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# Audit Report

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Buffalo City School District

for the Period

July 1, 1997 through April 30, 1999

SD-0299-1

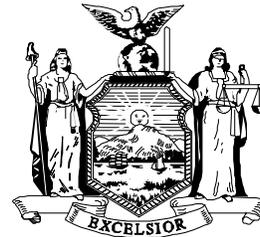
September 10, 1999

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**The University of the State of New York**  
**THE STATE EDUCATION DEPARTMENT**  
**Office of Audit Services**  
**Albany, New York 12234**



**State of New York**  
**The Office of the State Comptroller**  
**Division of Municipal Affairs**  
**Albany, New York 12236**





**THE STATE EDUCATION DEPARTMENT /  
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**To:** Paul Buchanan, President of the Board of Education,  
Jack Coyle, Vice President, Dr. James Harris, Superintendent,  
Deborah Bang, Florence D. Johnson, Anthony J. Luppino,  
Jan Peters, Rev. Darius Pridgen, Donald A. VanEvery,  
Marlies A. Wesolowski, Board Members

**Date:** August 31, 1999

**From:** Richard H. Cate and Patricia Lamb McCarthy

**Subject:** Buffalo City School District - Final Audit Report

We enclose the final audit report (SD-0299-1) related to the audit of the Buffalo City School District (District) for the period July 1, 1997 through April 30, 1999. The audit was conducted jointly by the Office of the State Comptroller and the State Education Department.

As indicated in previous correspondence, we believe that the keys to success in improving the District's financial operations are clear lines of responsibility and good communication. The District's overall agreement with the audit's recommendations, along with identifying courses of action and responsible parties, are positive indicators of a commitment to improve operations. State Education Department and Office of the State Comptroller staff are prepared to assist the District in improving its fiscal and administrative operations. In fact, Department staff have already begun to work with District staff. However, the impetus to achieve the much needed improvements must come from the Board of Education working with the Superintendent and senior managers.

Ninety days from the issuance of this report, District officials will be asked to submit a report on actions taken as a result of this audit. We appreciate the cooperation and courtesies extended to the staff during the audit.

Enclosure

cc: See attached distribution list

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**TO THE PRESIDENT AND MEMBERS  
OF THE BOARD OF EDUCATION  
OF THE BUFFALO CITY SCHOOL DISTRICT  
ERIE COUNTY, NEW YORK:**

Among my top priorities as the State Comptroller is to maintain a strong partnership between my office and the local governments of New York State. One of the main objectives of this partnership is to assist local governments in improving their financial condition and strengthening their financial management systems.

The audit reports issued by my office are an important component in accomplishing this objective. These reports are expected to be a resource to you. They are designed to identify current and emerging fiscal problems and provide recommendations for improvement.

Prudent fiscal management, sound fiscal policy and a commitment to working together will enable us to serve the taxpayers more effectively by making better use of our limited resources. Toward this end, I look forward to working with your municipality and all other local governments throughout the State.

If my office can be of assistance to you or if you have any questions concerning this audit report, please feel free to contact the local area office for your county listed at the back of this report.

Sincerely,

H. Carl McCall

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# Executive Summary

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## Background and Scope of the Audit

The Buffalo City School District (District), one of the State's Large City Districts, served about 45,688 students in 74 schools and spent about \$460 million in the 1997-98 school year. The District's average cost per student is comparable to the New York State average although its student performance is considerably lower than the State average.

This audit was conducted jointly by the State Education Department (Department) and the Office of the State Comptroller (OSC). The audit examined selected financial management practices, records, and documentation of the District for the period July 1, 1997 through April 30, 1999. This was a financial related audit and our objectives were to: verify the adequacy of the District's system of management controls, processes for claiming certain State aid, and student attendance system; and to follow-up on the status of recommendations made in previous audits.

## Audit Results

Presented below is a summary of the audit findings developed in response to the audit's objectives.

The audit found the Board of Education (Board), the Superintendent and senior managers did not implement adequate controls or set the appropriate "tone at the top" for control consciousness in the District. Setting the appropriate tone at the top is a responsibility shared by the District's Board, Superintendent and senior managers. It is not the sole responsibility of any one individual. Therefore, references in this report to the "District" or "District officials" represent references to all three responsible parties: the Board, Superintendent and senior managers, unless stated otherwise.

School districts are required to collect and report financial and other statistical data which are used by schools, districts, legislators, the Department and the public to make decisions. However, the Department found the District does not have the necessary controls in place to provide reasonable assurance that complete, accurate and timely information is reported for State aid, which generates over \$250 million in revenues to the District, and other purposes. Poor communication, inadequate oversight, outdated policies and procedures, reliance on manual processes, and fragmented and inaccurate record keeping hinder the ability of the District to manage its resources in an effective and efficient manner. The District needs to:

- Claim all State aid that it is entitled to receive on a timely basis.
- Correctly report State aid weightings and student enrollments for Public Excess Cost Aid, and calculate and report accurate student specific cost and enrollment for Public High Cost Aid. Also, it needs to improve the manual, error prone, and labor-intensive processes used to accumulate and report the data.

- Maintain adequate documentation to support attendance data reported for State aid purposes.
- Accurately report data for Education Related Support Services Aid and dropout statistics, and file reports by the required due dates.

School districts must have adequate management controls in place to ensure management's expectations are communicated and accomplished. However, the Department found the District did not provide adequate oversight over its processes including the claiming of State aid and also did not implement the necessary management controls for business processes, implementation of a computerized system, written policies and procedures, and other areas. Specifically, the District needs to:

- Improve management oversight for the processing of State aid claims and improve Board oversight by expanding the role of the audit committee and monitoring the District's budget and expenditures.
- Continue to develop written policies and procedures for the District's business processes and improve project management with the implementation of the management information system.
- Improve communication and encourage information sharing with the Board and between and among offices, and clarify roles and responsibilities and ensure employees have the necessary skills, knowledge and ability to carry out their responsibilities.
- Further improve controls related to budgeting, payroll and equipment inventory.

