



# Roslyn Union Free School District Anatomy of a Scandal

## Report of Examination

Period Covered:

January 1, 1996 - June 14, 2004

2005M-21



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# State of New York Office of the State Comptroller

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## Division of Local Government Services and Economic Development

March 2005

Dear School District Officials:

One of the Office of the State Comptroller's top priorities is to identify areas where local governments can improve their operations and provide guidance and services that will assist local officials in making those improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery and to account for and protect their governments' assets.

The reports issued by this Office are an important component in accomplishing these objectives. These reports are expected to be a resource and are designed to identify current and emerging fiscally related problems and provide recommendations for improvement. The following is our report on the Roslyn Union Free School District — Anatomy of a Scandal.

This audit was conducted pursuant to the State Comptroller's authority as set forth in Article V, §1 of the State Constitution and Article 3 of the General Municipal Law. The report contains opportunities for improvement for consideration by the School District Board of Education.

This report is also being referred to the Office of the Nassau County District Attorney to determine whether any additional criminal prosecutions would be appropriate. If we can be of assistance to you or if you have any questions concerning this report, please feel free to contact the local regional office for your county listed at the back of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government Services  
and Economic Development*



## State of New York Office of the State Comptroller

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# EXECUTIVE SUMMARY

The Roslyn Union Free School District (District), located on the north-shore of Nassau County, covers an area of five square miles. The District has an enrollment of more than 3,300 students in five schools, including an early childhood school, two elementary schools, a middle school, and a high school, with class sizes in the low to mid-20s and a graduation rate of approximately 95 percent. The District workforce includes approximately 610 employees and, in 2003-2004 operating expenditures were approximately \$69.4 million.

In October 2002, the Board of Education (Board) of the District was informed that Pamela Gluckin, Assistant Superintendent for Business, stole \$223,000 from the District. The Board allowed Gluckin to reimburse the District \$250,000 (\$223,000 plus accounting and legal fees), surrender her administrator's license and retire, without the District pursuing criminal charges against her. In early 2004, further allegations surfaced alleging that there was a substantial misappropriation of District funds over a period of several years. The Nassau County District Attorney commenced an investigation and in June 2004, Gluckin was arrested and charged with stealing more than \$1 million from the District. Soon thereafter, Superintendent Frank Tassone and Account Clerk Deborah Rigano (Gluckin's niece) resigned and were ultimately arrested and charged with first and second degree grand larceny, respectively. In response to numerous requests and concerns in the community, the State Comptroller initiated an audit of the District on June 1, 2004.

### **Scope and Objectives**

To accomplish our objectives of conducting a forensic audit of the District, we examined all available checks (57,000 checks) and certain electronic records primarily for the period January 1, 1996 through June 14, 2004, although certain transactions were traced back to the early '90s when records were available. While numerous records and documents were missing at the District, we did extensive testing of transactions by obtaining missing records and documents from original sources such as banks and other financial institutions and by recreating a record of transactions from these documents, records available at the District and interviews of District staff. We did not test the accuracy of the District's financial statements.

Our audit addressed the following questions:

- Was there a material misuse of District assets; and if so, what is the extent of the misuse of those assets?
- Did the District's Board of Education (Board) implement adequate internal control policies and procedures to protect and account for District assets?
- Did the Board exercise its oversight responsibilities to ensure that its policies and procedures were properly implemented?

We conducted our audit in accordance with Generally Accepted Government Auditing Standards.

## **Audit Results**

We found that more than \$11 million of District funds were used for personal expenses. This apparent misappropriation was able to occur because the top-level managers (the Superintendent and Assistant Superintendent) in the District could override the system and process payments outside of the normal flow of most transactions, using hand-drawn warrants. The Board had abdicated its oversight role and essentially did not monitor the District's financial operations. In fact, when the apparent misappropriation was initially brought to their attention, the Board chose to hide it rather than refer it to the appropriate authorities. Two employees who could have identified the misappropriation, the Internal Claims Auditor and the Treasurer, were not doing their jobs to ensure that only appropriate and authorized payments were being made. The external auditor, the CPA firm that audited the District once a year, had conflicts of interest and performed an audit that was so flawed and so far below professional standards that it failed to identify the millions that were apparently misappropriated. And other employees in the District, who may have been aware of the apparent misappropriation, benefited in different ways, and so may not have brought the apparent misappropriation to the attention of appropriate outside agencies.

The breadth and depth of the schemes that are indicative of fraud at the District are astounding. The District paid almost \$6 million for purchases and cash withdrawals made on the personal credit cards of Tassone, Gluckin, Rigano and at least 10 of their family members and friends. More than \$1 million of District funds were used to make payments on private mortgages and loans for Gluckin, Gluckin's family, Tassone, and Rigano.

Millions of dollars were apparently misappropriated in various other schemes. Payments of more than \$1.3 million were made to businesses established by District officials, their family members or 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, their families and friends.

The apparent misappropriation of public assets on this scale is shocking. The indications of fraud at Roslyn were a complete violation of the public trust. They illustrate what can happen when oversight boards fail to take their responsibilities seriously, and when those responsible for safeguarding public funds decide to take advantage of their position of trust.

Despite a rigorous review of existing records by ourselves and the District's current management and staff, we do not believe that we have been able to identify all of the payments made for personal expenses. The volume of the potentially fraudulent transactions and the amount of missing documentation is just too great to have absolute assurance that all transactions have been uncovered.

This report is also being referred to the Office of the Nassau County District Attorney to determine whether any additional criminal prosecutions would be appropriate.

## **Comments of Local Officials**

The results of our audit and recommendations have been discussed with District officials throughout the audit and their views have been considered in preparing this report.

# Introduction

## Background

The Roslyn Union Free School District (District), located on the north-shore of Nassau County, covers an area of five square miles. The District has an enrollment of more than 3,300 students in five schools, including an early childhood school, two elementary schools, a middle school, and a high school, with class sizes in the low to mid-20s and a graduation rate of approximately 95 percent. The Board of Education (Board) has overall responsibility for District operations, with the superintendent of schools and other administrative staff having responsibility for overseeing and managing the District's daily operations. During the 2004-2005 school year, the District workforce included approximately 610 employees, consisting of more than 325 teachers and administrators.

The major revenue sources for the District are real property taxes and major expenditures are for employee salaries and related fringe benefits. The budgeted tax levy and total expenditures for the fiscal years 1999-2000 through 2003-2004 are as follows:

Fiscal Year	Budgeted Tax Levy (Adjusted)	Total Expenditures
1999-2000	\$45,579,353	\$53,128,824
2000-2001	\$48,841,833	\$56,352,337
2001-2002	\$53,485,595	\$62,686,067
2002-2003	\$60,433,999	\$65,593,057
2003-2004	\$70,003,051	\$69,361,324

The District contracted with a certified public accounting (CPA) firm, Miller, Lilly & Pearce, LLP, to perform annual financial statement audits since the 1992-1993 school year. In late September 2002, the CPA firm received information that the District was making unusual purchases at a Home Depot, located more than 50 miles away in eastern Suffolk County, for items that would not normally be associated with a school district. The CPA firm contacted Michael Barkan, a member of the District's audit committee, regarding the concerns and arrangements were made through Frank Tassone, the District's Superintendent, for the CPA firm to obtain access to the District's financial records. In October 2002, the CPA firm reported to the Board that Pamela Gluckin, Assistant Superintendent for Business, stole \$223,000 of the District's funds. The Board accepted the CPA firm's determination and allowed Gluckin to reimburse the District \$250,000 (\$223,000 plus accounting and legal fees), surrender her administrator's license and retire, without the District pressing criminal charges against her or announcing the fraud publicly.

In February 2004, information surfaced regarding further substantial misappropriation of funds in the District that occurred over a period of several years. The Nassau County's District Attorney's office began an investigation. On June 1, 2004, Gluckin was arrested on charges of first-degree grand larceny for embezzling more than \$1 million from the District. On June 4, 2004, Tassone and District Account Clerk Deborah Rigano, who also is Gluckin's niece, were suspended with pay. They both resigned soon thereafter.

On July 6, 2004, Tassone was arrested on charges of first-degree grand larceny and accused of stealing more than \$1 million from the District. Rigano was arrested in October 2004 and charged with one count of second-degree grand larceny for using school funds to pay for her personal expenses.

## Objectives

Our audit addressed the following questions:

- Was there misuse of District assets; and if so, what is the extent of the misuse of those assets?
- Did the District's Board of Education (Board) implement adequate internal control policies and procedures to protect and account for District assets?
- Did the Board exercise its oversight responsibilities to ensure that its policies and procedures were properly implemented?

## Scope and Methodology

To accomplish our objectives of conducting a forensic audit of the District, we examined all available checks (approximately 57,000 checks) and certain electronic records primarily for the period January 1, 1996 through June 14, 2004, although certain transactions were traced back to the early '90s when records were available. We did extensive testing of transactions by obtaining missing records and documents from original sources such as banks and other financial institutions, and recreating a record of transactions from these documents, records available at the District and interviews of District staff. We did not test the accuracy of the District's financial statements.

Numerous records and documents were missing including the District's general and subsidiary ledgers, bank reconciliations, checks warrants and numerous vendor files. We also could not locate certain employee contracts and amendments, and several contracts with consultants and vendors.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. More information on such standards and the methodology used in performing this audit are included in Appendix H of this report.

**Comments of  
Local Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with District officials throughout the audit and their views have been considered in preparing this report.

The District's Board of Education has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, the Board of Education should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days. For guidance in preparing your plan of action, you may refer to applicable sections in the publication issued by the Office of the State Comptroller entitled *Local Government Management Guide*. We encourage the Board of Education to make this plan available for public review in the District Clerk's office.

## Causes

Our examination disclosed that there were inadequacies in the District's policies and procedures that permitted employees to receive funds they were not entitled to receive and to make payments to vendors for their personal expenses.

Internal control is a process affected by the Board, management and employees of the District. This process is designed to provide reasonable assurance regarding the achievement of objectives of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations. An effective system of internal control provides for the distribution of duties so that no one individual processes all phases of a transaction. Proper division of responsibility should provide that the work of one employee is independently verified in the course of another employee's regular duties. Although optimal segregation of duties may not always be practical, we believe that, at a minimum, the duties of approving transactions, recording those transactions and having access to the resulting assets should be separated. The failure to properly segregate such functions increases the risk that employee errors and irregularities may occur and not be detected and corrected. Furthermore, the duties assigned to each individual should be documented in written procedures so that each individual is aware of his or her responsibilities. In addition, procedures and processes need to be documented to help to identify weaknesses in a system of internal control. Proper authorization of transactions needs to be documented.

Weaknesses in the internal control process can lead to inadequate safeguarding of assets. Some risk indicators of poor internal control that are important to keep in mind are: key documents missing; no separation of duties; accounting system in disarray; lack of policies that establish controls; inadequate monitoring to ensure the controls are working as intended; ineffective accounting, information technology or internal audit staff; unusual employee behavior; tips or complaints about fraud; and a lack of an established code of ethics.

Our examination disclosed that District funds and assets were inadequately safeguarded due to insufficient internal controls. The following internal control weaknesses created an environment that was conducive to fraud and abuse, which ultimately led to the apparent misappropriation of the District's assets:

### **Lack of Oversight**

#### **The School Board**

While we recognize that the Board is not elected to run the day-to-day operations of the District and needs to rely on professionals for this purpose, they have an obligation to serve the community and protect the public interest.

