



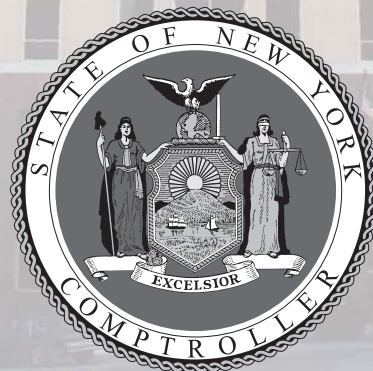
Eden Central School District Financial Condition and Health Insurance Benefits

Report of Examination

Period Covered:

July 1, 2006 — February 22, 2011

2011M-51



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2011

Dear School District Officials:

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

Following is a report of our audit of the Eden Central School District, entitled Financial Condition and Health Insurance Benefits. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Eden Central School District (District) is governed by the Board of Education (Board) which comprises seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board. The Board, Superintendent, and Director of Finance are responsible for developing the District's annual budget.

The Director of Finance is also responsible for the administration and supervision of the District's financial activities. As part of these responsibilities, the Director of Finance oversees the day-to-day financial operations of the District, supervises Business Office personnel, and serves as the District's purchasing agent and financial system administrator.

The District's payroll clerk acts as the District's health insurance administrator and is responsible for calculating contribution amounts based on updated rates from the insurance provider. The District provides health care coverage to its employees and eligible retirees according to the provisions of collective bargaining agreements and employment contracts.

Scope and Objective

The objective of our audit was to evaluate the District's financial condition and the health insurance program. We reviewed the District's financial condition and evaluated internal controls over the health insurance program for the period July 1, 2008 to February 22, 2011. We expanded our scope period back to July 1, 2006 for our review of the District's financial condition. Our audit addressed the following related questions:

- Are District officials appropriately accounting for and properly managing fund balance in accordance with Real Property Tax Law?
- Are District officials providing appropriate health insurance benefits in accordance with employment contracts and collective bargaining agreements?

Audit Results

District officials have not properly managed fund balance in accordance with statute. We found that over the past three years District officials used non-transparent practices to reduce fund balance levels to within statutory limits rather than using surplus monies to reduce the tax levy as required by statute.

District officials did not disclose their intent during the budget process to use \$1.5 million to fund various reserves. Instead they simply transferred excess fund balance at year end.

Further, for the fiscal years 2006-07 through 2009-10 District officials appropriated more than \$4.6 million of fund balance to finance operations. However, because the District consistently experienced operating surpluses over this period, the appropriated fund balance was not actually used¹ to finance operations. As a result of District officials' financial management and non-transparent budgeting practices, taxpayers likely have been paying more than necessary to fund District operations.

We also identified significant procedure and control deficiencies over the monitoring and reviewing of health insurance benefits. However, our review of the District's health insurance records found that the District was generally providing appropriate health insurance benefits in accordance with employment contracts and collective bargaining agreements.

Comments of District Officials

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they would take corrective action.

¹ This appropriation of fund balance is not needed as a financing source because the District's budget estimates consistently result in positive variances that more than offset the amount appropriated.

Introduction

Background

The Eden Central School District (District) is located in Erie County. There are three schools in operation within the District, with approximately 1,700 students and 250 employees. General fund expenditures totaled approximately \$23 million for the 2009-10 fiscal year. The major revenue sources for the District are real property taxes, State aid, sales tax, and Federal aid. Major expenditures included employee salaries and related fringe benefits.

The District is governed by the Board of Education (Board) which comprises seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board. The Board, Superintendent, and Director of Finance are responsible for developing the District's annual budget.

The Director of Finance is also responsible for the administration and supervision of the District's financial activities. The Director of Finance oversees the day-to-day financial operations of the District, supervises Business Office personnel, and serves as the District's purchasing agent and financial system administrator. The District uses a computerized financial system to account for the District's financial activity.

Health insurance benefits are an integral part of an employee's compensation and represent a significant component of a school district's costs. The District's 2009-10 general fund expenditures for health insurance totaled approximately \$2.3 million which represents approximately 10 percent of the District's total expenditures. The District funds approximately²90 percent of health insurance premiums, while employees and eligible retirees contribute the remaining 10 percent. Currently the District provides health insurance related benefits to approximately 185 active employees and 65 retirees. In addition, the District also provides health insurance coverage to the eligible dependents of these such as spouses and dependent children. Active employees pay their portion of health insurance premiums through payroll deductions and retirees pay their portion directly to the District's Business Office.