School districts must plan, build or lease, and maintain schools for their students. OSC found the District did not adequately plan, monitor or report its capital projects averaging \$12.9 million for the last four years. The District needs to:

- Reconcile Building Aid claimed to Department approved amounts and periodically review the accuracy of the report on outstanding bond issues.
- Ensure final cost reports are reviewed by the District's Finance Division before submission to the Department and ensure bond refinancings are reported to the Department on a timely basis.
- Ensure Building Aid reimbursements are maximized by considering optimal designs, incorporating repairs and maintenance projects into capital projects, and claiming aid for project related cost for District staff.
- Prepare and distribute project and financial status reports to various Buffalo City (City) and District officials and encourage City officials to consider changing the process for authorizing capital projects.

School districts should avail themselves of opportunities to maximize cash flow and should also monitor their expenses. OSC found the District did not request the maximum amount of interim grant funds it was entitled to receive, may not have accurately reported data for Repairs and Maintenance Aid, and did not encumber personal service appropriations. The District needs to:

- Ensure the maximum amount of interim grant payments is requested for each grant.
- Ensure reports for Repair and Maintenance Aid are accurate and complete.
- Encumber personal service appropriations to accurately reflect available funds and effectively monitor District operations.

The District needs to demonstrate to the community that it will institute more efficient and effective controls to ensure that the District is claiming all of the State aid it is entitled to receive and will provide ongoing oversight with these controls. It also needs to: be proactive in establishing a District-wide culture and discipline that demonstrate the Board, Superintendent, senior managers and staff are committed to improving the way the District conducts business; implement the necessary controls; and set the appropriate "tone at the top." To facilitate these changes, the District needs to develop a corrective action plan that addresses the findings and recommendations contained in this report. The Board should consider expanding the role of its audit committee to help accomplish the required changes.

District officials agreed or partially agreed with 56 of the 58 recommendations (97%) contained in the report. On the remaining two, the District indicated that the recommended actions were operational and on-going practices. The District also included a section that estimated the costs necessary to comply with the recommendations. While the audit does recognize that some additional resources are needed, the number, type and level of staffing were not reviewed as part of this audit. In budgeting for these resources, the District needs to consider ways in which technology can streamline processes to maximize efficiencies and avoid unnecessary costs.

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Appendix - Office of the State Comptroller - Local Area Office Listing

Appendix A - Contributors to the Report

Appendix B - District Response

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# Introduction

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The Buffalo City School District's (District) mission is "To ensure that every student will have the confidence, knowledge, thinking skills, character and hope to assume responsibility for her/his life and contribute to the lives of others...." The District, located in Western New York, is one of the State's Large City Districts (Buffalo, Rochester, Syracuse and Yonkers). The District served about 45,688 students in 74 schools and spent about \$460 million in the 1997-98 school year. As shown in the 1996-97 New York State School Report Card (Report Card), the average cost per student at the District is comparable to the New York State average cost per student, but less than the average cost per student at the other Large City Districts.

The Report Card shows that the percentage of elementary school students in the District scoring at or above the State minimum level meets or exceeds the percentage for New York public schools as a whole. However, based on Regents examinations, student performance in the high schools is significantly below other New York public schools and similar districts. For example, the Report Card shows that 10 percent of the District's average grade enrollment (AGE) passed the Regents Math Course III compared to 35 percent for New York public schools and between 16 and 20 percent for the other Large City Districts. As another example, 30 percent of the District's AGE passed the Regents Global Studies examination compared to 58 percent statewide and 38, 42 and 23 percent in Rochester, Syracuse and Yonkers, respectively.

Although the District's average cost per student is comparable to the statewide average, its student performance is considerably lower than statewide averages. To help address the student performance gap, the District needs management controls to help ensure all funds are spent efficiently and effectively in meeting the District's mission. However, poor communications, outdated policies and procedures, reliance on manual processes, and fragmented and inaccurate record keeping hinder the ability of the District to manage its resources in an effective and efficient manner. The audit found that the Board of Education (Board), the Superintendent and senior managers need to implement stronger management controls and set the appropriate "tone at the top" for control consciousness in the District.

## Scope, Objectives and Methodology

The audit examined selected financial management practices, records, and documentation of the District for the period July 1, 1997 through April 30, 1999. This was a financial related audit and our objectives were:

- to verify the adequacy of the District's system of management controls;
- to verify the adequacy of the District's processes for claiming certain State aid;
- to determine the adequacy of the District's student attendance system; and
- to follow-up on the status of recommendations made in previous audits.

To accomplish our objectives we reviewed applicable laws, regulations, policies and procedures; interviewed State Education Department (Department) and District management and staff; examined records and supporting documentation; sampled transactions on a non-statistical basis; and reviewed the District's audited financial statements.

We conducted the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other audit procedures considered necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that the audit provides a reasonable basis for our findings, conclusions and recommendations.

## Comments of District Officials

District officials agreed or partially agreed with 56 of the 58 recommendations (97%) contained in the report. On the remaining two, the District indicated that the recommended actions were operational and on-going practices. The text of the District's response to this report is included as Appendix B. Appendices to the response are available for review upon request to the State Education Department, the Office of the State Comptroller, or the Buffalo City School District.