The Board is responsible for the fiscal management of the District. Board members have a fiduciary responsibility for District assets, finances and investments and must exercise good faith, due diligence, care and caution. While the Board needs to support the District's management, they also must govern by holding the Superintendent, the District's chief executive officer, accountable for the District's operations and proper service to the public. They have the duty to ensure that the District complies with all applicable laws and does not engage in any unauthorized activities. The Board did not exercise due diligence in their role as Board members. The following examples illustrate how the Board, or its individual members, did not fulfill their responsibilities:

- Although the Board did have an audit committee, District officials informed us that the committee did not report regularly to the Board on financial matters.
- Upon a recommendation from a special counsel selected by Tassone, the Board allowed Gluckin to retire, surrender her administrator's license and pay \$250,000 in restitution (\$223,000 plus legal and accounting costs) without referring her to the District Attorney for prosecution. The Board also agreed with Tassone's recommendation that the District's bonding company not be notified of the theft to avoid negative publicity. While the Board apparently did not have any legal obligation to refer the theft to the District Attorney, the Board's failure to notify law enforcement officials immediately upon the discovery of such a theft constitutes poor judgment. For example, as a result of not notifying the bonding company timely, the District may not be able to recover the stolen funds through the insurance policy purchased to protect the District against illegal actions of officials and employees.
- The Board adopted a policy authorizing the Superintendent to approve budget transfers and no dollar limit was placed on this authority. Budget transfers were not reviewed or approved by the Board for the period July 1, 1998 through June 30, 2004. The New York State Education Department Commissioner's Regulations give the Board of Education flexibility to authorize the Superintendent to make transfers but requires the District to set limits as to the amount that can be transferred without Board approval.
- According to District officials, Budget Status Reports were not always provided to the Board by the District Treasurer. These reports should, at a minimum, include each fund's revenues and expenditures, original appropriations, transfers and adjustments, revised appropriations, expenditures to date, outstanding encumbrances, and unencumbered balances. If they had regularly

reviewed Budget Status Reports, the Treasurer and the Board would have been alerted to instances when and where substantial over-expenditures were occurring. Such a review might have hindered the apparent schemes to misappropriate District funds carried out by certain District administrators.<sup>1</sup>

- According to the former Board President, William Costigan, the former Vice President of the Board, Michael Barkan, did not report to the Board the events that led up to the CPA firm's identification of the \$223,000 stolen by Gluckin. Although Barkan knew of the suspicions regarding Gluckin on or around October 11, 2002, he did not inform the Board of the situation at their October 17, 2002 meeting. The Board was not notified of the theft until their October 23, 2002 meeting.
- The Board did not fulfill its responsibilities of stewardship, oversight, and leadership because it neglected, in our view, to establish many policies required by law or sound business practice. This neglect resulted in a weak control environment, which led to the misuse of public funds. The District did not establish written policies and procedures for the following specific items/functions:
  - Cash receipts and revenue collection
  - Cash disbursements and accounts payable
  - Payroll
  - Accounting and auditing of extra-classroom activity funds
  - Bank and account reconciliations
  - Travel
  - Credit cards
  - Checks
  - Signature plates/disks
  - Cellular phones
  - Fixed assets
  - Petty cash.

### **Internal Claims Auditor**

Education law requires school districts to audit each voucher before making any payment. This function can be performed by the Board, or an Internal Claims Auditor appointed by the Board. The Internal Claims Auditor should report directly to the Board, not the Superintendent or business officials. The basic functions of an Internal Claims Auditor include:

- Being familiar with legal requirements associated with purchases in a school district, (i.e., bidding laws, lease and lease purchases, Board of Education policies).

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<sup>1</sup> Refer to *Internal Control Weaknesses* - Purchasing and Disbursements.

- Ensuring that voucher packages are complete and include purchase order, appropriate authorization, receiving report, original invoice and a clear description of the goods or services being purchased.
- Determining whether expenditures are actual and reasonable public expenditures.
- Inquiring into specific areas to determine whether correct procedures have been followed.
- Being alert to indications that suggest thefts, abuse, or misuse of the District's assets or other unethical procedures.

While the Board appointed an Internal Claims Auditor, in our opinion, the Auditor, Albert Razzetti, did not perform his duties in the best interest of the District, if at all. For example:

- Although his Board-approved salary for the 2001-2002 fiscal year was \$6,000, he was actually paid \$11,600, and in 2002-03 his approved salary was \$7,500, but he was paid \$8,100. We found no justification for these additional payments.
- A warrant is a document that lists disbursements approved by the Internal Claims Auditor and directs the Treasurer to pay the amounts listed. According to District employees, Razzetti did not review check warrants when approving claims. We were told that Razzetti's review was to thumb through and initial the vouchers.
- District checks were processed and mailed prior to Razzetti reviewing and approving the claims. One of the basic purposes of the claims audit function is auditing and approving the individual claims prior to a payment being made.
- According to District officials, at no time did Razzetti ever submit reports to the Board.

While the prior Internal Claims Auditor did not perform his duties in the best interest of the District, District officials have made significant changes in this area. An external CPA firm has been hired to perform this function for the District. The new Internal Claims Auditor audits the vouchers after the "checks waiting to be printed" ("check warrant") report is printed; this report is signed by the Internal Claims Auditor directing the Treasurer to pay the claims. After the checks are printed, the check warrant is printed. The Internal Claims Auditor then compares the check amount against the previous report that he's already approved.

## Treasurer

The District Treasurer is the District's Chief Accounting Officer and is appointed each year by the Board at the organizational meeting. The Treasurer is the custodian of all District monies. As custodian, he is responsible for the following duties related to the receipt and disbursement of District funds:

- Depositing all monies received in the Board-designated bank.
- Disbursing monies only upon receipt of a warrant signed by the Internal Claims Auditor directing the Treasurer to pay the claims (with a few exceptions).
- Ensuring, when a single signature is authorized, that all checks are signed by the Treasurer or Deputy Treasurer only.
- Delivering to the Board a monthly reconciliation report for each fund showing the cash balance on hand at the beginning of the month, receipts by source during the month, total disbursements during the month, the cash balance on hand at the end of the month, and a reconciliation with the bank statements.
- Delivering to the Board a budget status report for each fund at least quarterly (and monthly, if a budget transfer has been made since the last report).

Although the District appointed a Treasurer, William Rothaar, in our opinion, he did not provide adequate oversight or take responsibility for the duties he was required to perform. For example:

- Based on our review of minutes, Rothaar was rarely in attendance at Board meetings. During the 2001-2002 fiscal year, he attended only five of 19 Board meetings.
- According to District officials, the Treasurer did not routinely provide Budget Status Reports to the Board. By reviewing Budget Status Reports monthly, the Treasurer and Board would have been alerted that substantial over-expenditures were occurring. Reviewing the monthly reports may have identified the apparent misappropriation.<sup>2</sup>
- Although Rothaar was designated Treasurer, Tassone's secretary signed the District's checks. The secretary should not have had signing power. According to Education law, District checks are to be signed

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<sup>2</sup> Refer to *Internal Control Weaknesses - Purchasing and Disbursements*.

by the Treasurer. Subsequent to her retirement in July 2003, the secretary's signature continued to be printed on District checks into August 2003.

- Warrants were not used between the Internal Claims Auditor and Treasurer. The Treasurer should not have issued checks without signed warrants from the Internal Claims Auditor.
- Rothaar did not maintain a log of checks processed. By logging in checks as they were processed, any gaps in the sequence of checks would have been detected. These gaps would have been caused by checks being processed out of the normal payment cycle. Most of the payments processed in this manner were fraudulent payments for personal expenses of District officials, employees and a number of individuals who were not employed by the District.

The District has made significant changes to the procedures related to the Treasurer and Deputy Treasurer positions. The District has appointed new individuals to fill these positions, and they are now required to be present when checks are being printed. Checks can only be printed with their individual signature disks which are always in their possession. A listing of check numbers is maintained through the use of a log which is initialed by the Treasurer and Deputy after each check is printed.

### **CPA Firm**

In our audit report 2004M-84 issued January 6, 2005 entitled, "Roslyn Union Free School District Independent Audit Services," we concluded that the work performed by the District's CPA firm was significantly flawed and did not meet professional standards. As a result, the firm did not identify the multi-million dollar fraud carried out by District personnel. Subsequent to the issuance of our report, additional information related to the firm's independence came to our attention.

- According to District officials and records, when Gluckin left the District in October 2002, Andrew Miller, a Partner in the firm Miller, Lilly & Pearce, LLP, took over her responsibilities as Assistant Superintendent for Business for approximately two weeks, until Ken Stubbolo was appointed Interim Assistant Superintendent for Business. Our review of a purchase order dated December 2, 2002 indicated that the District paid \$18,750 to the CPA firm for "Consultation as required – Invoice dated 11/25/02." Subsequent to performing this service, Miller's firm provided audit services for the 2002-2003 and 2003-2004 fiscal years. Generally Accepted Government Auditing Standards require that

“...In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, should be free both in fact and appearance from personal, external, and organizational impairments to independence.” Some examples of personal impairments of individual auditors include “responsibility for managing an entity or decision making that could affect operations of the entity or program being audited.” We believe that Miller’s District business office responsibilities represented a personal impairment to independence.

## Recommendations

1. The Board should establish written policies for:
  - Cash receipts and revenue collection
  - Cash disbursements and accounts payable
  - Payroll
  - Accounting and auditing of extra-classroom activity funds
  - Bank and account reconciliations
  - Travel
  - Credit cards
  - Checks
  - Signature plates/disks
  - Cellular phones
  - Fixed assets
  - Petty cash.
2. An annual evaluation of District policies and procedures should be conducted by the Board.
3. The District’s policy on budget transfers and budget monitoring must be brought into compliance with rules and regulations of the State Education Department and guidance provided by the Office of the State Comptroller. If the Board chooses to allow the Superintendent to approve transfers, a limit on the amount that can be transferred without Board approval should be specified in the policy.
4. The Treasurer should present an analysis of the Budget Status Report at least quarterly at a public meeting.
5. The Board should routinely review District financial information and reports, including the Budget Status Report on a monthly basis.
6. The Board should establish an audit committee to perform duties that include:
  - Oversight of internal and external audit work.

- Oversight of the internal and external auditor-selection process.
  - Review of District financial statements before presentation to the Board.
  - Monitoring of any District corrective action plan.
7. The Board should be adequately trained in areas covering the basics of financial oversight, accountability and fiduciary responsibilities.

**Internal Control Weaknesses**

**Purchasing and Disbursements**

Our review of internal controls over purchasing and cash disbursements leads us to conclude that controls were not appropriately designed to prevent the theft of funds. The following control weaknesses represent a disregard by the Board and District administrators for any control structure that would have protected the District against a theft of funds.

- Although the purchasing department currently has written guidelines on the use of purchase orders, these guidelines were not created until November 2002.
- Purchase orders were not press-numbered.
- Appropriation accounts were routinely over-expended. For example, during the 2001-02 fiscal year, the following line items were overspent:

<b>Date Range</b>	<b>Account</b>	<b>Title</b>	<b>Amended Budget</b>	<b>Expended</b>	<b>Over-expended</b>
7/1/01-6/21/02	A9060.800-03	Medical Insurance Capital	\$6,313,911	\$7,748,260	\$1,434,349
7/1/01-6/13/02	A1621.450-03	Maintenance Building Supplies	\$136,500	\$1,244,445	\$1,107,945
7/1/01-6/12/02	A1621.425.425-03	Maintenance Service Agreements	\$207,762	\$705,298	\$497,536
7/1/01-6/29/02	A1240.424-03	Central Administration Travel & Conference	\$2,750	\$44,220	\$41,470

Many of the expenditures charged to Maintenance, Central Administration and Fringe Benefits, which caused the over-expenditures, were payments for personal expenses of District officials, employees and a number of individuals who were not

employed by the District. At the close of 2001-2002, these charges were reversed from these accounts and charged to various other accounts to reduce the effect on any one account. For instance, total reclassifications of expenditures in General Fund accounts on June 30, 2002 exceeded \$2.9 million. We noted that similar reclassifications occurred at the close of fiscal year 2000-2001.

- Rigano, Gluckin, Principal Account Clerk Bernadette Burns and the payroll clerk had access to the check signature disk. Access to the signature disk(s) should have been restricted and controlled.
- Check warrants were not used. A check warrant lists the payments awaiting approval by the Internal Claims Auditor. The bottom of the warrant contains a required signature approval by the Internal Claims Auditor directing the Treasurer to pay the listed claims. District claims are normally processed twice per month and are included on the warrants. The need for checks to be issued outside the normal processing may arise. In these cases, checks can be processed and payments listed on a hand-drawn warrant. According to District employees, certain hand-drawn warrants were processed outside of the accounting office. Most of the fraudulent payments appeared on hand-drawn warrants. We were informed by District employees that the Internal Claims Auditor was only provided the vouchers that were handled through the normal process in the accounting office. He was not given the vouchers that would have appeared on the hand-drawn warrants representing payments for personal expenses.
- District checks were paid directly to vendors without the use of purchase orders, which limits the ability to review and properly authorize a payment before it is made. Many of these disbursements included payments for personal credit cards, mortgages, and other personal expenses belonging to Tassone and Gluckin. For instance, checks were issued to Chase Bank for the period June 16, 1998 through June 26, 2002 without purchase order numbers referenced, and no purchase orders were available for our review.
- District checks were mailed to vendors prior to the Internal Claims Auditor reviewing and approving the claims.
- The Board did not establish a travel policy or develop procedures requiring a detailed itemization of claims for reimbursement that justified the connection of the expenses to the District's business. The Board did not specify or limit the types of reimbursements to which Tassone would be entitled under the terms and conditions of his contract. The majority of documentation for claims that Tassone

submitted was missing or incomplete. Generally, the claims were unsubstantiated and did not specify how the expenses were related to the District's business or indicate that the travel had been approved by the Board. As such, there was no indication that the claims were adequately audited prior to payment.

Although the District has addressed many of the internal control weaknesses noted above, there continue to be areas that need improvement. For example:

- The District continues to use purchase orders that are not press-numbered.
- The Assistant Superintendent for Business approves purchase orders before the affected budget line-item is checked for sufficient unencumbered funds to cover the purchase.

### **Electronic Data Processing (EDP)**

User Permissions – Access controls should provide reasonable assurance that computer resources are protected from unauthorized modification. However, we found that numerous users of the District's computer system were able to perform duties that were incompatible with their assigned responsibilities as well as perform unauthorized actions.