² The District funds 90 percent of the premium cost of the District's primary plan coverage option. However, employees may select coverage through one of the other coverage options or one of the lower cost options offered by the District but would be responsible for any additional premium cost.

The District's payroll clerk acts as the health insurance administrator and is responsible for calculating contribution amounts and processing premium contributions for current employees through payroll deductions. The Treasurer is responsible for enforcing the payments due from retirees by maintaining the accounts receivable records. Benefits are provided in accordance with various provisions of collective bargaining agreements³ and employment contracts.

Objective

The objective of our audit was to evaluate the District's financial condition and the health insurance program. Our audit addressed the following related questions:

- Are District officials appropriately accounting for and properly managing fund balance in accordance with Real Property Tax Law?
- Are District officials providing appropriate health insurance benefits in accordance with employment contracts and collective bargaining agreements?

Scope and Methodology

We examined various District records and reports pertaining to the District's financial condition and examined health insurance records for the period July 1, 2008 to February 22, 2011. We expanded our scope period back to July 1, 2006 for the review of the District's financial condition. We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with the findings and recommendations and indicated they would take corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of

³ Includes agreements with the following employee unions: Eden Teachers' Association; Eden Administrative/Supervisory Association; Supervisory Staff Organization; Civil Service Employees, Inc., Local 1000, AFSCME, AFL-CIO, Eden School Unit of Local 868 (CSEA).

the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Financial Condition

A school district's financial condition is a factor in determining its ability to continue providing public educational services for students within the district. The Board, Superintendent and Director of Finance are accountable to taxpayers for the use of district resources, and are responsible for effective financial planning and management of district operations. District officials have a responsibility to taxpayers to ensure that their tax burden is not greater than necessary. In order to fulfill this responsibility, it is essential that officials develop reasonable budgets and manage fund balance responsibly and in accordance with statute. Sound budgeting practices coupled with prudent fund balance management ensures that sufficient funding will be available to sustain operations, address unexpected occurrences, and satisfy long term obligations or future expenditures. Once the Board has addressed those issues, any remaining fund balance should be used to reduce the property tax levy.

We found that District officials have not properly managed fund balance in accordance with statute. Because the Board and District officials routinely overestimated expenditures and underestimated revenues, the District generated operating surpluses totaling approximately \$4 million over the last four fiscal years. To stay within the legal limit for retaining fund balance, District officials transferred excess fund balance to various reserves at fiscal year-end. However, District officials did not disclose their intent to fund reserves during the budget process. As a result of these budgeting and financial management practices, taxpayers likely have been paying more than necessary to fund District operations.

Use of Fund Balance

The District has a responsibility to taxpayers to estimate expenditures and revenues as accurately as possible to prevent the levy of more real property taxes than necessary to sustain operations. The estimation of fund balance is an integral part of the budget process. Fund balance represents resources remaining from prior fiscal years that can, and in some cases must, be used to lower property taxes for the ensuing fiscal year. There are three components of fund balance. Reserved fund balance represents moneys that the District has set aside and may only be used for specific purposes and, therefore, is not available for the District to use in any other manner. Unreserved fund balance represents uncommitted funds. The portion of the unreserved fund balance that is used to help finance the next fiscal year's budget is referred to as appropriated fund balance and the remaining portion, which can be used for cash flow purposes and unanticipated expenditures, is unreserved, unappropriated fund balance. Real Property Tax Law

(RPTL) currently limits the unreserved, unappropriated fund balance to no more than 4 percent of the ensuing fiscal year's budget.⁴ Any surplus fund balance over this percentage should be used to reduce the upcoming year's tax levy.

For the four fiscal years ending June 30, 2007 through June 30, 2010, the District's unreserved, unappropriated fund balance has remained close to the legal limit established by RPTL. The unreserved, unappropriated fund balance slightly exceeded the legal limit for the two fiscal years ending June 30, 2008 and June 30, 2009 and was slightly below the threshold for the fiscal year ended June 30, 2007. For the fiscal year ended June 30, 2010, unreserved, unappropriated fund balance was at the threshold after the Board approved \$692,000 in transfers to various reserve funds.

District officials have been able to keep unreserved, unappropriated fund balance close to the legal limit, in part, by consistently appropriating fund balance each year, even though it would not be needed to fund operations. District officials appropriated more than \$4.6 million of fund balance to finance operations over the four-year period beginning July 1, 2006 and ending June 30, 2010 and an additional \$2 million to fund operations for the 2010-11 fiscal year. However, this appropriation of fund balance was not needed as a financing source because the District's poor budget estimates have consistently resulted in positive variances that more than offset the amount appropriated. For the four fiscal years 2006-07 through 2009-10, District officials overestimated expenditures by a total of approximately \$6.5 million and underestimated revenues by a total of approximately \$1.9 million resulting in operating surpluses totaling \$3.9 million.