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# Improving Management Controls for Decision-Making and Accountability

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*"Management controls, in the broadest sense, include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance."*

*Government Auditing Standards, 1994 Revision*

A board of education, superintendent, and senior managers are responsible for designing and implementing management controls. Controls must be in place to provide management with reasonable assurance that valid and reliable data are identified, captured and communicated in a timely manner to enable District officials and others to make decisions and accomplish their responsibilities. Controls must also be in place to help ensure the District's objectives will be achieved, assets are safeguarded, and applicable laws and regulations are followed. Controls include the systems and procedures put in place by management to provide oversight, supervision, accountability, and on-going monitoring of a district's performance over time. A board, superintendent and senior managers must provide leadership, discipline and structure to manage and control district resources. They share the responsibility for establishing the "tone at the top" and shape the district-wide attitude and culture. References in this report to the "District" or "District officials" represent references to all three responsible parties: the Board, Superintendent and senior managers, unless stated otherwise.

The audit found the Board, the Superintendent and senior managers did not implement adequate controls or set the appropriate "tone at the top" for control consciousness in the District. Additional controls are needed in such vital areas as the State aid claiming process, which generates over \$250 million in revenues to the District. The need for additional controls and improvements in District operations is not new, but has been identified over many years in numerous reports and reviews by the Department and the Office of the State Comptroller (OSC), as well as the District's independent auditor. The need for additional controls was highlighted with the January 1999 public disclosure that the District did not submit the necessary reports for certain State aid by the due date and, as a result, payment of \$8.9 million in State aid will be delayed several years.

Due in part to the recent problem with State aid, as well as the District's history of financial management issues, the Department and OSC agreed to review the District's financial and related systems and make recommendations for improvement. A joint audit was initiated with the Department being responsible for assessing the validity and reliability of systems used to collect and report data, and for evaluating certain management controls. OSC was responsible for ascertaining the level of corrective action implemented by District officials to address prior OSC findings related to State aid and grants. OSC also reviewed additional aspects of the District's Building Aid and grants processes to identify other improvement opportunities.

The Department found that the District needs to establish additional controls to provide reasonable assurance that complete, accurate and timely information is reported for State aid and other purposes. Poor communication, inadequate oversight, outdated policies and procedures, reliance on manual processes, and fragmented and inaccurate record keeping hinder the ability of the District to manage its resources in an effective and efficient manner. The District should:

- Claim all State aid that it is entitled to receive.
- Correctly report State aid weightings and student enrollments for Public Excess Cost Aid, which impact the amount of aid received for students with disabilities. Also, improve the manual, error prone, and labor-intensive processes used to accumulate and report the data.
- Correctly calculate and report student specific cost and enrollment for High Cost Aid (HCA). Budgeted amounts, overstated fringe benefit rates, inappropriate caseloads, undocumented class sizes, and inaccurate levels of service should not be used in calculating costs.
- Maintain adequate documentation to support attendance data reported for State aid purposes.
- Accurately calculate and report data for Education Related Support Services Aid (ERSSA).
- Accurately report student dropout statistics by including all students meeting the criteria. Also, maintain adequate documentation to support the dropout statistics.

- File required reports on time.

Additionally, the Department found several opportunities to improve management controls. Specifically, the District and the Board need to address the following areas:

- Improve oversight for the processing of State aid claims.
- Improve Board oversight by expanding the role of the audit committee and monitoring the District's budget and expenditures.
- Continue to further develop written policies and procedures for the District's business processes.
- Improve project management with the implementation of the management information system (MIS).
- Improve communication and encourage information sharing with the Board and between and among offices.
- Clarify roles and responsibilities and ensure employees have the necessary skills, knowledge and ability to carry out their responsibilities.
- Further improve controls related to budgeting, payroll and equipment inventory.

OSC found the District needs to improve its planning, monitoring and reporting for its capital projects as follows:

- Reconcile Building Aid claimed on Schedules N, M1 and M2 to the amount of aid as determined by the Department's audit of these schedules.
- Periodically review Form SA-130 in detail for all outstanding bond issues until a final bond percentage is established.
- Ensure final cost reports are reviewed by the Finance Division before submission by the Plant Division to the Department.
- Plan and design new schools so that Building Aid reimbursements are maximized. Also, contact other school districts to obtain information on "best practices" in this regard.

- Claim State aid for project related personal service, fringe benefit and incidental costs incurred through the use of District staff.
- Incorporate certain repair and maintenance type activities, which might otherwise not qualify for Building Aid, into capital construction projects, for the purpose of maximizing Building Aid reimbursements.
- Report bond refinancing to the Department on a timely basis.
- Prepare and distribute a report of capital projects, including construction and financial status, to various Buffalo City (City) and District officials.
- Review the process for authorizing capital projects in light of the need to facilitate the timely filing of necessary documentation with the Department and to maximize State reimbursements.

OSC also found opportunities for improvements in the following areas:

- Request the maximum amount of interim grant payments allowed from the Department for each eligible Special Aid program operated by the District.
- Determine if Repair and Maintenance aid was funded at the proper level.
- Require the encumbrance of personal service appropriations to accurately anticipate and quantify potential overexpenditures and/or underexpenditures of appropriations.

The District needs to demonstrate to the community that it will institute more efficient and effective controls to ensure that the District is claiming all of the State aid it is entitled to receive and will provide ongoing oversight with these controls. It also needs to: be proactive in establishing a District-wide culture and discipline that demonstrate the Board, Superintendent, senior managers and staff are committed to improving the way the District conducts business; implement the necessary controls; and set the appropriate "tone at the top." To facilitate these changes, the District needs to develop a corrective action plan

that addresses the findings and recommendations contained in this report.

One way to provide more focused oversight and improve business practices is to expand the role of the Board's Audit Committee. The charter of the Committee could be expanded to provide greater oversight with the timeliness, validity and reliability of State aid claims and the implementation of the recommendations contained in this report as well as any recommendations made by the District's own auditors. The Committee could also be charged with providing oversight with the District's management control system. This matter, along with others, is discussed in greater detail in the following sections of the report.