District officials should limit employee access to ensure that users only have access to what is needed to perform their duties. For example the following combinations of functions should not be performed by the same individual:

- Data entry and verification of data.
- Data entry and its reconciliation of output.
- Input of transactions for incompatible processing functions.
- Data entry and supervisory authorization functions, (e.g., a supervisor's review is required when a transaction exceeds an established threshold).

Limitations of resources may affect a District's ability to separate some of these duties; in these cases, compensating controls, such as supervisory review of transactions, should be performed.

User access to Finance Manager, the District's accounting software package,<sup>3</sup> was not set up properly. We reviewed user permissions for Finance Manager as of October 17, 2002 and found that there were six administrators to the application out of a total of 17 users. An administrator has the ability to add new users as well as change users' passwords and rights. With this ability, administrators are able to control and use all aspects of the software. We reviewed user permissions as of July 2004 and found the District had eight administrators for a total of 22 users.

In addition, Finance Manager has built-in application controls to restrict and warn the user and administrators when information does not appear reasonable (e.g., when a user makes an entry to an account with insufficient funds). These controls, which are intended to restrict continued processing when errors or omissions occur, were not enabled in the District's system.

We also noted transactions being posted to the accounting software by an individual who had been out on sick leave for an extended period of time. Further review determined that a temporary worker hired to fill this vacancy was accessing the software using the user name and password of the person on leave.

Remote Capabilities of Finance Manager – The Finance Manager software company has remote capabilities to access the District's computer network to install upgrades to the software. However, the District does not have a procedure established with the company to authorize software changes.

The remote capability for the Finance Manager software package enables the company to sign in to the District's network to provide technical support and software upgrades. However, Finance Manager also has the ability to sign into the network without advance notification to District officials. This control weakness could allow the company to make unauthorized changes or updates to the District's software.

Vendor Name Changes in Computer System – Changes were made to the District's computerized accounting records to conceal fraudulent purchases totaling more than \$6 million. A review of the District's computerized accounting records identified that changes could be made to vendor names after disbursements were processed. District checks were made payable to one vendor, while reports generated from the District's computer system showed the same payments being made to a completely different vendor. Therefore, an accurate history of payments was not maintained by the software.

Accounting records, manual or computerized, should provide accurate information to manage the District's finances. Procedures should require that

<sup>3</sup> Finance Manager is both the name of the District's accounting software package and the name of the software company that developed the software.

changes to the accounting system be authorized and that the computer system have safeguards that notify management of adjustments or changes made to the records.

We analyzed the District's computerized accounting records from October 17, 2002 through July 2004 and were able to determine that changes were made to 15 vendors' names to conceal the apparent misappropriation. We reviewed the Finance Manager software version used for the time period when the apparent misappropriation occurred and found that there was no record retained in the system of the payees noted on these cancelled checks.<sup>4</sup> The vendor number was the only indication of who a payment was made to. Therefore, if a change was made in the computer system to the vendor name associated with a vendor number, all reports would reflect the changed vendor name for previously processed transactions. For example, American Express was changed to Sargent-Welch. All transactions that were processed as American Express, vendor number 7154, would subsequently appear as if they were made to Sargent-Welch, a provider of school scientific laboratory supplies. The following is a listing of the vendor name changes that we identified and the total amount of expenditures from January 1, 1996 through July 31, 2004:

<b>VENDOR #</b>	<b>ACTUAL VENDOR</b>	<b>CHANGED NAME</b>	<b>TOTAL AMOUNT</b>
7154	AMERICAN EXPRESS	SARGENT-WELCH	\$1,490,359
8498	NATIONS	NATIONAL COMP SYS	\$720,737
9172	AMEX	HOUGHTON MIFFLIN	\$299,104
9537	CHASE	EDC PUBLISH	\$736,055
9583	CHASE	NASSAU CNTY BOCES	\$230,228
9726	CITIBANK	NASSAU COUNTY BOCES	\$896,730
9779	MBNA	MACMILLEN PUBLISH	\$752,394
10075	KEY	LANDSDOWN SCHOOL	\$22,799
10440	FIRST USA	FISCHER SCIENCE EDUC	\$158,912
10878	BANK OF AMERICA	MACMILLAN PUBLISH	\$262,637
11115	AMERICAN EXPRESS (AX)	CHAMPION PRODUCTS	\$377,392
11133	FIRST U.S.A.	FISCHER EDUC	\$119,045
11134	KEY	KINDERPRINT CO	\$35,535
11384	PROVIDIAN	PROTECH COMP SYSTEMS	\$63,956
11485	TRAVELERS	TRANSITION DYNAMIC	\$41,570
			<u>\$6,207,453</u>

<sup>4</sup> The software company's release of a new software version, available after July 2003, was supposed to fix this weakness by adding additional fields which captured the payee and address at the time of disbursement. Our review of the new version indicated that the software application was capturing the payee at the time of disbursement, but reports were still not reflecting this information. We informed the software company of the exceptions noted in our test and they provided an update, released in September 2004. After the release of the update, we tested the changes and determined that the accounting software now produces reports with the payee information at the time of disbursement. It is important to note that this feature is only available for transactions dated after July 1, 2003.

Our further investigation determined that this data change occurred on February 25, 2004, approximately one year after the last payment was recorded on the altered vendor file(s). On the system back-up of February 23, 2004, the vendors all appeared in the system under their actual names. On the system back-up, completed at 9:39 p.m. on February 25, 12 of the 15 vendor names had been changed.

We were able to obtain log files for the period in question. The log file is generated by the software's database. It records the time a specific user logged in and out of the network and the workstation used. If someone was accessing the database remotely, the log file would also indicate such. The user "fadmin" is assigned to the software company to allow it in to make changes to the system at the District or remotely from their offices. Our review of the District's log file found a "fadmin" log-in and log-out at 8:32 p.m. and 10:28 p.m., respectively, on February 25, 2004. This particular log-in occurred in the District's administration building at a computer located in the business office where vendor files are kept.

In addition, District phone records indicate that during the time period that the system was being accessed, three phone calls were made from the same area of the business office. The first call, at 8:44 PM, was to the phone number of Bernadette Burns, a former District Principal Account Clerk, for three minutes.<sup>5</sup> The second call, at 8:54 p.m., was to the phone number of Karen Bodner, a Board member, for eight minutes. The third call, although it may not have connected, was to the phone number of Pamela Gluckin, who was placed on leave beginning in October 2002.

It appears from this information that someone logged in as "fadmin" on the night of February 25, 2004 and was in the middle of changing vendor names on the system in an attempt to hide these transactions when the system back-up occurred.

### **Payroll and Personal Contracts**

Payroll expenditures represent one of the most significant District operating costs. For that reason, controls over payroll transactions are needed to protect the integrity of District assets. The following list of internal control weaknesses related to payroll and personnel contracts indicates that an adequate control structure was not in place to protect the District's assets.

- The payroll clerk was given General Fund checks to transfer pay deductions to the Trust & Agency Fund. The payroll clerk should not have had authority to transfer monies from the General Fund. Some of these checks were processed out of sequence with other General Fund checks, while others were unaccounted for and did

<sup>5</sup> Identification of this phone number was provided by the Nassau County District Attorney's Office.

not appear on bank statements, cash disbursements listings or voided check listings. All District checks should be accounted for and issued in sequence.

- The payroll clerk had access to Gluckin's signature stamp that was used on occasion for employee payroll forms that required her signature. This stamp was not secured.
- While blank payroll checks stocks were stored in a locked cabinet, they also were placed in an unsecured cabinet when the locked cabinet was filled to capacity.
- Although Rothaar's Treasurer appointment ended on June 30, 2004, as of October 2004, the payroll clerk was still in possession of Rothaar's signature disks. The signature disks should have been destroyed when he left the District.
- Although the District transitioned to a different computerized check-processing system, the payroll clerk continues to maintain possession of the previous, unsecured Trust & Agency and payroll account checks. These checks should be destroyed if the intention is that they will not be used.

Employee and administration contracts allow for unused vacation to be paid to the individual upon leaving the District. We found instances where leave accruals were changed for administrators without written authorization or documentation. For example, at the end of fiscal year 2000-01, Pamela Gluckin was credited with an unauthorized 22 additional vacation days. Likewise, Tassone was credited with 27 unauthorized days, Madalyn McGovern, former Assistant Superintendent of Pupil Services and Personnel, received 37 days, and Marilyn Silverman, Assistant Superintendent for Curriculum and Instruction, received 27 days.

In addition, the Board failed to adopt sufficient procedures and oversight that would have prevented the overpayments and other irregularities in the execution of contracts with District administrators. For example, McGovern, Silverman and Gluckin received payments for salary and fringe benefits that exceeded amounts approved by the Board totaling \$183,221 (see following section entitled *Consequences*). During our review we noted that the Board had not adopted:

- Policies and procedures ensuring that all public disclosure requirements of the Education Law were met for certain school District administrators. We reviewed the budgets adopted by the Board for the last four years and noted that the required public disclosure of the salaries and benefits for the administrative staff was not included with the proposed budgets.

- Policies requiring that contracts as approved by the Board for the Superintendent and Assistant Superintendents be filed with the District's Clerk. As noted, contracts were not found on file in the District's clerk's office. Often the contracts were not signed by the Board President.
- Policies requiring that Payroll Action Sheets (action sheet), regarding the terms and conditions of employment for the Superintendent and his Assistant, be signed by the Board President. Our review disclosed that the action sheets were not always prepared and signed by the Board President or Superintendent. In addition, amendments to contracts were neither supported by a properly executed action sheet, nor were all of the amendments found in the Board's minutes. Often hand-written notes or other questionable documents were found in payroll files, instructing the payroll clerk to make changes to the terms and conditions of contracts, or to make additional payments to the Assistant Superintendents on the payroll. These notes were signed by Tassone, Gluckin or McGovern.
- Controls to ensure that Tassone only received benefits for which he was provided in his contract. Furthermore, the District did not retain documentation to support all payments made on Tassone's behalf and demonstrate whether those payments were appropriate and in accordance with the terms and conditions of his contract. Also, certain provisions of the Superintendent's contract lacked specificity, creating the potential for misunderstandings and abuse. Generally, records pertaining to Tassone's benefit-related transactions were either lacking adequate documentation or missing.

### **Cash Receipts**

Our review of internal controls over the revenues received in the accounting office indicates that there was a lack of basic controls to protect the District's assets against misuse, abuse and theft of funds.

- According to District employees, more than one individual in the accounting office handled the incoming mail.
- Checks received through the mail were first given to Principal Account Clerk Bernadette Burns, and subsequently sent to another accounting clerk who stamped them, recorded the receipt in the system, and deposited them. Burns had responsibility for, and made adjustments to, the general ledger accounts and should not have been handling checks. The other account clerk should not have been handling the checks, recording the receipts in the accounting records and depositing the funds. Recording and having custody of assets are incompatible

duties because it puts an individual in the position of being able to both commit an irregularity and then conceal it.

- Deposit slips were not detailed and did not contain individuals' names or check numbers.
- Gluckin and the Principal account Clerk had wire transfer capability, while they also had journal entry capability, allowing them to adjust cash accounts.
- Journal entries were not being approved by an individual who was not involved in the accounting process.

Although many of the internal control weaknesses noted above have been addressed and progress has been made, there continue to be areas that need improvement. For example:

- Journal entries are not approved by an individual who is not involved in the accounting process.
- The opening of mail, and listing of receipts contained within, is conducted by accounting staff.
- Deposit slips contain inadequate information in that they do not indicate individuals' names or check numbers.
- Journal entries represent a direct adjustment to the District's books and records; therefore, access controls should be in place to protect the integrity of the accounting system. Various individuals, including accounting and non-accounting personnel, continue to have journal entry capability.

## **Recommendations**

8. Press-numbered purchase orders should be used to help guarantee that purchase orders are not duplicated, the sequence is intact and outstanding purchase orders are easily identified and accounted for.
9. Establish policies that clearly state the circumstances under which District employees may receive reimbursements, and require that claims are sufficiently detailed and adequately audited prior to payment.
10. Establish policies that specify the circumstances under which employees may travel. Initiate a travel request and approval process and require that all travel-related expenses are sufficiently detailed and adequately audited prior to payment.
11. District employees should be required to secure government rates for lodging and apply the government per diem rates for meal allowances.