Table 1: Operating Surplus					
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Total
Actual Revenues	\$21,579,394	\$23,198,252	\$24,137,845	\$25,037,149	\$93,952,640
Actual Expenditures	\$21,062,956	\$22,648,335	\$23,274,890	\$23,054,605	\$90,040,786
Operating Surplus	\$516,438	\$549,917	\$862,955	\$1,982,544	\$3,911,854
Appropriated Fund Balance	\$1,000,000	\$1,043,347	\$1,176,067	\$1,385,500	\$4,604,914

⁴ In July 2007, legislation was enacted to change the Real Property Tax Law statutory limit of unappropriated, unreserved fund balance to 3 percent of the 2007-08 fiscal year's budget and 4 percent of the 2008-09 fiscal year's budget and for years after. Prior to this, the limit was 2 percent.

The District's practice of consistently appropriating fund balance that is not needed to finance operations is in effect a reservation of fund balance that is neither regulated by statute nor subjected to the statutory limit for unreserved, unappropriated fund balance. It is inappropriate for the Board to adopt budgets that result in the appropriation of fund balance that will not be used. Doing so causes the District to levy more real property taxes than needed. Had District officials used fund balance, rather than retaining it, they could have reduced the tax levy over the four year period. Instead, the tax levy has increased approximately \$1.9 million (20 percent) over the past four years.

Funding Reserves

Reserve funds may be established by the Board to provide financing for specific purposes, such as for capital projects and unemployment insurance payments. The reserves are established pursuant to statutes which determine how the reserves may be funded, expended, or discontinued. Generally, the amount of money school districts can maintain in reserves is not limited. However, it is important that school districts maintain reserve balances that are reasonable. Furthermore, in order to promote transparency and to enhance the visibility of the Board's actions to taxpayers, all reserve fund transactions should be clearly communicated to the taxpayers. To further that goal, the Board should adopt a written reserve policy communicating the rationale for establishing reserve funds, objectives for each reserve established, optimal or targeted funding levels, and conditions under which the funds' assets will be used or replenished. Ideally, transfers to reserve funds should be disclosed during the budget process. Making clear provisions to raise resources for reserve funds in the proposed budget will give voters and residents the opportunity to know the Board's plan for funding reserves.

District officials have used a significant portion of fund balance to increase reserves, instead of reducing property taxes. For the past three completed fiscal years, the Board has approved a resolution in August immediately prior⁵ to establishing the tax levy to make unbudgeted transfers of surplus funds totaling more than \$1.5 million to various reserves.⁶ Making these entries allowed District officials to reduce unreserved, unappropriated fund balance to a level that was relatively close to the legal limit. Although these transfers were approved and documented in the Board minutes, the transfers were

⁵ The Board approved the transfers prior to establishing the tax levy for the 2008-09 and 2009-10 fiscal years, but the District's tax levy for the 2010-11 fiscal year was established before the Board approved the transfers to reserves.

⁶ Transfers to reserves included \$519,509 to the Retirement Contribution Reserve, \$352,252 to the Capital Reserve, \$310,635 to the Unemployment Reserve, \$299,549 to the Employee Benefit Accrued Liability Reserve, and \$20,000 to the Tax Certiorari Reserve.

not approved until after the close of the fiscal year and the budget had lapsed.

Further, the transfers to reserves were made without adequate public involvement. A school district's annual budget should include accurate estimates of appropriations and the revenues and other resources available to fund them. If surplus money is to be used to establish or increase a reserve fund, then the Board should identify these plans during the budget process. This disclosure would provide taxpayers the ability to decide whether to use their excess funds in that manner.

For example, when the District's tax levy for the 2010-11 fiscal year was approved in August of 2010, the District's unreserved, unappropriated fund balance exceeded the legal limit by approximately \$692,000, but the Board failed to apply this amount towards reducing the tax levy as required by statute. It was not until September, a month after the tax levy had been established, that the Board approved transfers totaling more than \$692,000 to various reserves in order to reduce fund balance to be within the legal limits instead of using these excess monies to reduce the tax levy. According to RPTL, all unexpended operating funds in excess of 4 percent of the amount of the budget for the upcoming school year must be applied to reduce the upcoming tax levy unless the funds have been formally restricted in legally authorized reserve funds.