**NYS Education Department  
Component of the  
Audit Report**

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# Improvements Are Needed to Ensure the Reliability and Validity of Data

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School districts are required to collect and report financial and other statistical data including expenditures, revenue, assets, liabilities, State aid information, attendance, special education placements, student performance, number of teachers and administrators, number of dropouts, and other student and school information. It is crucial that the data are appropriate, timely, current, accurate and accessible, since the information is used by schools, districts, legislators, the Department, and the public to make decisions. The reliability and validity of data are impacted by many factors including communication, supervision, staff training and experience, and established policies and procedures.

The District received \$253 million in State aid for the 1997-98 school year based in large part on data it collected and reported. However, the audit determined the District does not have adequate systems and controls in place to reasonably ensure valid and reliable data for State aid are obtained, maintained and fairly disclosed in reports on a timely basis. This is evident from the recent failure of the District to file accurate State aid claims for ERSSA and HCA by the due dates, and the findings of a consultant that the District did not claim \$10.7 million in State aid that it was entitled to receive. It is further evident by the audit's findings related to errors and exceptions in the data for each of the areas examined including Public Excess Cost Aid, HCA, attendance, ERSSA, dropout statistics, and the school-age summer special education program. The audit did not review data or systems related to other aid categories, including Transportation, Extraordinary Needs, and Limited English Proficiency.

## **Unclaimed State Aid Totaling \$10.7 Million**

To ensure that all State aid is being claimed, the District contracted with a consultant to identify any unclaimed funds, to train staff on State aid procedures, and to provide a State aid reference manual. The consultant was able to identify \$10.7 million in unclaimed State aid funds primarily for special education services, which was a substantial return on the District's \$400,000 consultant expense. The additional aid had previously been unidentified and therefore unclaimed due to the District's inadequate systems, controls and oversight for State

aid. While training staff on State aid and providing a State aid reference manual will improve the State aid process, the District must take additional steps. The District should reengineer its systems and controls and provide better oversight to ensure it routinely claims all the State aid which it is entitled to receive, based on reliable and valid data.

## **Public Excess Cost Aid**

School districts are entitled to receive Public Excess Cost Aid for students with disabilities based on the students' enrollments and levels of service. The level of service or percentage of time students receive special education services is used to assign students to weighting categories that are meant to provide State aid based on the additional relative cost of providing services. School districts must report the full-time equivalent (FTE) enrollment for their eligible students in one of three weighting categories. During the 1997-98 school year, the District claimed \$37 million in Public Excess Cost Aid for over 6,300 FTE students. The audit reviewed documentation supporting the reported data and determined the District did not accurately claim the aid. The District did not properly calculate FTE enrollment resulting in an estimated \$1.1 million in Public Excess Cost Aid not being claimed. Also, the District incorrectly reported students in weighting categories resulting in the District claiming up to \$2.4 million more Public Excess Cost Aid than it was entitled to receive. In addition, the District's processes for accumulating and reporting the FTE enrollment are manual, labor intensive, prone to error, and do not capture all required information. An explanation of these matters follows.

The District did not properly calculate FTE enrollment for its students with disabilities (SWDs). Enrollment calculations should be made on an annual basis using the beginning and ending dates of attendance or legal absence for the school year as required by Section 175.6 of the Regulations. However, the District calculated enrollment on a monthly basis using the number of days of attendance in each month. As a result, certain days were inappropriately excluded and enrollment was significantly underreported for State aid purposes. Our sample of the reported enrollment at five schools showed the District understated the FTE enrollment at these schools. Using a non-statistically valid projection, we estimate the District may have understated the FTE students by about 140, which would translate to an additional \$1.1 million in State aid.

The District reported FTE students in the wrong weighting categories. Our sample of 40 students' Individualized Education Plans (IEP) showed six students, or 15 percent, were included in the wrong category. Further analysis disclosed that the District incorrectly included up to 600 FTE students in the 20 to 60 percent weighting category, which resulted in overclaiming State aid. The error was apparently caused by an inadequate understanding of the eligibility criteria for this weighting category.

The eligibility criteria for the 20 to 60 percent weighting category are defined to include SWDs in grades K-12 who receive special education services at least 20 percent but less than 60 percent of the school week. Also eligible are SWDs, “in grades 7-12 or in a school for grades 4-6 that operates on a period basis, the equivalent of 5 periods per week, but not less than 180 minutes, of resource room or other special services or programs.”

However, the District incorrectly reported enrollment for students in grades K-3 who received at least 180 minutes of services, even though these students would not qualify unless they received services 20 percent of the time, or a minimum of 300 minutes per school week. Also, the District reported enrollment for SWDs in grades 4-6 who received at least 180 minutes of service and did not demonstrate that the schools operated on a period basis. As a result, the District appears to have significantly overstated enrollment for the weighting category that resulted in an overpayment of an estimated \$2.4 million in State aid.

The District's systems and processes used to gather the data to support the SWD enrollment amounts by weighting category are manual, labor intensive and prone to errors. The District's Finance staff sends out forms to all special education teachers requesting that teachers record each student's name and attendance data by weighting category and return the forms. The completed forms are then manually summarized and data are recorded on the State aid forms. The audit found the forms completed by the teachers are inaccurate and incomplete and therefore, so are the State aid forms.

Instances were noted where teachers reported students in attendance for more than the total possible days of attendance for individual months and in the wrong weighting categories. In two instances, a student was reported twice. Also, the forms do not

contain all of the required information including beginning and ending enrollment dates or classification of absences as legal or illegal. The errors could be minimized and the process could be accomplished more efficiently and effectively if the District used its computerized attendance data system to report the required data. The current attendance system was designed by BOCES and appears to include all the necessary data elements to report SWD enrollment numbers by weighting category. This would result in a greater assurance that data are being summarized accurately and would avoid hours of manual tallying.