12. Evaluate employee job descriptions and assign computer system user permissions that match job functions. Some functions involved in processing transactions need to be separated among different individuals to reduce the risk of fraudulent activities.
13. Establish a procedure to review computer system user permissions on an ongoing basis. Remove users when they are no longer employed, disable user accounts when persons are on extended leave, and adjust permissions as employee's job descriptions change.
14. Ensure that each computer user is set up with a unique user account and permission level. User names and passwords should not be shared.
15. Establish a standard procedure with the Finance Manager software company for remotely accessing the District's network for upgrades to the Finance Manager software package. This should include a notification by the company to the District when an upgrade is anticipated.
16. Institute controls over the software company's network user account, as well as with all District employees' user accounts, that would limit unauthorized access to the District's computerized records. Passwords should be changed periodically, about every 30 to 60 days, and policies on password complexity should be established, further reducing the risk that an unauthorized user could attain access to the District's system.
17. The Board and other management personnel should:
  - Set a good control environment by establishing and effectively communicating their code of ethics and written policies and procedures.
  - Behave in an ethical manner and observe the same rules that they expect everyone else to observe.
  - Require the appropriate standard of conduct from everyone in the District.
18. All payroll-related changes should be supported by adequate, written documentation.
19. The Board should adopt a policy requiring that the District complies with all of the public disclosure requirements of Education law. Section 1716 requires public disclosure of the amount of total compensation for the superintendent of schools and any assistant or associate superintendent. The required disclosure should be prepared and attached to the annual budget. Public disclosure allows the public and employees the opportunity to more closely monitor the salaries and compensation package awarded the superintendent and assistant superintendents.

20. The Board should adopt a policy requiring that the President of the Board and the Superintendent benefiting from the contract, sign the Superintendent's employment contract. The signed copy of the contract should be maintained by the District Clerk. Copies also should be placed in the Superintendent's personnel file and provided to the Human Resources Department for processing.
21. The Board should adopt a policy requiring that Payroll Action Sheets (action sheet) be prepared and signed by the Board President whenever personnel service contracts with administrators are approved or amended by the Board. All changes in the terms and conditions must be supported by Board minutes, and amended contracts must be prepared and signed by the President and employee. The policy must state that District employees involved in payroll preparation may not process any changes to any of the Superintendent's terms and conditions of employment unless a completed action sheet, signed by the Board President, is filed with the payroll department.
22. All amendments to contracts and copies of the action sheets, supporting the Board-approved changes in the terms and conditions of employment for contractual employees, should be filed with the District Clerk.
23. The Board should clearly specify in the employee contracts the benefits that they are willing to provide.
24. The District should designate an individual (such as the Assistant Superintendent for Business or the Assistant Business Administrator) to approve all journal entries, or journal entries above a certain amount.
25. The mail should be opened by an individual who is not involved in the accounting process, and a listing of mail received should be forwarded to the Accounting Supervisor, Treasurer, Deputy Treasurer or other appropriate accounting personnel.
26. Duplicate deposit slips should contain additional information such as check numbers or individuals' names.
27. Journal entry capability should be given only to those employees whose job specifications require that they perform this function.

## Consequences

We found that more than \$11 million of District funds were used for personal expenses. This apparent misappropriation was accomplished in a variety of ways by a number of employees for their personal benefit and the benefit of their family members and friends. The apparent misappropriation consisted of direct payments of cash; the purchase of items such as computers, cars, jewelry and groceries; the payment of mortgages, insurance and personal credit cards and other personal expenses; extravagant personal travel charged to the District; and contracting with companies owned by employees, friends or family members which provided little, if any, documented products or services to the District.

Regular bill payments are normally processed (and checks run) twice per month. The need for checks to be issued outside the normal processing may arise when there are emergency purchases, transfers need to be made into the Trust & Agency Fund for payroll related items, or when there are other items needing immediate payment. There should be very few of these types of payments. In emergency instances, checks can be processed and payments listed on an alternative warrant known as a hand-drawn warrant.

According to District employees, during the period of our audit certain hand-drawn warrants were processed outside of the accounting office, and many were processed in Pamela Gluckin's office. We found that most of the payments for personal credit cards, mortgages, and other personal expenses appeared on these hand-drawn warrants. These payments were made outside of the normal processing function and the routine scrutiny that normal payments receive. Many of these payments also were made directly to vendors without the use of purchase orders.

This apparent misappropriation was able to occur because the top-level managers (the Superintendent and Assistant Superintendent) in the District could override the system and process payments outside the normal flow of most transactions, using hand-drawn warrants. The Board had abdicated its oversight role and essentially did not monitor the District's financial operations. Two employees who could have identified the apparent misappropriation, the Internal Claims Auditor and the Treasurer, were not doing their jobs to ensure that only appropriate and authorized payments were being made. The external auditor, the CPA firm that audited the District once a year, had conflicts of interest and performed an audit that was so flawed and so far below professional standards that it failed to identify the millions that were apparently misappropriated.<sup>6</sup> And other employees in the District, who may have been aware of the apparent

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<sup>6</sup> As reported in our previous audit report 2004M-84 issued January 6, 2005 entitled, "Roslyn Union Free School District Independent Audit Services."

misappropriation, benefited in different ways, and so may not have brought the apparent misappropriation to the attention of appropriate outside agencies.

Despite a rigorous review of existing records by ourselves and the District's current management and staff, we do not believe that we have been able to identify all of the payments made for personal expenses. The volume of the transactions and the amount of missing documentation is just too great to have absolute assurance that all transactions have been uncovered.

This report is also being referred to the Office of the Nassau County District Attorney to determine whether any additional criminal prosecutions would be appropriate.

## **Apparent Misappropriation**

### **Payments for Personal Credit Cards**

We found that the District paid \$5.9 million for the personal credit cards of Tassone, Gluckin, Rigano, and at least 10 of their family members and friends. Documentation for these payments did not exist at the District so we had to subpoena information for 54 credit card accounts from 10 financial institutions. While some amount of the total charges may have been for legitimate school expenses, based on our review of the documentation we were able to obtain, we are confident that the vast majority of these charges were for the personal expenses of the individuals involved.

At the beginning of our audit we reviewed approximately 57,000 cancelled checks for the period January 1, 1998 to June 30, 2004 and compared them to the information recorded on the District's records. We found that the payees on some of the cancelled checks were not the same as the payees listed on the District's accounting records. For example, checks payable to American Express were recorded as payable to Sargent-Welch, and checks payable to Citibank were recorded as payable to the Nassau County BOCES. For most of these disbursements there was no support in the District's files. Because there was a lack of documentation and an obvious attempt to hide these disbursements, we identified credit card account numbers posted to the cancelled checks and subpoenaed the credit card statements. Based on this subpoenaed information, we determined that District funds totaling more than \$5.2 million<sup>7</sup> were used to pay balances due on 54 personal accounts which had 74 credit cards issued to specific individuals (some accounts had multiple credit cards issued). These cards had the names of 13 different individuals, which only included three employees of the District: Tassone, Gluckin and Rigano.<sup>8</sup>

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<sup>7</sup> Refer to Appendix D.

<sup>8</sup> Refer to Appendix D.

In addition, there were other checks paid from 15 false vendor accounts,<sup>9</sup> totaling approximately \$685,000,<sup>10</sup> which we were unable to match to the credit card accounts we subpoenaed. However, based on available canceled checks, we were able to determine that these payments were made to the same financial institutions for other private credit card accounts. We were unable to identify specific account numbers, so we are unable to determine the specific individuals related to these accounts.

Our analysis of the individual statements received from the credit card companies disclosed that significant charges were for personal expenses, or were for draw downs of cash from the accounts, as follows:

- Charges on the credit cards associate to Tassone, Gluckin, and Rigano included the following:

	Tassone	Gluckin	Rigano
Cash advances	\$541,596	\$559,176	\$27,128
Balance transfers	\$177,899	\$461,981	\$13,620
Airline tickets	\$162,250	\$63,075	\$18,068
Hotels	\$137,285	\$30,158	\$5,022
Cruises	\$139,387	\$680	\$0

Tassone and Gluckin used several credit cards to routinely obtain cash. They would go almost every day to an ATM and withdraw a cash advance on the credit cards. For example, from February 2001 to October 2002, the monthly average cash advances taken by Tassone from four different credit card accounts were \$21,747, with a low of \$18,698. The highest month during this period was May 2002 when 24 cash advances totaling \$34,620 were withdrawn in 31 days from four accounts.

Gluckin started taking cash advances even earlier than Tassone and eventually took higher individual cash advances each month. Starting in June 1996 and continuing until her resignation in October 2002, she took cash advances from six separate credit card accounts. During the five-month period December 2001 to April 2002, the cash advances totaled \$133,000, approximately \$26,600 per month. The highest total monthly cash advances were in February 2002 when she took cash totaling \$35,500.

- Tassone – Some of his travel destinations on the credit card statements included: Las Vegas, New Orleans, Chicago, Colorado, Texas, Tennessee, Canada, St. Thomas, Morocco, Cancun, Hawaii, Puerto

<sup>9</sup> Refer to Internal Control Weaknesses - Electronic Data Processing (EDP).

<sup>10</sup> \$68,000 of this total was paid from July 1, 1992 through December 31, 1995, prior to the formal scope period of our audit.

Rico, Thailand, Indonesia, Argentina, and London. Some examples of the other charges on his credit cards included purchases from, or for:

Tiffany & Co.(jewelry)	\$16,300
Carpet and furniture	\$12,677
Tourneau (jewelry)	\$9,996
Custom tailoring	\$7,550
Bloomingdales (rugs)	\$5,291
Gateway computers	\$5,016
Dormeuil of New York	\$4,522
Heating/plumbing contractor	\$4,150
Coach (leather accessories)	\$2,262
Moving expenses	\$1,850
Las Vegas health spas	\$651

- Gluckin – Some of her travel destinations on the credit card statements included: Florida, Virginia, Maine, Hawaii, Brazil, and Puerto Rico. Some examples of the other charges on her credit cards included purchases from, or for:

Galerie Lassen, Maui	\$18,605
Furniture and art purchased in Florida	\$16,652
Pet supplies	\$14,033
PC Richards	\$11,496
Nordstrom (clothing)	\$7,835
London Jewelers	\$6,770
Vitolite Electrical	\$6,263
LIU (CW Post) college tuition	\$6,200
Fortunoff	\$6,113
Petro Fuel	\$5,908
Sears, Virginia Beach	\$5,480
Bang & Olufsen Audio	\$4,850
Sharper Image	\$4,422
Ace Tool	\$4,411

In addition, monthly bills for AOL and Direct TV were charged on her credit cards.

- Rigano – Some examples of charges on her credit cards included purchases from, or for:

Macy's (jewelry)	\$12,634
Purchases and services in Florida	\$11,686
Vitolite Electrical	\$13,152
Rolex watch	\$4,638
Lord & Taylor	\$2,790
Carpeting	\$2,718
Rental cars	\$2,337
Hair/nail salons	\$2,036
Bed Bath and Beyond	\$1,900
GAP	\$1,726
Nordstrom (clothing)	\$1,529

In addition, monthly bills for AOL, Direct TV, AT&T and BellSouth in Florida were charged on her credit card.

### Payments for Private Mortgages and Loans

From June 1998 to October 2002, District funds totaling \$1,137,939 were used to make payments on private mortgages and loans, as follows:

<u>Mortgagee</u>	<u>Number of Payments</u>	<u>Period</u>	<u>Total Payments</u>	<u>Mortgage Address</u>
Pamela Gluckin	69	6/98 – 10/02	\$377,827	2850 Lee Place Bellmore, New York 11710
Pamela & Harvey Gluckin	48	11/99 – 9/02	\$262,637	803 Dune Road Westhampton, New York 11978
Pamela & Harvey Gluckin	39	1/01 – 10/02	\$295,367	8597 SE Coconut St. Hobe Sound, Florida 33455
Total Pamela & Harvey Gluckin			\$935,831	
Frank Tassone	3	11/00 – 12/01	\$45,114	3820 Dogwood Lane, Doylestown, Pennsylvania 18901
Kim McCormick	7	4/02 – 9/02	\$22,829	15 Albatross Lane Levittown, New York 11756
David & Deborah Rigano	3	1/02 – 3/02	\$5,647	360 11 <sup>th</sup> Street Key Colony Beach, Florida 33051

	<u>Number of Payments</u>	<u>Period</u>	<u>Total Payments</u>
Personal Loan:			
Pamela Gluckin	6	9/99-4/02	\$46,881
Student Loan:			
Patricia McCormick	15	7/95-1/01	\$81,637

### **Purchases From Home Depot**

Available records indicated that the District made more than \$609,000 in payments to Home Depot between 1995 and 2003. The payments reached a peak during the 2001-2002 fiscal year, totaling more than \$175,000. While the District made about \$56,000 in payments during the first three months of 2002-2003, the activity dramatically diminished after Gluckin left the District in October 2002. The District paid Home Depot only \$4,200 through the remaining nine months of the fiscal year.

The District was unable to provide any supporting documentation for the majority of these payments. Source documents were limited to store receipts and “quote sheets” from the 2001-2002 fiscal year. A quote sheet is an invoice that is prepared at the customer service desk in a Home Depot store prior to the customer paying for the merchandise at the register. This invoice is prepared either if the customer is picking up the merchandise himself or it is being delivered to a location. All quote sheets were traced to payments made by the District, which totaled about \$108,000. The quotes were made by the Home Depot outlet in Jericho, Nassau County.

