments begins with adequate internal controls over payroll and leave time processing. Our audits found that officials did not provide sufficient oversight to ensure that employees' accrued leave balances were accurate and separation payments were made in accordance with employment contracts. As a result, employees were

ACTIVITY AND RESULTS IN 2009

allowed to maintain vacation leave accruals in excess of what was allowed by employment contracts or policies, and separation payments were made based on those incorrect vacation leave balances.

Although effective control over separation payments begins with employment contracts and policies that contain guidance about employee benefit provisions, and adequate internal controls over payroll and leave time processing, it is important for school officials to ensure that school personnel adhere to established payroll processing policies, and to ensure that separation payments occur only when authorized by the board and in accordance with employment contracts. The board should review all employment contracts and policies and verify that vacation leave is provided as authorized and that employees are only credited with vacation leave in accordance with those authorizations. School officials should make separation payments only when specifically authorized by the board through resolutions, policies or employment contracts. Also, the board should establish and implement a policy for processing separation payments. As part of this policy, school officials should review leave accruals and separation payments to ensure that personnel follow district policies and procedures while processing payrolls.

Payments for Personal Services Without Contracts

In 2009, 16 of 200 internal control reports (8 percent) issued on school district internal controls contained various findings about payments for personal services (including salary and unused leave payments) that were made primarily to senior officials. Auditors found that either the senior officials were not entitled to these payments, or the board had not authorized the payments through a collective bargaining agreement, written contract, or resolution. Even with approved written contracts in place, some school district internal controls did not prevent unauthorized payments. Similar to inappropriate separation payments, this weakness is related to inadequate internal controls over payroll and leave-time processing and poor board oversight over payments to employees.

Payroll and personal services represent a large portion of school districts' annual budgets. As a result, it is important for districts to have adequate internal controls over the payroll process that consist of written policies and procedures, and to have written board authorization for payroll- and personal services-related payments. District-wide policies, collective bargaining agreements and/or individual employee contracts should stipulate each employee's entitlement to the accrual, use and payment of leave time. Merit and stipend payments should occur only as authorized by the board in policies, agreements or contracts, or by separate board resolutions. Transparency in all board-approved benefits is an important consideration, so well-structured documents should address all pertinent aspects of employment and contain all salary and benefits to which employees are entitled. In addition, school districts must establish procedures that ensure that employees receive only those payments authorized by contracts, and the board must monitor those procedures and oversee such payments.

Claims Audit Deficiencies

In 2009, 43 of 200 internal control reports (21.5 percent) issued on school district internal controls contained findings about a deficient claims auditing function. Frequently these findings identified incompatible duties and inadequate procedures for the claims audit function. Some claims auditors

ACTIVITY AND RESULTS IN 2009

did not report directly to the board of education, while others had incompatible business functions where they authorized transactions as well as approved payment for them. When performing the claims audit, sometimes auditors approved claims without evidence of department reviews and approvals, prior authorization of travel expenses and/or documentation to support the amounts claimed. We also identified school districts that made payments to vendors without the benefit of any claims audit to ensure the accuracy and propriety of the vendors' bills.

The claims audit is such a critical function that it was one of the main components in the Five-Point Plan legislation. Because a claims auditor assumes the powers and duties of the board with respect to auditing and approving claims for payment, the Five-Point Plan requires that the individual report directly to the board and not have an incompatible position or perform business-related duties. Moreover, Education Law specifies that districts should not pay any claims without audit and approval.

An internal audit should conduct a thorough review of the claims audit function as part of its risk assessment. Good claims auditing controls should ensure that every claim contains enough supporting documentation to determine that it complies with school district policies, and that the amounts claimed represent actual and necessary school district expenses. In addition, the boards that appoint claims auditors should provide them with written job descriptions, so they clearly understand their responsibilities and meet the boards' expectations.