## **Public High Cost Aid (HCA)**

School districts are entitled to receive HCA for their SWDs when the cost for a student exceeds a specified amount. School districts must file a Department form and report the actual cost and FTE enrollment for each qualifying student. During the 1997-98 school year, the District claimed \$2.1 million in HCA for 296 students. The audit reviewed documentation supporting the cost and FTE enrollment for a sample of 12 students and determined the data were incorrectly calculated and reported which resulted in the District receiving HCA to which it was not entitled.

The District must complete several steps to determine the eligible cost for each student. A rate or average cost must be calculated for each type of service taking into account salaries, fringe benefits, caseload, class size and level of service. The rates must then be applied to the types and levels of services provided to each student to determine the cost for each service. The cost of each type of service must then be summarized to derive the amount to report. In calculating the rates for service, the District used inappropriate amounts including budgeted salaries, overstated fringe benefits, inappropriate caseloads, and undocumented class sizes as follows.

- Budgeted data were used to calculate and report rates for salary costs for each type of service, rather than actual amounts. For example, the budgeted teachers' average salary of \$53,587 was overstated by 3.1 percent when compared to the actual average of \$51,906. At the same time, budgeted teacher's aides' average salary of \$13,512 was understated by 5.3 percent when compared to the actual average salary of \$14,231.

- Fringe benefit rates for teachers and teacher's aides were overstated and not adequately documented. The District did not adequately document the 28 percent fringe benefit rate for teachers or the 57 percent fringe benefit rate for teacher aides. The actual fringe benefit rates were calculated to be 25 and 46 percent, respectively.
- A caseload of 30 students per day was used to calculate the consultant teacher hourly cost, and a caseload of 90 students per day was used to calculate the resource room teacher hourly cost. However, the review showed the caseload average was only 21 students for both services, which would result in an understatement of the rate for these services.
- Varying class sizes were used in calculating the rate per student, but there was no documentation to support the class sizes used.

In calculating the cost per student, the District used an inappropriate basis to determine the frequency or level of services. Some specific examples follow.

- The frequency and cost of certain related services were overstated due to a misinterpretation of the actual level of related services required and provided. The misinterpretation resulted in the frequency and cost for these related services being overstated by 25 percent.
- Certain students required the services of a “part-time aide” as specified in their IEP. In calculating the cost for the service, the District assumed each student received the services of a 0.5 FTE teacher's aide. Without a more precise level of teacher's aide service being specified on the IEP, the cost for certain students with part-time aides may be incorrect.

Other exceptions with HCA follow.

- The District did not calculate FTE enrollment as required by Section 175.6 of the Regulations. However, the differences were immaterial.
- In one case, the student’s reported cost was understated because the cost of the classroom component was not included in the reported amount.

- Required documentation was not available to demonstrate that all related services specified in the IEP and claimed for aid were in fact provided.

As a result of these and other exceptions, we estimate the District received \$39,872, or 35 percent more HCA for the sampled students than it was entitled to receive. We also noted the District may not be claiming all eligible students for HCA. For example, the cost for one student receiving home instruction exceeded the District's HCA threshold and the District was entitled to an estimated \$1,477 in HCA for 1997-98. In addition, the District did not file the required forms for several hearing impaired students who are eligible for HCA, but planned to file them. Due to the number of errors and the requirement to report student specific costs, we were not able to estimate the overall impact of the exceptions on HCA.

## **Attendance**

Section 3211 of Education Law requires school districts to maintain accurate records of students' attendance and absences. School districts summarize the attendance data and report the data to the Department annually on Form SA-129. The attendance data are key factors in the formulas used by the Department to calculate and distribute State aid. The attendance data are also used as a measure of student and school performance and are reported in each school district's report card.

The District used a computerized system to accumulate and report attendance data. For the 1997-98 school year, the District reported total aggregate attendance of almost 7.1 million days. Classroom teachers at each school take attendance in the first period and report the information to an attendance officer who enters the data into a computerized system. Changes may be made to the data to account for students who were tardy and to correct any errors. The attendance system generates District-wide reports that summarize student attendance monthly, quarterly, and at year-end. The District performs attendance audits on a periodic basis to verify the accuracy of the record keeping.

OSC previously conducted a review of reported attendance data for the 1993-94 school year and noted a number of deficiencies. A subsequent review of the attendance data for the 1995-96 school year noted differences between the reported amounts on the SA-129 and the computerized supporting documentation.

After the OSC report was issued, the District determined that the differences occurred when the District transitioned to a new attendance system. The Department reviewed the 1997-98 school year attendance data to verify the data were adequately supported by computerized summary reports and to also verify the accuracy of the summary reports to the detailed supporting attendance records. Our audit found exceptions in both of these areas.

The SA-129 for the 1997-98 school year showed aggregate attendance totaling 7,074,075 days, including 3,567,614 for the fall semester and 3,506,461 for the spring semester. We requested documentation to support the amounts for each semester. However, the District was not able to provide the supporting documentation for the spring semester and stated the computer system would not generate an accurate report for the last month of the semester due to the timing of the report. As a result, we were not able to verify the accuracy of the data for the spring semester. The supporting documentation for the fall semester was 927 days less than the reported amounts. The District has revised its SA-129 in August of this year to reflect the attendance data supported by its computerized attendance system. While the difference for this semester is minor, it does not provide confidence that the attendance system is being effectively used and that the reported amounts are accurate and documented.

Our review of a sample of students at four schools found that markings or symbols used for the teachers' attendance records varied by teacher and by school. In addition, we identified discrepancies between the computer records for the sampled students and the daily attendance records used by the teachers to record attendance or absences at two of the schools. For example, one student's computerized record shows absences totaling 29 days, while the teacher's attendance record shows 66 days of absence. In this case, the teacher's attendance record was not corrected to show the student was actually tardy, not absent. In other cases, the computerized records show student absences while the teachers' attendance records show the students as present. It appears the differences were primarily due to clerical errors.