The store receipts indicated that all of the purchases were made using a Home Depot charge card in the name of the Roslyn Public Schools at eight different store locations in Nassau and Suffolk counties. The locations included East Meadow in Nassau County; and Coram, Riverhead, Farmingdale, Selden, Copiague, and Patchogue in Suffolk County, which were located a considerable distance from the District. The total value of the store receipts was about \$30,000. Additional documentation associated with two of the store receipts indicated that items valued at about \$5,400 were sold to John McCormick (Pamela Gluckin’s son), who reportedly owned a construction business. Some of the items were delivered to a Bay Street address in Center Moriches in Suffolk County.

We were informed by District employees that the materials listed on the quote sheets or store receipts, such as windows, sheetrock, fencing, tool chest and tool cabinet were not used in the District.

## Food Purchases

During the eight-year period from July 1, 1996 to June 30, 2003, the District paid approximately \$794,727 for food purchases from 13 vendors for food and groceries that were far in excess of the District's educational-program needs. Our review of available purchase orders and invoices disclosed that only a small portion of these purchases were for the high school home-economics classes. We can not account for the use of the vast majority of these purchases. We were unable to review supporting documentation for a significant amount of food purchases because of missing documentation at the District.

The following schedule shows the annual total food purchases made by the District from 1996 through 2003 from these 13 vendors. Total food purchases decreased significantly in the 2003-2004 fiscal year to \$28,658 after Gluckin left. If we assume this is the necessary amount of food for the District's educational program, then at least \$594,121 was likely misappropriated.

<b>FISCAL YEAR</b>	<b>TOTAL FOOD PURCHASES</b>
1996-1997	\$68,511
1997-1998	\$116,214
1998-1999	\$152,676
1999-2000	\$114,224
2000-2001	\$124,782
2001-2002	\$125,829
2002-2003	\$92,491
<b>TOTAL</b>	<b>\$794,727</b>

For example, District records indicate that for the period July 1996 through June 2004, purchases totaling \$24,478 were made from Blueberries, a gourmet grocery store in East Norwich. We could not determine what was purchased because of missing records. These invoices were sent to the attention of "P. Cremona" (Gluckin's maiden name) and only showed total dollar amounts but no description of what was purchased.

Total purchases from Ferrara's Bakery in Manhattan were \$14,931. We found a questionable purchase of \$1,240 on December 11, 2002 by Rigano for 30 cookie tin ornaments and 2 Italian postcard boxes, along with a list of 28 employees that apparently received them. On December 17, 2002, Tassone purchased 24 holiday cookie tins for \$975, but we were unable to determine who received them.

## Excessive Salary and Benefit Payments

Based on our review of the District's payroll records, we found that the Superintendent, various Assistant Superintendents, and Rigano received salary and other benefit payments to which they were not entitled. The overpayments

to Madalyn McGovern, Marilyn Silverman and Gluckin occurred within the two years prior to their retirement, which would help to inflate their final salaries, and therefore, their pension benefits. These excess payments totaled \$576,586.

Changes to the salaries of the Assistant Superintendents were neither supported by a properly executed action sheet, nor were all of the amendments found in the minutes of the Board. Often hand-written notes or other questionable documents were found in payroll files, instructing the payroll clerk to make changes to the terms and conditions of contracts or to make additional payments to the Assistant Superintendents. For example an action sheet dated January 4, 2001, signed by McGovern, directed the payroll clerk to increase Silverman's salary to \$183,000. This was \$30,000 more than the salary approved by the Board in June 2000. No Board approval for the increase could be found and the \$30,000 increase was paid in a lump-sum on December 22, 2000. We also noted that on June 8 and June 22, 2001 payments totaling \$42,900 were paid to Silverman. The authorization for payment was a hand written note signed by Gluckin. The reason for the payments was not indicated on the note.

A similar note was found in McGovern's file, also signed by Gluckin, dated July 9, 2002. The note instructed the payroll clerk to pay McGovern the sum of \$240,000 for the 2002-2003 school year. On June 19, 2002 the Board had established McGovern's salary at \$174,500. There was no indication that the Board intended to pay her \$240,000 and we note that the Board did not meet between June 19, 2002 and July 9, 2002 to amend the contract.

- McGovern – employed by the District as the Assistant Superintendent for Human Resources, she retired on June 30, 2003. A comparison of McGovern's Board-approved salary and fringe benefits to amounts paid for the fiscal year ended June 30, 2003 disclosed that McGovern was entitled to total salaries and benefits of \$200,400 (including a \$20,000 retirement bonus which is not pensionable). However, we found that a total of \$256,807 was actually paid to McGovern, which was an overpayment of \$56,407. Similarly, in the 2001-2002 fiscal year, McGovern was entitled to salary and fringe benefits totaling \$244,500 (including an \$80,000 retirement bonus which is not pensionable). However, the District actually paid \$260,715 to her. As a result, McGovern was overpaid by \$16,215. The total amount overpaid for both years was \$72,622. We also reviewed various issues regarding the reporting of salaries, accrued leave and the filing of documents and statements with the

New York State Teachers Retirement System (TRS) by McGovern. On her notarized Application for Retirement filed April 3, 2003, McGovern indicated that her final year's salary was \$220,000, while Board minutes only support a pensionable salary of \$174,500 for her final year. The apparently improper filing with the retirement system potentially inflates her final average salary, thus increasing retirement benefits that will be paid to her.

- Silverman – employed by the District as the Assistant Superintendent for Curriculum, she retired on June 30, 2002. A comparison of Silverman's Board-approved salary to amounts paid for the fiscal year ended June 30, 2002 disclosed that she was entitled to total salaries and benefits of \$245,500 (including an \$81,000 retirement bonus which is not pensionable). However, we found that a total of \$331,042 was actually paid to Silverman, which was an overpayment of \$85,542. Similarly, in the 2000-2001 fiscal year, Silverman was entitled to a total of \$233,700 in salary and fringe benefits (including an \$80,000 retirement bonus which is not pensionable). However, she was paid \$238,315, an overpayment of \$4,615.

Also, a review of Silverman's accrued vacation records disclosed that she had used 17.5 more days than she was entitled to receive under her contract with the District. The records also indicate that she was not docked or charged for the overuse of vacation days. The value of the vacation used in excess of contractual amounts is \$13,085. Therefore, the total amount overpaid to Silverman, including salary and fringe benefits and vacation days used, is \$103,242.

In addition, we reviewed Silverman's filings with TRS. On her notarized Application for Retirement filed April 16, 2002, Silverman indicated that the salary on her contract was \$223,302; however, Board minutes indicate her salary as \$164,500. The apparently improper filing with the retirement system potentially inflates her final average salary, thus increasing retirement benefits that will be paid to her.

- Gluckin – employed by the District as the Assistant Superintendent for Business, she retired on January 1, 2003. A comparison of Gluckin's Board-approved salary to amounts paid for the fiscal year ended June 30, 2003 disclosed that as of the date of her retirement, she was entitled to total salaries and benefits of \$87,250. However, we found that a total of \$93,962 was actually paid to Gluckin, which was an overpayment of \$6,712. The District also paid an annual life insurance premium for her totaling \$1,290. Under the terms of her contract, half of the premium (\$645) should have been paid as of the date of her retirement. Therefore, in total she received \$7,357 more

in salary and fringe benefits than she was entitled to for the 2002-2003 fiscal years.

- Stubbolo – President of FKS Consulting, Inc., he was appointed as the District’s Interim Business Official on November 7, 2002, at a cost of \$650 per day. The District later appointed him as a consultant on July 10, 2003, at a cost of \$685 per day. During these appointments, he was not paid as an employee through the normal payroll; he was paid as a vendor through the use of vouchers. However, in addition to his salary, he was paid for vacation and holiday time to which he was not entitled to as an independent contractor. According to district records, Stubbolo billed, and was paid, a total of \$38,520 in vacation and holiday time, including a payout for nine unused vacation days. In addition, on 51 separate days, he was paid an amount that exceeded the allowable per diem rate. These excess payments amounted to \$8,366. Therefore, the total overpayment to Stubbolo amounted to \$46,886.
- Rigano – We found that Rigano received \$59,399 more in salary and other payments than she was entitled to. First, she was paid a different pay rate than what was authorized by the collective bargaining agreement that governed her employment. Normally, “step” increases are given annually. However, we found that Rigano was inappropriately given two such step increases in 2001-02, both authorized by Pamela Gluckin, her aunt. In July 2001, Rigano was being paid at Step 10 (\$43,431). In October 2001, her salary was raised to Step 11 (\$44,577), and at the beginning of July 2002, we found that she was being paid at Step 12 (\$47,241). In July 2002 she should have been at Step 11. The Human Resources Department realized the increase had occurred and a payroll adjustment to dock her pay was initiated by Human Resources and sent to the Payroll Department, but not processed. Rigano continued to be paid at the higher step and the overpayment was not recovered. This has resulted in her being paid \$3,649 more, from October 12, 2001 until the end of the June 30, 2004.

Also, from August 1997 through February 2003, Rigano was paid an additional \$83,216. This included \$55,750 in payroll payments and 59 payments for \$27,466 that were non-payroll payments. There was no documentation to support the 59 non-payroll payments. We tested support for six of the payroll payments, each for \$1,083. Five of these payments were not supported by any detailed explanation and the documents for the sixth payment indicates it was for one hour of overtime. If the payments were

overtime related, they should have been supported by adequate and detailed documentation that support the employee's entitlement to receive such payments. If the payments represented additions to her contractual salary, there should be Board authorization for such a change.

Overpayments of Superintendent's Contractual Benefits – From very limited records available for audit, it appears that from 2000 through 2004 Tassone received contract benefits that exceeded his contract terms by at least \$94,066.

The Board agreed to provide regular salary increases and numerous benefits in the contracts it negotiated with Tassone. For example, his salary increased from \$117,500 in the 1992-93 fiscal year (his first year in the District) to \$230,800 for the 2003-2004 fiscal year. His contracts included vacation, mourning, personal, and sick leave. The District also provided medical benefits, disability benefits, a split-dollar whole life insurance policy and regular payments to annuity programs. The Board agreed to pay for attendance at various conferences including, but not limited to, one international education conference or visitation to a foreign school each year. The Board also provided Tassone with vehicle allowances and additionally agreed to pay, "...all expenses necessary and proper to the discharge of his duties or incurred in relation to his employment as Superintendent."

However, available documentation indicated that Tassone received benefits well in excess of those allowed in his contract, examples of which include the following:

- In addition to medical coverage, the Board agreed to "...provide a sum not to exceed \$5,000 per year to the Superintendent for payment of unreimbursed medical expenses." District records indicated that during the four school years 2000-2001 through 2003-2004, Tassone received benefits that exceeded the limit in each year. The benefits totaled over \$48,000, or \$28,000 more than the \$20,000 in benefits that he was contractually provided during the same period.
- In a five-year contract that became effective July 1, 2001, the Board agreed to provide "...in addition to salary, an annuity program of the Superintendent's choice (including tax sheltered annuity accounts)" totaling \$30,000. This amount was three times more than the \$9,500 annual annuity benefit Tassone had received in his previous contract. The amount was further increased to \$31,500 in a contract amendment dated November 17, 2003. Nonetheless, Tassone received benefits that exceeded this generous contractual allowance.

For example, the District’s payroll records indicated that the District processed about \$11,500 in annuity payments for Tassone during the 2001-2002 fiscal year. However, the purchasing office made additional payments totaling nearly \$50,000 to the same financial services firm that received his regular annuity payments. There was no supporting documentation available to determine whether the \$50,000 was part of his annuity payments, but there is no other reason the District would have sent money to this firm. Therefore an over payment of \$31,500 occurred in this year.

In 2002-03, District records indicated that Tassone received his full contractual benefit of \$30,000 in annuity payments about halfway through the 2002-2003 fiscal year. The payroll office, however, continued to process annuity payments for him that resulted in an additional \$5,070 benefit. Therefore, while District payroll records indicate that only \$11,769 in annuity payments were made in 2002-03 for Tassone, our audit identified payments of at least \$36,570.

Finally, during the 2003-2004 fiscal year, available documentation indicated that Tassone received over \$38,221 in annuity payments, which exceeded the contractual provision by approximately \$6,721. An annuity payment of \$31,500 was processed by the purchasing office, outside of the payroll process, which is why the payroll records indicated that he received benefits for the same period of only \$6,721.

- During the 2001-02 fiscal year, the District paid \$19,400 to Tassone’s landlord for rent.
- During the 2003-2004 fiscal year the District paid a \$3,375 premium for a long-term care insurance policy in Tassone’s name, for which there was no provision in his contract.

Many payments made for Tassone’s benefit were through confirming purchase orders, circumventing the purchasing process and limiting the District’s ability to accurately track the value of the benefits he received.