Design of IT Controls

Findings about weaknesses in a school district's IT system were included in 84 of 200 internal control reports (42 percent) issued. These controls refer mainly to security issues and include policies and procedures specific to IT controls, and access to data and computer systems. Many districts did not have policies and procedures for acceptable-use standards for computers, the Internet, and e-mail; safeguarding data; anti-virus protection; password security; remote or physical access controls; data backup systems; and disaster recovery needs. We found that district officials did not require personnel to create or change passwords, allowed personnel to have access rights to financial software programs that exceeded the requirements of their duties, and did not use audit logs to identify or track the individuals who accessed the system or the transactions they processed. These control weaknesses create a situation that is similar to not segregating financial duties properly, because one employee could authorize all phases of a transaction without oversight.

Another major concern that focused on safeguarding data integrity was the lack of appropriate data backup procedures and disaster recovery plans. A basic internal control for IT is to protect data by backing up files regularly (i.e., creating a duplicate copy of information stored on computers and servers) to enable restoration in the event of loss. Auditors found that many districts neglected to back up data or failed to properly secure the back-up tapes. Also, many districts did not perform contingency planning to address the potential loss of computer equipment and data, and outline procedures for recovery.

ACTIVITY AND RESULTS IN 2009

School officials must ensure that IT controls, similar to other internal controls, are designed and implemented to provide reasonable assurance that assets and resources entrusted to their care are used in accordance with laws and policies, and safeguarded against waste, loss and abuse. IT systems and data are valuable resources because school officials use them to make financial decisions, process transactions, and serve as the basis for reporting to taxpayers and the state and federal governments. Access to computer systems must be controlled and monitored to reduce the risk of misuse and/or alteration of the data. In addition, if the computers containing the data should fail, not having the information properly backed up could prove catastrophic. School districts need a formal disaster recovery plan to provide guidance on the prevention of the loss of computer data, and the recovery of computer data in the event of disaster.

Positive Audits

In 2009, six of 200 internal control reports (3 percent) issued on school district and BOCES internal controls contained positive findings in the areas of purchasing, payroll, and cash disbursements. Overall, auditors found the system of controls in place in these five districts and one BOCES were well designed and operating effectively.

Greater Amsterdam School District
Half Hollow Hills Central School District
St. Lawrence-Lewis BOCES
Van Hornsville-Owen D. Young Central School District
Wayne Central School District
Willsboro Central School District

A good system of internal controls over payroll includes having both effective managerial oversight and a proper segregation of duties. In two of the five districts, auditors found that district officials had implemented adequate procedures and controls to decrease the risk of error and irregularities associated with the payroll process and conflicting duties. Within the purchasing and procurement areas, auditors found that two districts and one BOCES were using their resources effectively and complying with applicable laws and regulations.

An effective system of internal controls over cash disbursements requires the proper distribution of duties so that the same individual does not perform incompatible functions. In one district, auditors found that district officials had structured the duties of a two-person business office such that each staff member checked the other's work in the course of their normal duties. These independent checks served to mitigate the risk of errors or irregularities occurring within the non-payroll cash disbursement process.

ACTIVITY AND RESULTS IN 2009

Emerging Issues

LGSA has identified several emerging issues that it will focus on in its audits in 2010 and beyond. These issues represent potential opportunities for individual school districts to improve their financial operations and opportunities for OSC to provide better guidance and education to school officials.

Efficiencies and Cost Savings

During difficult and uncertain economic times, it is even more important for school officials to identify potential efficiencies and cost savings in operations. Becoming more efficient and lowering costs helps school officials maintain important instructional programs while minimizing real property taxes.

As noted previously, Comptroller DiNapoli has directed his audit teams to continue auditing schools. In addition to assessing school districts' internal controls and financial condition, we also will review whether the potential exists for districts to achieve significant efficiencies and cost savings. Future audit reports could report on internal controls, financial condition and/or efficiencies, or they might explore programmatic or special purpose topics. Operations and functions that our school audits might assess for potential efficiencies and cost savings include staffing (numbers of employees and salaries), transportation, purchasing, shared services opportunities, energy savings, employee benefits, special education, and school Medicaid reimbursement.