Although the schools periodically conduct their own attendance audits, these audits are performed by the same staff responsible for maintaining the attendance records, and the results are not generally disseminated to District officials. The internal

attendance audits would be more objective if performed by individuals who do not have responsibility for the attendance function. Also, the audits would be more useful if the results were shared with the appropriate school and District officials.

Errors in the reported data may impact State aid and student performance measures. Without adequate documentation to support reported attendance data and a practice to update teachers' attendance records to reflect student tardiness, there is an increased risk that State aid will be incorrect and student performance will be misstated.

### **Educationally Related Support Services Aid (ERSSA)**

School districts are entitled to receive ERSSA to help defray the cost of providing support services, which will enable students to maintain their placement in a regular education program. The number of ERSSA hours must be reported to the Department. This aid is paid based on a number of factors including the aid ratio, selected attendance data and percentage of students with extraordinary needs. To be eligible for this aid, the number of ERSSA hours provided in the current year must meet or exceed the prior year's amount. The District reported providing 10,416 hours of service and was entitled to receive \$1.3 million in ERSSA for the 1996-97 school year. However, the District did not submit accurate information by the deadline and will not receive the ERSSA it is entitled to for several years.

The District submitted its initial claim for the 1996-97 school year on a timely basis. The Department reviewed the claim and notified the District on May 18, 1998 that the reported ERSSA hours did not meet or exceed the prior year's amount and the District would not be eligible for aid based on this information. The Department recommended the District consider the appropriateness of revising the hours and submit any revision to the Department by the June 30, 1998 deadline to ensure payment of the aid in the current year. The individual in the Guidance Office who prepared the report did not know that the current year's hours had to equal or exceed the prior year's amount. In addition, the District's Finance staff did not notify this individual of the problem with the claim until January 1999 when the issue became public. Subsequently, the claim was reviewed and a revised report was submitted to the Department on March 17, 1999, well after the due date.

Our review of both the initial and revised claims found that ERSSA service hours were significantly underreported for two reasons. First, the District only reports hours of services provided at seven of its 75 schools, although services are provided at most District schools. In addition, even at those seven schools, the District only reports those hours provided by ERSSA counselors and psychologists. However, other services including speech and language, curriculum modification, and direct student support team services are provided and could also be reported. While this underreporting of hours of service has no impact on aid, neither the Department nor the District can assess the extent and effectiveness of services provided by this program without accurate and complete information.

## **Dropout Statistics**

School districts are required to report the number of dropouts annually. This information is used by the Department to calculate a dropout rate. The rate is calculated by dividing the total number of students who dropped out in a given year by the total fall enrollment in grades 9 through 12. The rate is published in the Report Card for each school district and can be used to compare performance among school districts. It is also used as one of the Department's performance benchmarks in identifying schools that may need assistance in raising student performance. The audit determined the District did not maintain adequate documentation supporting the number of dropouts reported and did not accurately report the number of dropouts. As a result, the published dropout rate of 2.7 percent is understated.

The Department has defined a dropout as any student who left school prior to graduation for any reason, except death, and did not enter another school or approved high school equivalency preparation program. However, the District did not adhere to this definition. It did not report or account for students who could not be located or for any students who leave for employment. While we could not readily quantify the number of dropouts, we can estimate that the number of dropouts and the dropout rate are significantly higher than reported. The District is unable to collect the necessary information to recalculate the number of dropouts for the 1997-98 school year based on the Department's definition.

## **School-Age Summer Special Education Aid**

School districts are entitled to receive State aid for the cost of education, maintenance and transportation provided during July and August for school-age SWDs who require 12-month programming. The Department sets a tuition rate based on information submitted by school districts and pays aid based on the Department forms filed by school districts. Complete and accurate data must be submitted to ensure the tuition rates reflect the actual cost of services. School districts should also submit the information by the required due date to ensure tuition rates are set and aid is paid promptly. However, the audit determined the District did not submit complete and accurate information in a timely manner.

The school-age summer special education cost reports (Supplemental Schedules to the ST-3 Annual Financial Report) for 1996-97 appear to be understated and do not include any cost for physical or occupational therapists. The cost reports also do not include any cost for the services provided to a student who was homebound. As a result, the tuition rate may not reflect the actual cost of services provided and the District may not have received all the aid it is entitled to receive. While the cost was understated, the reported revenue was overstated. The overstated amount included about \$1.2 million in tuition revenue for students attending non-District schools and transportation revenue that should have been reported in separate accounts.

The District submitted its cost reports for the school-age summer special education program for the 1997-98 school year in June of this year. These reports were due September 1, 1998 or approximately ten months previously. Without the cost reports, the Department could not set tuition rates and aid payments may be temporarily delayed until the tuition rates are established and recorded on the Department's System to Track and Account for Children (STAC).

## **Recommendations**

1. Develop a corrective action plan to address the findings and recommendations contained in this report.
2. Calculate and report student FTE enrollment in accordance with Section 175.6 of the Regulations.

3. Ensure the data gathered for Public Excess Cost Aid are accurately reported.
4. Accurately accumulate and report FTE enrollment for students with disabilities in the appropriate weighting categories for Public Excess Cost Aid. Maintain adequate documentation to support the inclusion of student FTE enrollment in each weighting category.
5. Determine the feasibility of using the computerized student attendance data system to track enrollment dates, grade levels, legal and illegal absences, and special education services in order to report student FTE enrollment in the proper weighting categories.
6. Review claims for Public Excess Cost Aid and determine if amending these claims is warranted.
7. For each type of special education service, calculate cost for High Cost Aid based on actual, not budgeted, average salaries and staff FTE, fringe benefits, caseloads, class sizes, and levels of services.
8. Ensure Individualized Education Plans specify the frequency and duration of all special education services including the services of part-time teacher's aides.
9. For each student, calculate cost for High Cost Aid based on special education services required by the Individualized Education Plans and on the periods for which those services are provided.
10. Maintain adequate documentation to support the actual provision of services required.
11. Review selection criteria to ensure all eligible students, including home instruction students, are claimed for High Cost Aid, and submit all required Department forms (STAC) for these students.
12. Retain adequate documentation to support student attendance data as reported to the Department.
13. Request that BOCES consider making the necessary adjustments to the computerized student attendance data

system so that reports can be generated, as they may be needed.