Superintendent’s Expense Reimbursements – The Board agreed to pay Tassone “...all expenses necessary and proper to the discharge of his duties or incurred in relation to his employment as Superintendent.” The Board did not place any specific conditions on this agreement or otherwise limit the amounts that Tassone could be reimbursed for travel, lodging, meals, entertainment, and other miscellaneous expenses. This oversight created the opportunity for abuse.

According to District records, reimbursement payments were made to Tassone totaling \$165,548 from 1992 to 2004. These payments are above and beyond what was paid on Tassone's personal credit cards. The overwhelming majority of these payments were not supported by any documentation.

The documents that were available to us were limited to the 2002-2003 and 2003-2004 fiscal years. Our review of those documents found that most of the payments appeared to be for personal items and not for expenses related to the District that would be reimbursed. Tassone rarely provided any explanations for how particular expenses were specifically related to the District's business. These reimbursements included limousine service, groceries, greeting cards, flowers, books, meals, several internet service accounts, lodging, and plane tickets.

For example, the District paid for an overnight stay that Tassone made at a Boston hotel in February 2004. There was no supporting documentation to indicate why the District was paying for this stay or whether the travel had been approved by the Board. While the government rate for lodging in Boston at that time was established at \$159 per night, the District paid \$485 for the room. The District also paid for numerous local calls placed from the hotel room, a sport club fee, dinner and a movie, amounting to \$705.

However, available documentation does demonstrate that while millions of dollars of District funds were used for his personal benefit, he also collected receipts for small, sundry items that he submitted for reimbursement. Apparently, no item was too small not to be filed for reimbursement. Some examples of receipts we examined included \$19.95 for vitamins, \$7.98 for groceries, \$6.03 for hardware items, \$3.24 for greeting cards, \$3.05 for a latte, and a 65-cent bagel.

### **Payments to Gluckin-Owned Companies**

The District paid a total of \$255,537 to companies owned by Gluckin and her husband Harvey Gluckin. Virtually no documentation exists to show that any work was actually done by these companies.

District records indicate that for the period August 8, 2001 through September 26, 2002, 22 checks were paid to Computer & Technology Services for a total of \$177,190. According to a business certificate dated August 10, 2001, Gluckin is conducting business under the same vendor name. We were unable to find any file for Computer & Technology Services in the District to support these payments, or to determine that any services were rendered to the District.

H.S.G. Management Consulting is a business owned by Harvey Gluckin. From 1996 through February 2002, the District paid this company a total of \$78,347 for consulting services. We were unable to locate any purchase orders and there was no contract in place with this company. While it appears some consulting was done initially for equipment needs at the District's cafeterias, subsequent payments are not supported with any documentation to indicate work done.

### **Purchases of Computers and Electronic Equipment**

We have identified that District funds, totaling \$249,883,<sup>11</sup> were used to purchase computers and other electronic equipment that were delivered to individuals and locations outside the District. These purchases included 69 computers, 39 monitors, 21 printers (including a Dye Sublimation photo printer), 53 warranties and other peripheral computer equipment and software, from a local CompUSA store and the Dell Computer Corporation. Other electronic equipment, all unauthorized and purchased from a CompUSA store, included a television, a camcorder, two MP3 players, seven scanners, three Sony Play Stations, 13 Play Station game packages, a color copy machine, four digital cameras, two CD Players, various supplies, paper, printer cartridges and cables.

Our audit disclosed that these purchases were delivered to individuals and locations outside the District or to the District administration office, but they were never received by the District's Information Technology (IT) staff. These purchases were identified from 105 invoices provided directly by the Dell Computer Corporation and CompUSA, because District records were not available. An examination of the invoices disclosed that 60 of these purchases were delivered directly to 18 individuals and locations other than the District, and 40 were listed as delivered to the District's administration office on Harbor Hill Road where Tassone, Gluckin and Rigano worked, rather than to the IT staff as required. We tested the District's fixed asset records and found that none of these computers were listed on the District's inventory.

We reviewed the above purchases with the District's IT staff who are responsible for ordering and receiving District-purchased computer equipment and peripherals. The IT staff indicated that all equipment ordered and processed by the IT department was made for several years using State contracts from either the Dell or Apple Computer Corporations. The IT staff informed us that CompUSA is not an authorized District vendor for computer and peripheral equipment. In reviewing the invoices, the IT staff noted other problems with the purchases from both Dell Computer and CompUSA, such as:

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<sup>11</sup> Refer to Appendix E.

- Computers purchased through the State contract do not include the purchase of warranties; legitimately purchased computers include warranties in the contract price. The CompUSA invoices included the purchase of 53 warranties.
- All legitimately purchased computers are delivered to the District's IT office, or sent to the attention of the IT staff for processing and distribution. As indicated, none of these purchases were delivered to the IT office or to the attention of the IT staff.
- The District does not purchase software packages included on the vendor invoices reviewed, such as MS Office or Quicken Deluxe 99. All District computers are pre-loaded by the contractor with software that the District has a license to use.

The current Assistant Superintendent for Business indicated to us that there is no educational basis for the District to purchase Sony Play Stations, PSX Software and most of the other types of electronic equipment found on the CompUSA invoices.

### **Purchase and Lease of Private Automobiles**

We found that District funds were used to make payments totaling \$206,798 for the purchase or lease of private automobiles.

The Board agreed to provide Tassone with a monthly vehicle allowance as well as pay for other automotive expenses that totaled \$8,000 in annual contractual benefits beginning with the 1998-1999 fiscal year. The Board increased the annual benefit to \$17,200 for the 2003-2004 fiscal year. We have identified that this allowance was paid to him directly in at least two of the years during this period. Therefore we have considered any payments for automobiles to be in excess of his car allowance. Automotive payments included:

- The District made 23 payments totaling \$35,535 from May 2000 through August 2002 for a vehicle leased by Tassone.
- On April 13, 2000, the District made a payment to Heritage Jaguar for \$2,570. This was a payment for a Jaguar owned by Tassone.
- From September 1996 through February 2001 the district made \$18,383 in payments for a car leased by Tassone.

Gluckin's contract does not provide her with a car allowance. However, District funds were used for lease payments on a variety of cars for Gluckin, as well as purchasing a car for her daughter, including:

- The District made 16 payments from June 1998 through May 2002 (a total of \$22,799) for a car leased by Gluckin.
- The District made 20 payments to an automobile leasing company from May 2001 through August 2002, totaling \$43,632, for another vehicle leased by Gluckin.
- From September 1996 through February 2001 the District made \$30,491 in payments for two cars leased by Gluckin.
- From April 1997 through May 1999, the District made 23 payments totaling \$21,388 to BMW Financial Services for a BMW automobile leased by Gluckin.
- From February 2002 to September 2002, 11 payments totaling \$30,148 were made to Chrysler NY. These payments were for the financing of an automobile purchase, and the financing was in the name of Patricia McCormick (Gluckin's daughter).
- On August 6, 1997, the District made a car payment of \$1,852 to Crestar Bank (now SunTrust Bank) for a car owned by Patricia McCormick.

### **Insurance Payments**

Our audit disclosed that payments totaling \$169,171 were made by the District for various personal insurance policies, including:

- The District made 32 payments from July 1997 through August 2003 to an insurance company totaling \$95,560 on three different policies. The insurance company confirmed that one of these policies was for insurance on Gluckin's property located in Bellmore. A second policy with an annual premium of \$3,820 was identified on a purchase order "as per Superintendent's Agreement – 6/03." However, District officials were unable to confirm the nature of this policy with the insurance company. There are no records at all of the third policy.
- Between November 1996 and August 2002, Roslyn UFSD paid a total of \$23,204 to Progressive for insurance on Gluckin's 1981 Corvette and boat insurance for Harvey Gluckin.
- From December 1997 through December 2001, the District made four payments to an insurance company totaling \$2,374 for a life insurance policy for Tassone. While there is a provision in his contract that provides for the payment of life insurance premiums, we were unable to determine if these premiums were the contractual life

insurance payments. No District files existed to substantiate these payments.

- From February 2000 through July 2002, the District made nine payments totaling \$15,797 for premiums on an insurance policy for property owned by Rigano. The agent for the insurance policy was Charles Rigano, who is Deborah's father-in-law.
- The District made five payments, totaling \$12,610, from November 1998 through April 2002. The insurance company confirmed that these payments were for a life insurance policy for Harvey Gluckin.
- In April 2002, the District paid \$2,593 for a homeowner's policy for Gluckin's property located in Hobe Sound, Florida.
- The District paid an insurance company \$1,046 in December 2000 for a property located in Doylestown, Pennsylvania that is owned by Tassone.
- On May 22, 2002 the District issued a check for \$4,744 to Great Northern Insurance Company. District officials verified with Great Northern that this payment was for personal automobile insurance for Tassone.
- On August 18, 1999 the District paid \$788 to Omaha Property & Casualty. District officials confirmed with Fidelity (formerly Omaha Property & Casualty) that this check was payment for a flood policy for the property owned by Gluckin at 803 Dune Road, Westhampton.
- During the period December 1999 through September 2002, four payments totaling \$1,455 were made to an insurance company. The insurance company was unable to inform us of the names of the insured or the types of policies for these payments. We were not able to find any file or document to support these payments at the District.

### **Travel Expenses**

Our examination disclosed that the District paid \$133,619 for travel expenses that were not related to District business or were for individuals who were not District employees. Our examination was hindered by the fact that there were no documents available at the District to support payments to a travel agency, hotels or to individuals for reimbursement of expenses.

Our analysis of the District’s vendor history runs from January 1998 to November 2003 audit indicated the District paid Majestic Travel and Tours \$135,044.<sup>12</sup> There were no invoices in the District’s files to support these payments. District officials contacted Majestic Travel and obtained copies of 52 invoices totaling \$113,562. In addition, from the District vendor history we were able to determine that from February 1998 to July 2004, \$107,566 was paid directly to various hotels throughout the country. However, there was no supporting documentation for any of these payments, which included payments to Caesars Palace and the Luxor Hotel in Las Vegas, San Francisco Marriott Hotel in California, and the Waldorf Astoria Hotel in Manhattan. Most of the expense reports submitted by District officers and employees for reimbursement of travel expenses were not available for audit. We determined the dates of approved educational conferences from purchase orders and other District documents that were available. By analyzing the above information, we determined that from March 1998 to August 2002 the District made payments of at least \$133,619 for non-business-related expenses and travel expenses of individuals who were not District employees. These expenses included \$83,482 for airfare<sup>13</sup> and \$50,137 for hotel expenses.

The airfare amount includes trips to London in 2000 and 2001 by Tassone and Joel Nash, who is not a District employee. The airfare paid for these two trips totaled \$43,184. Although the travel agency invoice does not indicate the type of travel, round trip tickets costing an average of \$10,796 for each person would indicate travel on the Concorde. In addition, the Majestic Travel invoice for the 2000 London trip included lodging in a deluxe suite for five nights at \$1,812 per night for a total of \$9,060. Former Board President William Costigan indicated to us that while Tassone’s contract permitted him to travel to Europe each year, at the District’s expense, the Board would not have authorized this type of transportation or lodging.

In addition, the airfare expenditures also include \$34,182 paid for other individuals who were not District employees.

In court papers filed in Nassau County, a former District employee alleges that Tassone represented that seven of the trips included in the above totals, from April 1999 to August 2002, were meetings which they referred to as “informal working retreats.” The cost of these trips to Las Vegas and New Orleans totaled \$50,185.<sup>14</sup>

We also found that McGovern and her husband made four trips together from March 1998 to May 2000 for which there was no documentation

<sup>12</sup> It has been reported that Rigano, who made the travel arrangements for the District’s employees, was a travel agent at Majestic. It has been reported that she would have made about \$8,600 in commissions from the District’s bookings.

<sup>13</sup> Refer to Appendix F.

<sup>14</sup> Refer to Appendix G.

other than the travel agency invoice. These trips to Los Angeles, Bermuda, San Francisco, and London cost the District \$3,367 in airfares and the hotel in Bermuda was \$3,625. We were unable to determine whether the District disbursed any payments for the lodgings in Los Angeles, San Francisco and London.

A review of cash receipts records for the period July 1, 1999 through June 30, 2003 showed no reimbursements to the District for the cost of unauthorized travel or unauthorized travelers.

### **Other Personal Expenses**

An examination of available District records disclosed that payments were made for various personal expenses totaling \$112,983, which included:

- According to available documentation, during a ten-year period, the District paid more than \$42,000 to Newbury Operations for Tassone's parking space in Manhattan, including about \$5,000 for the 2003-2004 fiscal year.
- From September 1997 through October 2002, payments totaling \$37,385 were made to two dry cleaning vendors located in Manhattan for Tassone.
- For the period May 24, 2000 through June 19, 2002, eight payments were made to a storage facility in Manhattan totaling \$3,800. A self-service storage-facility occupancy agreement, dated February 13, 2000, indicates that Tassone is the renter of this storage space.
- On October 25, 2000 the District paid \$4,488 to a company named Vitolite. The District's purchasing department does not have any records of doing business with Vitolite. However, District officials did confirm with Vitolite that David Rigano is a customer of Vitolite.
- The District issued checks totaling \$2,995 payable to Mill Square. District officials verified on February 10, 2005 with Mill Square Dry Cleaners in Mamaroneck, that these checks were payment for dry cleaning. The District does not do business with Mill Square. The Mill Square owner confirmed that Rigano had been a dry cleaning customer until 1 ½ years ago.
- According to the District's records, 17 payments were made to Time Warner Cable Company from August 18, 1999 through March 5, 2002 totaling \$3,471. Information received from this company indicated that these payments (related to two accounts) were for services rendered in Manhattan.