Overstated Liabilities

Recent audits have revealed that some school districts have been maintaining excessive moneys in reserve funds and/or districts are maintaining moneys in reserves that are not authorized under state statutes. Examiners have found that school districts are holding millions of taxpayer dollars inappropriately in reserves, instead of using these moneys to fund educational programs, pay for capital projects, reduce indebtedness, or pay for one-time expenses.

Similarly, we have observed an emerging issue in some school districts where district officials systemically overstate certain liabilities (e.g., their reserve for encumbrances or accrued liabilities) in their budgets to reduce their unreserved, unappropriated fund balances. Without overstating these liabilities, the districts would have exceeded, or would have exacerbated the amount by which they exceeded, the statutory limits for fund balance.⁷ The net effect is the same as maintaining too much money in reserve funds: school districts are not using taxpayer dollars to fund education, pay one-time expenses, or reduce tax levies.

In future school district and BOCES audits, OSC auditors will continue to examine the appropriateness of reported liabilities to ensure that district officials are managing their districts' financial condition prudently.

⁷ Previously, school districts' unreserved, unappropriated fund balance could not exceed 2 percent of their current year's appropriations. As of June 30, 2007, the limit was increased to 3 percent of 2007-08 appropriations. The limit increased again to 4 percent, as of June 30, 2008, and it continues at 4 percent for years thereafter.

ACTIVITY AND RESULTS IN 2009

Security of Information Technology Systems

Our school audits have identified numerous weaknesses in the design of information technology (IT) controls. Improving security over school networks and computer systems is challenging due to changing technology and evolving risks. However, these systems store personal, confidential and sensitive information about students and employees, as well as provide computer education, process student grades, record financial assets and results of operations, and print checks. Weaknesses in IT controls may allow unauthorized access to the personal, confidential and sensitive information stored in databases, a potentially significant liability to schools if such information is lost or disclosed. IT weaknesses also may result in altered student records, or erroneous or illicit financial activities occurring and going undetected.

OSC auditors plan to review the design of IT controls in all future audits. In addition, we will test the effectiveness of such controls on some audits. To establish good IT controls, boards of education should adopt a district-wide security plan for their districts that documents the evaluation of security risks and discusses potential solutions. Each board could delegate the task of developing this document to its audit committee. Additionally, once the security plan is in place, the board should consider adopting policy guidance on appropriate computer use and disaster recovery plans.

IT administrators must use the board's security plan and policy guidance to implement good practices. They should establish proper access controls to identify and differentiate users. User accounts established for this purpose should restrict users to only those applications, resources and data necessary for their day-to-day duties and responsibilities. In addition, the IT system should generate audit logs that provide a means of determining who is accessing the system and what transactions are being processed. Ideally, a manager should review this log to ensure the appropriateness of users' computer activities. Further, IT administrators should ensure that firewalls, anti-virus software, and operating programs are appropriately updated in a timely manner. Software updates and patches help correct program weaknesses. IT administrators also should implement sound disaster recovery plans (e.g., data backups) to ensure that system security and data are protected from loss due to threats or accidents.

SECTION 5:

TRAINING, EDUCATION AND OUTREACH

Increased Education and Outreach in 2009

During 2009, OSC continued its commitment to education and outreach for school district officials. LGSA provided training to school district officials at seven different training events during the year. In addition, OSC, in collaboration with the New York State School Boards Association (NYSSBA), has continued to offer a low-cost, online distance-learning alternative to help school board members meet their training requirements. Responses to this training alternative, which has reached more than 900 school district officials since its inception in 2007, have been excellent.