The District's practices of adopting budgets that generate more revenue than required for District operations have allowed District officials to increase various reserve funds without disclosure in the budget.

Although the Board adopted a reserve fund policy in November 2010, the policy does not provide any specific guidelines for the establishment or funding of reserves. Further, the policy does not address the Board's expectations or intent with respect to optimal or targeted funding levels or conditions under which reserve funds will be used and replenished.

Recommendations

1. The Board and District officials should develop revenue and appropriation estimates for the annual budget that are realistic and monitor financial activity to ensure that operations closely mirror the budget.
2. The Board should ensure that surplus fund balance is used in a manner that benefits District taxpayers. In order to provide appropriate transparency, the use of this surplus should be done through the budget process with adequate public disclosure. Such uses could include, but are not limited to:

- Increasing necessary reserves
 - Paying off debt
 - Financing one-time expenditures
 - Reducing District property taxes.
3. The Board should adopt a comprehensive reserve policy that clearly communicates to the District taxpayers the purpose and intent for establishing each reserve fund, the manner in which the Board will fund and maintain each reserve fund, the optimal or targeted funding levels, and conditions under which each fund's assets will be used or replenished.

Health Insurance Benefits

The District's obligation to provide health care coverage to employees and retirees has been established through collective bargaining agreements⁷ and Board-approved employment contracts.⁸ In accordance with these agreements and contracts, the District offers several coverage options to all full-time active employees and is responsible for funding approximately⁹ 90 percent of the cost of employee health insurance premiums. The District also provides health insurance benefits to part-time employees, but District contributions are pro-rated based on the employee's work schedule. Generally, retirees are not eligible to receive District health benefits. However, certain¹⁰ individuals are entitled to receive the same health insurance benefits as active employees. In addition to providing health care coverage to active employees and eligible retirees, the District allows retirees not eligible for benefits to purchase health coverage through the District as self-pay individuals responsible for paying the full cost of their health insurance premiums.

We reviewed health insurance records including related payroll and personnel records for a sample of 50 employees and retirees randomly¹¹ selected from recent health insurance invoices. We compared benefits and premium costs with the applicable contract or collective bargaining agreement to determine compliance. For individuals who were contractually required to contribute toward their health insurance premiums, we verified the accuracy of premium payments paid by examining payroll records, health insurance billing records, and other records maintained by District personnel. We also compared health insurance invoices from the current fiscal year to recent payroll records to identify any subscribers not actively employed by the District or eligible to participate in the District's health insurance plan. We found that health insurance benefits were

⁷ Includes agreement with the following employee unions: Eden Teachers' Association; Eden Administrative/Supervisory Association; Supervisory Staff Organization; Civil Service Employees, Inc., Local 1000, AFSCME, AFL-CIO, Eden School Unit of Local 868 (CSEA).

⁸ Several current District employees and retirees are provided health insurance benefits pursuant to individual employment contracts rather than collective bargaining agreements. These individuals include the former and current Superintendent and Director of Finance.

⁹ The District funds 90 percent of the premium cost of the District's primary plan coverage option. However, employees may select coverage through one of the other coverage options or one of the lower cost options offered by the District but would be responsible for any additional premium cost.

¹⁰ Individuals hired on or before April 1, 1977 (CSEA employees) are entitled to receive health insurance benefits from the District during retirement.

¹¹ The process we used to select a random sample is explained in Appendix B.

generally being provided in accordance with contract stipulations and all active employees and retirees contributed the appropriate amounts toward their health insurance premiums during the period reviewed.

Although the results of our testing did not disclose significant errors or irregularities, we identified significant procedural and control deficiencies with the District's health insurance program. Although there is an adequate segregation of duties between the collection and recordkeeping functions, we found that District officials do not properly monitor the collection of health insurance premiums or formally review health insurance bills for accuracy. Employees in the Business Office are responsible for certain health insurance related processes, and duties are sufficiently segregated. However, there are no written procedures in place to ensure that the premium payments due from employees and retirees are received in a timely fashion or in accurate amounts. District personnel do not review health insurance records or payroll records to ensure employees or retirees make the correct contribution as stipulated per contracts in a timely fashion. District personnel also indicated that they do not periodically compare health insurance bills against payroll or personnel records to ensure only eligible individuals are covered or to ensure the bills are accurate.

These control deficiencies expose the District to the risk that errors and/or irregularities could occur and not be detected and corrected in a timely manner. Failing to implement adequate controls over health insurance could result in excessive health insurance costs, unauthorized benefits, billing errors, and unnecessary payments. For example, there is an increased risk that the District will mistakenly provide benefits in excess of the amounts required or authorized by Board approved agreements. The District could also be overbilled or billed in error for ineligible individuals by the health insurance provider.