- During September 2002, the District paid \$2,589 for electronic equipment delivered to private residences. Four of seven invoices reviewed, totaling \$1,969, were for a Palm Pilot and various accessories that were shipped to Rigano’s home address in Westchester County. Two of the invoices, totaling \$620, were for a Palm Pilot and various accessories that were shipped to Marci Pagnotta (Rigano’s sister) in East Meadow.
- We found that from 2000 through 2003 the District paid \$5,236 for the purchase of Tassone’s personal Christmas cards.
- On October 4, 2002 the District paid \$1,485 to the Equinox Fitness Club on 85<sup>th</sup> Street in Manhattan. This payment was for a one-year health club membership for Tassone.
- Between September 2001 and May 2002 the District issued checks totaling \$989 to NY Water. District officials confirmed with NY Water that these payments were for the water bills for Gluckin’s home in Bellmore.
- The District paid expenses related to personal telephone service at addresses outside of the District; two of the phone numbers identified originated in Denver, Colorado and Doylestown, Pennsylvania. Several of the phone numbers identified were at locations/residences associated with: Tassone, Gluckin, Rigano and Stephen Signorelli.<sup>15</sup>
- A District check, dated March 29, 2000 and written for \$4,500, was made payable to Mandalay Bay, a Las Vegas resort and casino. The check was endorsed by Tassone. We called Mandalay and confirmed that it is their policy to cash this type of check as long as it is approved by an official at the District. There was no documentation to support this payment (as a valid District expense) available at the District.
- In 1998, the District made payments totaling \$4,045 to a company called Frontgate for personal items for Gluckin, including a Aquabot Ultra Pool Cleaner with remote, a manicure/pedicure kit and a Sony shower radio.

## **Abuse and Misuse of District Funds**

## **Related Party Consultants**

The District made \$1,074,547 in payments to two related-party companies. There is very little documentation available to justify these expenditures.

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<sup>15</sup> Refer to *Abuse and Misuse of District Funds - Related Party Consultants*.

WordPower – From 1990 to 2004 the District paid \$803,570 to WordPower for reviewing, editing and printing various handbooks and other materials. The Manhattan address for this firm is the same as the residential address of Tassone. Stephen Signorelli is a principal in the WordPower company and he also has the same home address as the company, and Tassone. The Superintendent did not disclose to the District that there was any relationship between this firm and himself. Because of this undisclosed relationship and the general lack of information on the services provided, we cannot determine what value, if any, the District received for these payments.

In addition, in 2001 there were two checks (totaling \$10,000) paid directly to Signorelli; however, there are no available District records to indicate the purpose of these payments.

In a review of Tassone’s personal credit card statements (which were paid with District funds<sup>16</sup>), we found charges totaling \$42,500 (from September 27, 2001 to September 27, 2002) for WordPower. The purpose of these charges is unknown as there are no available records.

FCP Consultants Inc. – From 1995 to 2004, the District paid \$218,477 to FCP Consultants, Inc.(FCP) for personnel consulting and training services. This company is owned by Frances Pertusi, the sister of the District’s Internal Claims Auditor, Albert Razzetti. Pertusi previously worked with Tassone in the Levittown School District. According to the District Clerk, there is no contract on file between FCP and the District. Board minutes only indicate that the Board approved the hiring of FCP at \$750 per day; however, there was no description of the services to be performed.

This contract is a good example of the Board’s lack of oversight and control of the District. An addendum to the Board minutes of February 12, 2004, and an appointment letter dated February 13, 2004, indicate that FCP Consultants was hired for the 2003-2004 school year at \$750 per day for “up to 10 days.” However, District records indicate that the company had already been paid \$21,000 as of the date of the appointment letter, and for 2003-2004 fiscal year the company was paid a total of \$26,250, which was \$18,750 more than the Board approved for that year.

We examined 20 District payments to this company from November 2002 to May 2004, and the related invoices totaling \$42,202. Only three of the invoices contained a detailed description of actual services rendered. The other invoices did not contain sufficient information for the district to conduct a proper claims audit and determine that the amounts billed were for actual services rendered that the Board had approved. Examples of the descriptions of services rendered on other invoices were:

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<sup>16</sup> Refer to Appendix D.

<b>Dates of Service</b>	<b>Amount</b>	<b># of Days Billed</b>	<b>Description on Invoice</b>
September 24, 28 and 29, 2003	\$2,250	3	Research, planning and development of criteria for Roslyn Centennial Reports/evaluations for the Superintendent
August 18, 19, 26, 2003	\$2,250	3	Interviews, research, and development of criteria for Roslyn Centennial Evaluations and administrative reviews for the Superintendent
September 8, 10, 15, 2003	\$2,250	3	Ongoing planning and development of criteria for Roslyn Centennial Structuring of operational procedures, DOT Special projects as assigned by Superintendent

There are no records of written reports or evaluations related to these projects in the District's files.

### **Postage and Shipping**

From 1996 to 2004, the District incurred questionable postage and shipping costs of \$166,945.

Unnecessary Postage Costs – Although the District rented and used postage meters, an excessive amount of stamps were purchased from the United States Postal Service during the time period 1996 to 2004. Total postage purchases were \$345,013 from 1996 to 2004. The total paid included postage, bulk mailing permits, and the recharging of postage meters. Our examination of information available at the District indicated that during this period \$141,432 in postage stamps were purchased by the District.

We reviewed all disbursements made by the District for the purchase of postage and postage stamps for the 2001-2002 year, totaling \$43,795. Of that amount, \$13,720 was for postage stamps. As a point of comparison, the District has halted the practice of purchasing postage stamps except on a limited basis (all official mailings are to be made and accounted for through the District's postage meter) and as of January 26, 2005, a total of \$555 in postage stamps has been purchased for the 2004-2005 fiscal year.

District employees reported to us that annually, Tassone had employees prepare more than 1,000 personal Christmas cards for him for mailing. They supplied us with a copy of the mailing list. We estimated the cost of mailing more than 1,000 Christmas cards in 2000 to 2003 was approximately \$1,400. We also were informed by the employee preparing the cards that Tassone required that overtime be paid to her for preparing the cards for mailing.

Federal Express Charges – Roslyn’s Federal Express account was used at least 965 times for personal business between July 1, 1999 and June 30, 2003 at a cost of \$21,865. Sometimes District employees used the District’s account to ship packages purchased at businesses such as CompUSA, Majestic Travel and the Pottery Barn in Stamford Connecticut to Long Island locales and to other cities and states. For example, the District’s account was used to ship computers and other equipment purchased at CompUSA to Virginia Beach, Virginia, Carle Place, Bellmore, and East Meadow.

In the 2001-2002 fiscal years, Tassone used the District’s account for personal business 106 times at a cost to the District of \$2,161, Rigano used the account for personal business 81 times costing \$2,372, and Gluckin used the account for personal business 64 times costing \$1,325. The McCormick family, relations of Gluckin, received 39 shipments, including seven of the CompUSA shipments noted above, all paid for by the District. The Bannerman and Ricardi families, received 33 shipments while the Rigano, Masiello, and Pagnotta families received 62 shipments. Joel Nash, a close acquaintance of Tassone, received 40 packages from Tassone, all weighing less than one pound and costing the District a total of \$750. Similar patterns of abuse were noted in the other years examined.

Holiday Gift Shipping – From 1997 through 2002, the District made a payment in December of every year to Mail Boxes Etc. The vendor provided information that these six payments, totaling \$3,648, were for packaging holiday gift baskets and arranging shipments through the United Parcel Service (UPS).

### **Other Questionable Expenditures**

Our review of available District records disclosed \$64,492 of expenditures that we also consider questionable:

- The District paid a total of \$30,900 from 1996 through 2003 to 12 employees. These payments supposedly represented reimbursements to these employees for using their private automobiles to commute from their residences to work. Reimbursements paid to each individual were between \$200 and \$600 per year. However, we did not find any documentation to support these payments and the employees’ collective agreements did not provide for any reimbursement for commuting to work.

- The District paid \$7,936 to Jayson Stoller, the High School Principal. These payments were ostensibly to reimburse him for cell phone bills. The cell phone account was in his wife's name and none of the bills submitted by Stoller included any details on the calls made or how they related to District business.
- Our audit disclosed that the District held expensive catered luncheons totaling \$11,339 for certain celebrations from 2001 to 2003. For example, in 2001, the District paid \$4,260 for a brunch on Saturday, December 15, 2001, at Pulse at Rockefeller Plaza located in Manhattan. This amount was for food and bar services, including alcoholic beverages, for 40 guests, including principals, assistant principals, superintendents, directors and chairpersons. In 2002, the District paid \$4,890 to the same restaurant for a brunch held on December 7, 2002 for 40 guests.
- District records indicate that 13 payments totaling \$7,925 were made to Neville Archambault during the period August 2000 through June 2002. No record existed in the District to substantiate these payments. Therefore, we are not able to determine whether this individual provided any services to the District that entitled him to these payments.
- The District paid \$1,158 in September 1999, and \$2,874 on August 30, 2000, to jewelry stores located in California. No payment file existed in the District for these vendors. Therefore, we are unable to determine the specific items that were bought or who made the purchases.
- The District made payments in October 1998 and December 1999 totaling \$2,360 to Coach, a manufacturer of high-quality leather products, including briefcases, travel accessories, handbags and wallets. No payment file existed in the District for this vendor. Therefore, we are unable to determine the specific items that were bought or who made the purchases.

## APPENDIX A

### SUMMARY OF APPARENTLY MISAPPROPRIATED FUNDS

<b>Apparently Misappropriated Expenditures:</b>	
Personal credit cards	\$5,902,544
Private mortgages and loans	\$1,137,939
Home Depot	\$609,000
Food	\$594,121
Salaries and benefits	\$582,786
Gluckin-owned companies	\$255,537
Computers and electronic equipment	\$249,883
Private automobiles	\$206,798
Insurance premiums	\$160,171
Travel expenses	\$133,619
Other personal expenses	\$112,983
<b>Apparent Misuse of District Funds:</b>	
Related party consultants	\$1,074,547
Postage and shipping	\$166,945
Other questionable expenditures	\$64,492
<b>Total</b>	<b>\$11,251,365</b>

## APPENDIX B

### GLOSSARY OF INDIVIDUALS

Archambault, Neville	Individual who received untraceable payments from the District
Bannerman Family	Relatives of Frank Tassone
Burns, Bernadette	Principal Account Clerk
Cremona, Pamela	Maiden name of Pamela Gluckin
Galinski, Thomas	Supervisor for Maintenance and Grounds
Gluckin, Harvey	Husband of Pamela Gluckin
Gluckin, Pamela	Former Assistant Superintendent for Business
Gluckin, Robert	Nephew of Harvey Gluckin
Heintz, Elaine	Retired Secretary for Pamela Gluckin
Kaplan, Steven	District employee
Masiello, Deborah	Maiden name of Deborah Rigano
Masiello, Samuel	Father of Deborah Rigano
McCormick, John	Son of Pamela Gluckin
McCormick, Kim	Daughter of Pamela Gluckin
McCormick, Patricia	Daughter of Pamela Gluckin
McCormick, Tara	Daughter-in-law of Pamela Gluckin
McGovern, Madalyn	Former Assistant Superintendent of Pupil Services and Personnel
Miller, Andrew	Partner in the CPA firm Miller, Lilly & Pearce, LLP
McGovern, Richard	Husband of Madalyn McGovern
Nash, Joel	Friend of Frank Tassone
Pagnotta, Donald	Brother-in-law of Deborah Rigano
Pagnotta, Marcella	Sister of Deborah Rigano
Pertusi, Frances	Owner of FCP Consultants Inc. and sister of Albert Razzetti
Razzetti, Albert	District Internal Claims Auditor
Ricardi Family	Relatives of Frank Tassone
Rigano, David	Husband of Deborah Rigano
Rigano, Deborah	School District Account Clerk and niece of Pamela Gluckin
Rothaar, William	District Treasurer
Schoob, David	Transportation Supervisor
Signorelli, Stephen	Owner of the company Word Power that has the same Manhattan address as Frank Tassone
Silverman, Marilyn	Former Assistant Superintendent of Curriculum & Instruction
Stoller, Jayson	High School Principal
Stoller, Paula	Wife of Jayson Stoller
Stubbolo, Ken	Interim Assistant Superintendent for Business
Tassone, Frank	Superintendent of Schools