Other training highlights in 2009 included:

- **NYSASBO 61st Annual Meeting** – In June, the New York State Association for School Business Officials held its 61st Annual Meeting in Albany. OSC provided two sessions entitled “ST-3 Preparation” and “Making Sense of the Stimulus Package.” These sessions assisted school business officials with their struggles in preparing the annual report and understanding how the federal stimulus package affected schools.
- **Claims Auditing Workshop** – To continue OSC’s efforts in helping school district officials understand claims auditing, we held a half day workshop for more than 70 school business officials in Castleton. We recorded this session on video, and it is now available through the Mediasite software application as a web-based broadcast (“webcast”) on OSC’s and NYSASBO’s websites.
- **School Facilities Management Professional Development Conference & Expo** – In October, OSC provided two sessions on “Smart Procurement” to the New York State Association for Superintendents of School Buildings and Grounds. The sessions were well received and provided managers with information on purchasing efficiently in these difficult budget times.
- **Governmental Accounting Schools** – OSC provided nine governmental accounting schools (five basic and four advanced) throughout the state for local government and school district officials. During 2009, 145 school district officials attended these accounting schools, and one of the five basic accounting schools was scheduled for school district officials only. OSC staff also developed comprehensive accounting manuals, and district officials expressed that this material has been helpful to them in addressing OSC’s audit findings in the schools. Topics covered at the accounting schools and in the accounting manuals include cash management, reserves, purchasing and claims processing, capital projects, maintaining capital assets, and basic accounting principles.
- **Local Government Training Clearinghouse** – During 2009, OSC continued updating and maintaining the Local Government Training Clearinghouse, a searchable training database that offers local government and school officials a more efficient way to address their training needs. The database lists information about training events that includes dates when training sessions are scheduled, names of training providers, and names and locations of training events. Through links on the Clearinghouse website, local government and school district officials can find detailed information about various training events, visit the website of the organization sponsoring the training, and register for certain programs.

TRAINING, EDUCATION AND OUTREACH

- Open Book New York – During 2009, OSC expanded the Open Book website to include school district annual financial information and improved the website’s format to include trend and detailed information and charts and graphs in a new user-friendly format. The Open Book website includes financial data for 3,100 local governments and school districts, giving local government and school district officials and taxpayers access to information reported to OSC by all counties, cities, towns, villages, school districts, and fire districts for the most recent 11 years. Visitors to the website can easily find how local governments and school districts generate their revenues and what activities and services those revenues support. With regard to school data, taxpayers can use this information to assess how their school districts are using their tax dollars. School officials can use the data to compare their revenues and expenditures with other school districts and help identify potential efficiencies.
- NYSSBA’s Annual Meeting – Approximately 2,500 school board members attended NYSSBA’s annual meeting in New York City at the end of October. OSC provided technical assistance and valuable resource materials to these officials at the conference. The technical assistance involved clarifying issues with audit committees, internal auditors, and roles and responsibilities of board members. OSC staff also showcased the Open Book application and the Local Government Training Clearinghouse at the conference.
- Training and Guidance Brochures – OSC created several brochures designed to assist school board members with their governance responsibilities, including *Getting the Most Out of Your Internal Audit Function* and *Trouble Ahead: Managing Your Budget in Times of Fiscal Stress*.

Local Government and School Management Guide Update

This series of publications, collectively called the *Local Government Management Guide (LGMG)*, addresses a variety of management and operational issues faced by small- to medium-sized local governments and school districts. We will periodically review and reissue these publications, each referred to as “guides,” which are available on OSC’s website.⁸

OSC released the following LGMG guides in 2009: *Seeking Competition in Procurement*, *Multiyear Capital Planning*, *Information Technology Security*, *Reserve Funds*, *Financial Oversight Responsibility of the Governing Board*, and *Shared Services in Local Governments*.