14. Require homeroom teachers to use uniform markings or symbols on student attendance cards to help avoid clerical errors and to assist with future attendance audits.
15. Ensure that student attendance cards are updated to reflect accurate information based on other documents such as sign-in sheets and absentee lists.
16. Require school-level attendance audits to be periodically performed by staff not involved in maintaining the respective school's attendance records.
17. Accurately report all eligible hours for Educationally Related Support Services Aid.
18. Ensure the number of dropouts reported include all students who left school prior to graduation for any reason, except death, and did not enter another school or approved high school equivalency preparation program.
19. Ensure the costs for all services provided as part of the school-age summer special education program, including physical and occupational therapies, are reported on the cost reports for all eligible students.
20. Appropriately report all revenues for the school-age summer special education program in the proper accounts.
21. Ensure cost reports for the school-age summer special education program are submitted by the due dates.

### **Comments of District Officials**

The District generally agrees with the recommendations. In regard to recommendation number 9, the District responded that its HCA calculation will include all services required in the IEP and other related services provided to the students.

Auditors' Note: However, the costs of other related services are not eligible for HCA unless the services are specified in the IEP.

In regard to recommendation number 12, the District responded that it will maintain attendance folders for all students for one year.

Auditors' Note: The actual attendance record, the traveler card, should be retained for six years as required by the Records Retention and Disposition Schedule ED-1.

In regard to recommendation number 16, the District agrees with the recommendation, but states it will assign teams of two attendance teachers and school personnel to conduct an audit of all attendance cards every ten weeks. This increased amount of oversight may be warranted at the outset. Once experience is gained, more frequent reviews could focus on problematic schools and only periodic reviews of other schools.

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# Improvements Are Needed in Management Controls

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The audit identified several opportunities for the District to improve its management controls. The following sections discuss these opportunities including oversight for State aid claims, Board responsibilities, policies and procedures, project management - new management information system (MIS), communication, roles and responsibilities, and other management responsibilities.

## Oversight for State Aid Claims

For the 1997-98 school year, the District reported \$253 million in General Fund State aid. District personnel must provide the necessary oversight and have systems in place to ensure that all State aid information is collected, analyzed, and reported to the Department accurately and on a timely basis. As part of this oversight, staff must be adequately trained and supervised. The audit found the District has not provided the necessary oversight with the State aid claiming process.

The inadequate oversight is evident by the findings in the previous sections of the report, including the District's failure to timely submit or amend the reports required for ERRSA and Private Excess Cost Aid. With proper oversight, both of these costly delays could have been prevented.

In the case of the ERSSA claim, staff responsible for collecting the information and completing, reviewing and submitting the required report did not understand the Program's requirements. In addition, when the Department notified the District of the need to amend the report by a certain date, this information was not shared with the appropriate individuals in a timely manner and the report was not amended by the required date. In the case of the Private Excess Cost Aid claim, the necessary information was collected and recorded on the form on a timely basis. However, the District failed to file the report with the Department by the required date.

During the period in which these errors occurred, one clerical employee, reporting directly to the Associate Superintendent for Finance, was given primary responsibility for completing most of the State aid claims and other statistical data required by the Department (e.g., student attendance, drop-out statistics, etc.). Although this employee was experienced, he worked virtually

unsupervised, did not have written procedures to follow, and did not have a complete understanding of the requirements for certain State aid.

Since the ERSSA and Private Excess Cost Aid issues were made public, the District has taken steps to improve its oversight for the State aid process, but needs to do more.

- In January 1999, the District assigned an associate management analyst responsibility for General Fund State aid.
- The District instituted a monitoring process to help ensure all required State aid reports are completed and filed on a timely basis. This monitoring process is based on a timeline showing when State aid reports are due and are actually filed. The District only provided a current version of the timeline seven weeks after the audit first requested one. This delay raises the question of how effectively the timeline is being used as a monitoring tool.
- The District hired an individual with Large City District experience and with State aid expertise to fill the position of Assistant Superintendent for Finance/Administration effective May 17, 1999.

## **Board Responsibilities**

The Board is responsible for overseeing and managing the District's affairs, personnel and properties, and has ultimate responsibility for the fiscal health and stability of the District. The Board is also responsible for presenting to the City of Buffalo for approval, the District's proposed budget. Once approved by the City, the budget should be the basis for the control and orderly expenditure of District funds. As such, the Board should monitor expenditures on an on-going basis and ensure expenditures do not exceed the approved budget.

To assist with this fiduciary responsibility, some boards have established an audit committee. The audit noted opportunities for the Board to improve its oversight through the use of an audit committee and better monitoring of the District's budget and expenditures.

## *Audit Committee*

An audit committee should be composed of mostly board members and should have oversight responsibilities for financial reporting, internal controls, and external and internal audit processes including the nomination of the independent auditor. In some cases, the oversight responsibilities include monitoring processes to ensure compliance with a district's code of conduct, and laws and regulations. The organization and activities of an audit committee may vary among districts, and therefore should be spelled out in a charter.

The Board minutes indicate that the District has a budget and audit committee. The committee presented the annual spending plan to the Board for approval. However, we were not able to determine the responsibilities of the committee or obtain a copy of the committee's charter. Without this information, we could not fully assess the appropriateness or completeness of the activities of the committee. Based on the results of this audit, though, it appears the committee needs to provide more oversight with the District's management controls. Also, committee members should be adequately trained and understand their responsibilities.