## APPENDIX C

### INDIVIDUALS BENEFITING FROM THE MISUSE OF DISTRICT FUNDS

Pamela Gluckin	\$4,634,012
Frank Tassone	\$2,407,965
Stephen Signorelli	\$892,704
Harvey Gluckin	\$375,059
Deborah Rigano	\$334,452
Marcella Pagnotta	\$270,818
Frances Pertusi	\$222,138
Patricia McCormick	\$122,022
Marilyn Silverman	\$106,822
Madalyn McGovern	\$74,305
Ken Stubbolo	\$46,886
Kim McCormick	\$41,891
Joel Nash	\$25,194
Jayson Stoller	\$16,375
Samuel Masiello	\$15,408
Tara McCormick	\$13,287
John McCormick	\$11,074
Bernadette Burns	\$9,076
David Schoob	\$8,186
Neville Archambault	\$7,925
Thomas Galinski	\$7,277
Elaine Heintz	\$6,862
Cynthia Mullins Simmons	\$6,314
Albert Razzetti	\$6,200
Tom McCormick	\$3,074
Richard McGovern	\$2,170
Ron Magalik	\$1,560
Steven Kaplan	\$1,529
Robert Gluckin	\$506
Not Traceable to an Individual	\$1,580,274
<b>Total</b>	<b>\$11,251,365</b>

## APPENDIX D

### PRIVATE CREDIT CARDS PAID WITH DISTRICT CHECKS

Cardholder	Number of Accounts	Number of Credit Cards	Period	Total District Payments
Frank Tassone (A)	19	24	11/97 – 12/02	\$1,861,651
Pamela Gluckin (B)	14	23	7/96 – 12/02	\$2,700,755
Deborah Rigano	1	1	9/98 – 12/02	\$60,279
Harvey Gluckin	7	7	4/00 – 12/02	\$260,898
Marcella Pagnotta (C)	4	10	12/97 – 12/02	\$270,198
Stephen Signorelli	3	3	7/99 – 12/02	\$28,579
Tara McCormick	1	1	9/01 – 10/02	\$13,287
Patricia McCormick	1	1	11/00	\$3,424
John McCormick	1	1	3/00 – 7/04	\$2,341
Kim McCormick	2	2	11/99 – 10/04	\$13,132
Joel Nash	1	1	10/98 – 12/01	\$3,000
Unidentified credit cards				\$685,000
<b>Totals</b>	<b>54</b>	<b>74</b>		<b>\$5,902,544</b>

(A) Includes payments for satellite cards in the names of Stephen Signorelli and Joel Nash.

(B) Includes payments for satellite cards in the names of John McCormick, Patricia McCormick, Kim McCormick, and Harvey Gluckin.

(C) Includes payments for satellite cards in the names of Donald Pagnotta, Deborah Rigano, and David Rigano.

## APPENDIX E

### COMPUTERS AND ELECTRONIC EQUIPMENT

RECIPIENT	LOCALE OF DELIVERY	VALUE RECEIVED	Computers	Monitors	Printers	Warranties	Supplies/ equipment	Software	MISCELLANEOUS ITEMS PURCHASED (Numbers purchased & items purchased)
<b>GLUCKIN FAMILY:</b>									
Pamela Gluckin	Bellmore, NY	\$13,914.38	3	2	1	3	6	10	1 camcorder, 1 IPOD, 4 MP3 players, television
Robert Gluckin	Pompano Beach, FL	\$506.00			1		1		
Tom McCormick	Center Moriches, NY	\$3,074.20	1	1		1			1 scanner
John McCormick	Yaphank, NY	\$3,333.00	1	1		1	1		
Kim McCormick	Roslyn, NY	\$5,929.83	1	1		1	8	2	
Patricia McCormick	Virginia Beach, VA	\$4961.00	1	1	1	1	11		1 scanner
<b>RIGANO/MASIELLO FAMILY:</b>									
Deborah Rigano	Roslyn, NY	\$122,007.38	33	15	13	29	132	29	1 installation contract, 2 Sony Play Stations, 3 digital cameras, 1 scanner, 3 Play Station game packages, 2 cell phones, 1 Dye Sublimation printer
Deborah Rigano	Mamaroneck, NY	\$27,988.38	5	8	2	6	35	3	1 Sony Play Station, 7 PSX game packages, 2 scanners, 1 DVD player
Samuel Masiello	Carle Place, NY	\$15,408.48	4	3	2	5	10	0	2 scanners, 6 miscellaneous game packages
<b>TASSONE:</b>									
Frank Tassone	New York, NY	\$18,796.25	5	3					
<b>CURRENT/FORMER EMPLOYEES AND BOARD MEMBERS:</b>									
Marilyn Silverman, retired 6/30/2002	New York, NY	\$3,579.61	1				1		
Elaine Heintz, retired 7/7/01	Syosset, NY	\$6,861.95	1	2		1	1		
Bernadette Burns, retired 9/7/03	Williston Park, NY	\$4,576.45	2	1		2	13	0	1 digital camera
David Schoob	Smithtown, NY	\$6,185.93	2	1	1	2	3		1 scanner
<b>NON-EMPLOYEES:</b>									
Cynthia Danielson	Farmingdale, NY	\$249					1		Unknown
Cynthia Freketic	Farmingdale, NY	\$559					8		Unknown
Andrew Geasilin	Farmingdale, NY	\$416.59					1		Unknown
Cynthia Mullins Simmons	Public School 36, New York, NY	\$6,314.00	7						Unknown

<b>RECIPIENT</b>	<b>LOCALE OF DELIVERY</b>	<b>VALUE RECEIVED</b>	<b>Computers</b>	<b>Monitors</b>	<b>Printers</b>	<b>Warranties</b>	<b>Supplies/ equipment</b>	<b>Software</b>	<b>MISCELLANEOUS ITEMS PURCHASED (Numbers purchased &amp; items purchased)</b>
Ron Magalik	Public School 36, New York, NY	\$1,560.00	1						Unknown
<b>CONSULTANT(S):</b>									
									1 color copy machine,
Francis Pertusi	Garden City, NY	\$3,661.28	1			1	20		500 count of paper, 1 Desk Jet black cartridge, 1 Desk Jet color cartridge
<b>TOTALS</b>									
		<b>\$249,882.71</b>	<b>69</b>	<b>39</b>	<b>21</b>	<b>53</b>	<b>253</b>	<b>44</b>	

## APPENDIX F

### AIRFARE FOR UNAUTHORIZED TRAVEL PAID BY DISTRICT

<b>District Employees:</b>	
Frank Tassone	\$32,735
Jayson Stoller	\$6,677
Thomas Galinski	\$6,677
Madalyn McGovern	\$1,683
Steven Kaplan	\$1,529
<b>Non-District Related Individuals:</b>	
Joel Nash – Traveling with Frank Tassone	\$22,194
Stephen Signorelli – Traveling with Frank Tassone	\$8,055
Richard McGovern – Traveling with Madalyn McGovern	\$2,170
Paula Stoller – Traveling with Jayson Stoller	<u>\$1,762</u>
Total	\$83,482

## APPENDIX G

### TRAVEL FOR INFORMAL “MEETINGS”

<b>Dates</b>	<b>Location</b>	<b>Participants</b>	<b>Airfares</b>	<b>Hotel Costs</b>	<b>Total Cost</b>
4/14-17/99	Las Vegas, NV	Tassone, Stoller, & Galinski	\$1,179	\$3,679	\$4,858
3/29-4/1/00	Las Vegas, NV	Tassone, Stoller, Galinski, Kaplan, & Signorelli	\$7,647	\$5,041	\$12,688
4/13-17/00	Las Vegas, NV	Tassone, Stoller, & Galinski	\$1,395	\$3,900	\$5,295
10/5-8/00	Las Vegas, NV	Tassone, Stoller, & Galinski	\$1,182	\$5,000	\$6,182
12/2-5/00	New Orleans, LA	Tassone, Stoller, Galinski, & Signorelli	\$844	\$8,400	\$9,244
12/6-9/01	New Orleans, LA	Tassone, Stoller, Galinski, & Signorelli	\$6,110	Unknown	\$6,110
8/22-25/02	Las Vegas, NV	Tassone, Stoller, Galinski, & Signorelli	\$4,668	\$1,140	\$5,808
<b>Totals</b>			<u>\$23,025</u>	<u>\$27,160</u>	<u>\$50,185</u>

## APPENDIX H

### AUDIT METHODOLOGY AND STANDARDS

The Nassau County District Attorney's office, current District officials and the District's former independent public accountant indicated to us that a material theft, abuse and misuse of Districts assets had occurred at the Roslyn Union Free School District. While on site in June 2004, our analytical testing, conducted on a limited basis, of payments made and transactions processed and paid by the District in June 2002 indicated that losses and abuses had occurred and were material. Based on our analytical testing, we decided to conduct a forensic audit of the District for the period January 1, 1996 through June 14, 2004.

To accomplish our objectives of conducting a forensic audit of the District we examined all available checks and certain electronic records for the period January 1, 1996 through June 14, 2004. We did not test the accuracy of the District's financial statements, nor did we do extensive testing to determine if all receipts and disbursements were properly posted and accounted for.

Our testing was limited because hard copies of the District's general and subsidiary ledgers could not be found on file at District offices. Hard copies of other business records, including bank reconciliations, checks warrants, checks and numerous vendor files also were missing. The significance of the missing financial records became apparent during the course of our examination.<sup>17</sup> We also could not locate certain employee contracts, amendments to those contracts, and contracts with consultants and vendors.

To accomplish the objective of this audit and obtain valid audit evidence, our procedures included the following steps:

- We interviewed appropriate District officials in order to obtain an understanding of the organization, the District's accounting system and to identify key personnel.
- We obtained copies of District policies and procedures and evaluated the adequacy of these policies.
- We conducted a review of current and prior internal control policies and procedures and the actual implementation of those policies and procedures. Our purpose here was to determine if controls were lacking or circumvented, and to recommend procedures to strengthen internal controls.
- We inventoried the available checks and bank statements on file at the District. Our examination disclosed that numerous canceled checks were missing for the period January 1, 1996 through October 2002. In addition, many bank statements were missing. We were informed by the Nassau County District Attorney that he had possession of District checks; we examined those checks at his office and added them to our inventory. Several hundred checks were still unaccounted for; we identified the missing checks and requested copies of the checks and the missing bank statements from the District's bank. The bank provided copies of most of the

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<sup>17</sup> Refer to Internal Control Weaknesses - Electronic Data Processing (EDP).

missing bank statements and checks (some checks could not be located by the bank; i.e., December of 2001 bank statements and checks were not found in bank records and files).

- An examination of available checks including those in the possession of the District Attorney was made by our staff:
  - We compared approximately 57,000 checks to check warrants printed from the District's electronic files to determine if the transactions represented the misuse of District funds. Copies of checks requested from banks were examined at the time of delivery by the bank.
  - Checks identified as representing transactions of suspicious or potentially fraudulent nature were traced to vendor files. We determined that many of the files were missing or empty and no support for the transaction for which the disbursement (check(s)) was available.
  - High-risk checks were examined for account numbers and other financial information; based on this information we issued subpoenas to numerous financial institutions. Upon receipt of the subpoenaed documents received from these institutions, we compared the District's canceled checks and other records to the documents. We made a compilation of the transactions, identified individual owners of the financial instrument and calculated the total of the amount of the theft by individuals and in total.
- We tested bank transactions, other than disbursements by check, to determine if electronic transactions were properly recorded and made for District purposes.
- We tested receipts from outside sources to determine that funds remitted to the district were properly deposited and recorded.
- We tested payroll transactions to determine if the proper amounts were deposited into the payroll trust and agency fund and were remitted to legitimate employees. Testing included a review to determine if proper amounts were paid to employees covered by collective bargaining agreements.
- We tested salaried employees' contracts, other than those covered by collective bargaining agreements, to determine if payments were made to these employees in accordance with the terms and conditions of their contract(s).
- We conducted a review of retirement reporting procedures and practices to determine whether they were in accordance with the appropriate policies and procedures.
- We reviewed the District's EDP system for control weaknesses. Our purpose was to determine if controls over the District's EDP system were lacking or circumvented, and to recommend procedures to strengthen internal controls over computer-generated financial records.
- We reviewed the actions of the Board of Education regarding the October 22, 2002 dismissal/retirement of Pamela Gluckin, the former District Assistant Superintendent for Business, and whether the restitution amount of \$250,000 was repaid.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Such standards require that we plan and conduct our audit to adequately assess those District operations within our audit scope. Further, those standards require that we understand the District's management controls and those laws, rules and regulations that are relevant to the District's operations included in our scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in accounting and operating records and applying such other auditing procedures, as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for the findings, conclusions and recommendations contained in this report.

## APPENDIX I

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## APPENDIX J

### OFFICE OF THE STATE COMPTROLLER DIVISION OF LOCAL GOVERNMENT SERVICES AND ECONOMIC DEVELOPMENT

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