- *Seeking Competition in Procurement*. Seeking competition in procurement is important in our business and personal lives. In our personal lives, we seek competition instinctively when we shop at the grocery store or purchase a vehicle. In our business lives, we often must seek competition to comply with State law or locally adopted policies. A fair and open competitive process can reduce the cost of goods and services and helps discourage favoritism in public procurements by encouraging additional vendors to compete for your business. This guide discusses a variety of procurement topics that will increase your

⁸ These LGMG guides are available on OSC’s website at: www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

TRAINING, EDUCATION AND OUTREACH

organizational and personal knowledge about state and local procurement requirements and can help you create proactive and competitive procurement environments.

- *Multiyear Capital Planning.* OSC has long encouraged local government and school officials to develop and implement a multiyear capital planning process. This process should start with a needs assessment and an affordability analysis that seeks to balance capital priorities with fiscal constraints. Ideally, the capital planning process identifies all capital and major equipment needs, incorporates a process for prioritizing projects, and includes a maintenance cycle to sustain current capital assets. This guide discusses the process for developing an effective multiyear capital plan and a variety of topics that will assist school district and local government officials in implementing the plan.
- *Information Technology Security.* Regardless of their size or complexity, local governments and school districts all face similar IT security risks. Threats such as worms and viruses, cyber attacks, the loss of sensitive information, and identity theft are ever-evolving; therefore, local government and school district officials must be diligent about understanding these risks and take appropriate steps to mitigate them. Securing a computer system can prevent security breaches that can be very costly – not just financially, but also in productivity losses, negative publicity, and lost confidence from taxpayers. This guide provides a summary of the free IT security resources available on the website of the New York State Office of Cyber Security and Critical Infrastructure Coordination (CSCIC).
- *Reserve Funds.* Saving for future projects, acquisitions, and other allowable purposes is an important planning consideration for local governments and school districts. Reserve funds provide a mechanism for legally saving money to finance expenditures, including all or part of future infrastructure construction costs and large equipment purchases. All reserve fund transactions should be transparent to the public. Ideally, amounts to be placed in reserve funds should be included in the annual budget. By making provisions to raise resources for reserve funds explicit in proposed budgets, the board gives taxpayers an opportunity to understand and vote on the board’s plan for funding reserves. This guide describes the types of reserve funds authorized by New York State statutes that local governments and school districts can establish and maintain.
- *Financial Oversight Responsibility of the Governing Board.* Through its actions, a governing board directs and sets policies that chart the course for many of the activities of a local government or school district. Likewise, the board is usually responsible for monitoring the results of operations and the effectiveness of board-adopted policies. Statutory provisions provide the framework for the governing body’s guidance, oversight, and sound management practices. This guide covers several of the board’s fiscal oversight functions, including policy development, monitoring financial operations, and annual audit responsibilities.
- *Shared Services in Local Governments.* This guide is intended to provide local government and school officials with information on how shared services can help municipalities and school districts increase the effectiveness of and efficiency in their operations. As municipal and school district responsibilities become increasingly complex and demanding, municipalities and districts should explore shared services and other cooperative opportunities as a way to reduce or avoid costs, improve service delivery, and maintain services. This guide provides local governments and school districts with a step-by-step process to succeed in shared-service initiatives.

TRAINING, EDUCATION AND OUTREACH

Other Educational Efforts

During 2009, OSC was joined in its efforts to train school officials by state agencies and professional associations. The State Education Department (SED) developed a wide range of training materials and conducted numerous school accountability workshops for various school district officials, including school board members, school superintendents, business administrators, district treasurers, certified public accounting (CPA) firms, purchasing agents, claims auditors, internal auditors, and audit committee members. These workshops and seminars are designed to train these individuals on how to maintain the fiscal health of school districts to ensure that districts adhere to all legal mandates relating to financial transactions.