Recommendations

4. The Board should develop adequate monitoring procedures to ensure that only individuals who are eligible to receive health insurance benefits are receiving these benefits.
5. The Director of Finance should document all procedures for health insurance payment processing including retiree verification and employee premium contributions.
6. The Director of Finance should design controls to ensure that all payments to health insurance providers are supported and accurate. These controls should include a process to determine the eligibility of all subscribers including active employees, retirees, and dependents prior to paying related health insurance premiums.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Eden Central School District

Business Office

3150 Schoolview Road, Eden, New York 14057

Lisa A. Almasi
Director of Finance

Phone: (716) 992-3613
Fax: (716) 992-3656

June 28, 2011

Robert Meller, Chief Examiner
Office of the State Comptroller
295 Main Street, Room 1032
Buffalo, NY 14203-2510

Dear Mr. Meller,

The Eden Central School District was subject to an audit by the Office of the State Comptroller for the period July 1, 2006 through February 11, 2011. The focus of the audit was the accounting for and proper management of fund balance and provision of health insurance benefits in accordance with contracts and agreements.

The draft report was released on June 9, 2011 and an exit conference was held June 16, 2011. During the exit conference clarification was given and received regarding the draft report, and there was agreement concerning the recommendations. The District will prepare the corrective action plan in response to the recommendations contained in the report once the final report is issued.

The District appreciates the guidance and recommendations provided by your office, which will help ensure District operations reflect best practice. We view these recommendations as helpful in making the District more efficient.

We would like to thank the Office of the State Comptroller and the auditor that conducted the audit.

Sincerely,



Lisa A. Almasi
Director of Finance

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess District operations and identify areas where the District could realize efficiencies and protect assets from loss or misuse. To accomplish this, our initial assessment included a review of Board oversight and monitoring, financial condition, claims processing, purchasing, payroll, health insurance, special education services, transportation services, buildings and grounds operations, and information technology.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes, and financial records and reports. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. We also evaluated the efficiency of the District's key operational areas in order to identify potential cost savings opportunities. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected budgeting and financial management, and health insurance benefits for further audit testing.

In evaluating the District's budgetary and financial management practices, we performed the following audit procedures:

- We reviewed audited financial statements and budget to actual reports to analyze changes in fund balance as a result of annual operations. We also examined the components of fund balance for adherence to statutory requirements.
- We identified and analyzed specific budget lines with significant budget to actual variances and interviewed District officials to determine the methods used to estimate certain expenditures and revenues.
- We analyzed activity in the District's various reserve funds and reviewed the Board resolutions establishing and funding the reserves.
- We reviewed the tax levy increases from 2006-07 through 2010-11 and schedules provided by District officials to support fund balance projections and tax levy calculations.

To accomplish our audit of the District's health insurance program we reviewed current and previous collective bargaining agreements and employment contracts, and examined insurance billing records, personnel files, minutes of the proceedings of the Board, and other relevant documents maintained by the District. We performed the following audit procedures:

- We interviewed District staff to evaluate the current procedures used to process the monthly insurance billings and to make changes to health insurance coverage levels.

- We compared health insurance invoices from the 2010-11 fiscal year to recent payroll records to identify any subscribers not actively employed by the District or eligible to participate in the District’s health insurance plan.
- We randomly selected a sample of 50 subscribers (34 active employees and 16 retirees) from health insurance invoices. The month of August 2010 was selected without bias and a sample of 50 subscribers/enrollees was randomly selected. On the health insurance provider’s invoice, the subscribers were grouped by type (i.e., teacher, administrator, support staff, or retiree) and each type was listed on a separate invoice for a total of ten invoices or ten “subgroups.” Within the subgroups, employee names were listed alphabetically by plan type. From each plan and subgroup, the first one or two subscribers, one subscriber from the middle, and the last one or two subscribers of each subgroup were selected for inclusion in the sample. If there was only one subscriber within a particular plan or subgroup then the individual was automatically selected. The only exception to the random selection process was the intentional inclusion of the payroll clerk, the Treasurer, and the accounts payable clerk in the sample.
- We verified the accuracy of premium payments by examining payroll records, health insurance billing records, and other records maintained by District personnel.
- For the sample of employees and retirees selected, we compared benefits and premium costs with the applicable contract to determine compliance. We compared benefit and premium contributions using current contracts for current employees and for retirees we obtained the contracts in place at the time of the individual’s retirement.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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