SED's extensive ongoing training efforts are supported by the development of guidance documents and reference manuals which are available online for easy access. These guidance documents include the Overview of Claims Audit and Internal Audit Function, Audit Reference Manual, Fiscal Fitness, School Budgeting, Internal Controls, Purchasing, Payroll, and School Taxation. In addition to these publications, SED also is responsible for implementing the Contracts for Excellence Program, which combines fiscal, program, and performance accountability. The department works with 39 participating school districts on the requirements of this program and provides extensive guidance material online. SED also coordinates with BOCES staff to implement legal and shared-services programs for school districts.

In 2009, SED presented training programs in reserves and fund balance management, purchasing, internal controls, fiscal fitness, general management services, treasury, internal controls and extra-classroom activities, and payroll. More than 4,200 school officials attended these workshops and seminars.

The New York State Society of Certified Public Accountants (NYSSCPA) provides educational information to CPAs who offer audit services to local school districts and to interested school board members and school district officials. One of NYSSCPA's goals is to raise the level of practice awareness to protect public tax funds provided for student education. The association sponsors an annual Public Schools Accounting and Auditing Conference designed for accounting and auditing practitioners, staff accountants, government and public school executives, school board members, and financial employees. This joint government and public school audit conference is designed to provide updates in areas of interest in the government and public school sector and to provide essentials to those who are less familiar with accounting and reporting requirements.

In 2009, NYSSCPA conference topics included Audit Quality, SAS 104-111, Ratio Analysis in a Time of Economic Instability, Internal Audit Regulations for School Districts, Accounting and Auditing of Stimulus Funding, OSC Update, and Ethics. The conference was offered through two venues: formal classroom training and a webcast.

The New York State Council of School Superintendents (NYSCOSS) provides numerous professional development opportunities, publications, and personal services to its members while advocating for

TRAINING, EDUCATION AND OUTREACH

public education and superintendents. In conjunction with the Leadership for Educational Achievement Foundation, Inc. (LEAF), the council offers several workshops, multi-series programs, two institutes (year-long and summer), and two statewide conferences (fall and mid-winter). In 2009, more than 1,500 attendees participated in these educational opportunities. In addition, the council conducts a year-long induction program for new superintendents that includes a segment specifically devoted to financial management. Thirty-five superintendents participated in this program during 2009.

The New York State Association of School Business Officials (NYSASBO) strives to provide opportunities to equip school business officials to continue meeting the challenge of effectively and efficiently managing the business operations of public school districts in the state. In 2009, NYSASBO implemented the School Business Management Institute to assist members in planning and tracking their professional development opportunities. NYSASBO's professional development opportunities encompassed an annual conference, two business management workshops, seven single-topic workshops in multiple locations, and 28 web-based seminars ("webinars") that included three online courses. Nearly 3,000 school business office professionals attended these training sessions.

The New York State School Boards Association (NYSSBA) serves as the statewide voice of more than 700 boards of education. The collective influence of some 5,000 school board members, who constitute half of the elected officials in the state, enables the association to work toward benefiting the elementary and secondary public school system. The association provides current information and advice to school board members on matters that affect school boards, and it cooperates with other educational and school-related organizations in promoting excellence in education. NYSSBA's professional education events include an annual convention, one state issues conference, nine multi-location academies, six Fiscal Fitness series workshops, one BOCES conference, 14 Fiscal Oversight Fundamentals workshops, nine Fiscal Oversight Fundamental online courses, seven legal conferences, three policy workshops, four webinars, and four co-sponsored events. More than 4,400 participants attended these events through November 2009.

Education and Outreach Plans for 2010 and Beyond

To assist school officials in their efforts to improve safeguards over school assets and strengthen operations, OSC is in the process of developing additional revisions to its *Local Government Management Guide* (LGMG), additional online training including more online tutorials, and other training sessions for local government and school officials that are focused on needs that have been identified by OSC auditors during audit fieldwork performed in 2009. Future LGMG releases will provide information on management's responsibility for internal controls, the practice of internal control, and cash management.

OSC will be working closely with NYSASBO to develop half-day workshops throughout the state that will focus on issues of concern to school district officials. In April 2010, OSC will offer an advanced accounting school designed only for school district officials. Also, we expect to expand our online programs by developing a series of online webcasts of interest to local government and school district officials.

TRAINING, EDUCATION AND OUTREACH

Working with its partner organizations, OSC will continue to identify emerging school district financial issues in coming years and provide additional specific training and guidance to school district officials to help them continue improving their financial operations.

Division of Local Government and School Accountability

Regional Office Directory

Steven J. Hancox, Deputy Comptroller (518) 474-4037
Cole H. Hickland, Director - Direct Services (518) 474-5480
Jack Dougherty, Director - Direct Services (518) 474-5480

ALBANY REGIONAL OFFICE – Kenneth Madej, Chief Examiner

22 Computer Drive West • Albany, New York 12205-1695
Tel (518) 438-0093 • **Fax** (518) 438-0367 • **Email:** Muni-Albany@osc.state.ny.us
Serving: Albany, Columbia, Dutchess, Greene, Schenectady, Ulster counties

BINGHAMTON REGIONAL OFFICE – Patrick Carbone, Chief Examiner

State Office Building, Room 1702 • 44 Hawley Street • Binghamton, New York 13901-4417
Tel (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 – Robert Meller, Chief Examiner

295 Main Street, Room 1050 • Buffalo, New York 14203-2510
Tel (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 – Karl Smoczynski, Chief Examiner

One Broad Street Plaza • Glens Falls, New York 12801-4396
Tel (518) 793-0057 • **Fax** (518) 793-5797 • **Email:** Muni-GlensFalls@osc.state.ny.us
Serving: Clinton, Essex, Franklin, Fulton, Hamilton, Montgomery, Rensselaer, Saratoga, Warren, Washington counties

HAUPPAUGE REGIONAL OFFICE – Jeffrey L. Leonard, Chief Examiner

NYS Office Building, Room 3A10 • Veterans Memorial Highway • Hauppauge, New York 11788-5533
Tel (631) 952-6534 • **Fax** (631) 952-6530 • **Email:** Muni-Hauppauge@osc.state.ny.us
Serving: Nassau, Suffolk counties

NEWBURGH REGIONAL OFFICE – Christopher J. Ellis, Chief Examiner

33 Airport Center Drive, Suite 103 • New Windsor, New York 12553-4725
Tel (845) 567-0858 • **Fax** (845) 567-0080 • **Email:** Muni-Newburgh@osc.state.ny.us
Serving: Orange, Putnam, Rockland, Westchester counties

ROCHESTER REGIONAL OFFICE – Edward V. Grant, Jr., Chief Examiner

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608
Tel (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 – Eugene A. Camp, Chief Examiner

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428
Tel (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

Division of Local Government and School Accountability

Central Office Directory

(Area code for the following is 518 unless otherwise specified)

Executive 474-4037
Steven J. Hancox, Deputy Comptroller
John C. Traylor, Assistant Comptroller

Financial Reporting 474-4014
(Annual Financial Reports, Constitutional Limits, Real Property Tax Levies,
Local Government Approvals)

Information Services..... 474-6975
(Requests for Publications or Government Data)

Justice Court Fund.....473-6438

Audits and Local Services.....474-5404
(Audits, Technical Assistance)

Professional Standards.....474-5404
(Auditing and Accounting)

Research 473-0617

Statewide and Regional Projects.....607-721-8306

Training.....473-0005
(Local Official Training, Teleconferences, DVDs)

Electronic Filing
Questions Regarding Electronic Filing of Annual Financial Reports 474-4014
Questions Regarding Electronic Filing of Justice Court Reports.....486-3166

**Mailing Address
for all of the above:**

**Office of the State Comptroller,
110 State St., Albany, New York 12236**
email: localgov@osc.state.ny.us



**New York State
Office of the State Comptroller
Division of
Local Government and School Accountability
110 State Street, 12th Floor • Albany, New York 12236**