## *Fiscal Projections*

One of the primary purposes of budgeting is to provide control over the revenues and expenditures of an organization. According to Section 170.2 of the Regulations, all boards of education should receive budget status reports for all funds, including special revenue funds, at least quarterly. The report's detail for appropriation (expenditure) accounts should include the original appropriation, transfers and adjustments, revised appropriations, expenditures to date, outstanding encumbrances, and unencumbered balance.

The District's Board of Education is provided with the budget status reports as required. This report, however, is very voluminous and not summarized to facilitate review by the Board. Also, because the current accounting system does not encumber personal service appropriations for the year, the budget status reports do not present the most accurate picture of the District's financial position or allow for the most informed decision making by the Board. According to District officials, although the current accounting system does not allow the encumbrance of personal service costs, the new management

information system will allow this and provide better monitoring of expenditures. The final section of OSC's component of the audit report discusses this in more detail.

One aspect of good budget administration is an accurate prediction of the year-end surplus or deficit. Year-end surpluses are the result of revenues in excess of expenditures, while year-end deficits are the result of expenditures being in excess of revenues. Information concerning fund balance is particularly valuable to the board and the administration when making final decisions about the upcoming budget. The District has not adequately predicted or monitored its fund balance.

The District's general fund revenues exceeded expenditures by almost \$10 million for the 1997-98 school year. This includes the stated surplus of \$3.5 million, increases in reserves of \$4.6 million, and transfer of grant costs of \$1.6 million to the general fund. The excess is in addition to the \$8.9 million which would have been paid to the District if it had properly filed its claims for ERSSA and Private Excess Cost Aid on a timely basis. In addition, the District left millions of dollars in a few of its grants in the Special Aid fund. The unspent grant amounts are available for use in the subsequent year.

## **Policies and Procedures**

Section 1709 (2) of the Education Law requires boards of education to establish policies concerning district operations. Policies should be developed for budgeting, purchasing, accounting and auditing, travel, transportation, school lunch, operation and maintenance, OSHA, toxic substances, energy conservation, and disaster preparedness. Copies of the policies and procedures should be distributed to district officials and staff.

The audit found that although the District had certain written policies and procedures, many were very general and obsolete. For example, the District's official accounting procedures are one page long and dated December 1971. The District has no official written policies and procedures for the budget process; employee travel; student transportation; school lunch; OSHA; toxic substances; energy conservation; and disaster preparedness. The District also has no official policies and procedures for fixed assets and equipment inventory.

The District's policies and procedures are not in compliance with the Education Law and good business practice. As a result, employees may not know what is expected of them and the District may not be able to hold them fully accountable. In addition, because the District has very few written procedures, it may be at substantial risk if key employees leave District service. This is especially critical because the District acknowledges it has little or no back-up for certain key positions.

The District has begun to make some improvements in this area. In January 1999, the Board began a comprehensive review of its established policies. In the area of State aid claims, the District contracted with a vendor to develop a manual and provide in-service training. The vendor provided a manual describing the State aid process as part of its service, but did not provide detailed procedures for claiming State aid. Also, as part of the implementation of the new MIS, which is now targeted for implementation in September 1999, staff training should be provided and procedure manuals should be developed.

## **Project Management - New Management Information System**

In December 1997, the District issued a request for proposal (RFP) for a financial MIS. The RFP for the MIS required modules for all financial functions such as general ledger, budgeting, encumbrance accounting, project/grant accounting, purchase requisitions, warehouse inventory, fixed assets/inventory control, accounts payable and all human resource functions. After an analysis of proposals, the District chose a consultant to provide the service.

In implementing the MIS project, an implementation plan should be developed and monitored on a routine basis to ensure the implementation proceeds as planned. Also, as recommended by the District's independent auditor, a District-wide process improvement project should be implemented in conjunction with the new MIS, and one person or group should be assigned to manage the implementation.

The District developed an implementation plan, but it was not monitored on an on-going basis and the District did not implement the MIS as originally planned and called for in the RFP. The RFP called for parallel systems to begin in July 1998 for budget, general ledger, accounts payable and purchasing, and in March 1999 for payroll. However, the District has not yet begun any parallel processing or end-user training as of May

1999. In addition, training guides and written procedures are not yet available. As a result, the District was not prepared to fully implement the MIS on July 1, 1999, as had been scheduled.

According to District officials, the District now expects to begin parallel processing of its payroll system as of September 1999 and the other accounting functions by the end of the calendar year. Because the District's current payroll system is not year 2000 compliant, the District needs to ensure its new system is fully implemented by the end of the calendar year.

The District has not yet developed a District-wide process improvement project as recommended in the District's independent audit. The District has an opportunity to improve its processes in conjunction with the introduction of the new MIS in the District, but has not yet taken action to do so.

In response to the recommendations in the CPA's management letter, the District assigned responsibility for managing implementation of the MIS. The audit found, however, that the individuals given responsibility for implementing the new MIS do not appear to have the appropriate background, experience and expertise to manage such responsibilities. The two individuals assigned to this project primarily have experience in instructional technology and have never been involved in implementing a financial MIS.

## **Communication**

A school board has general oversight responsibilities for a district, but relies upon a superintendent to function as the chief executive officer of the district. It is the superintendent's duty to enforce all provisions of the laws, rules and regulations in the district and to have general supervision and direction over all school district activities. Although not a voting member of the board, a superintendent has the freedom and privilege to speak on all matters before the board and the obligation to report to the board. As such, the superintendent is responsible not only for communicating information with the board, but also with encouraging the communication and sharing of information between and among district offices and staff to ensure all board members and staff are appropriately apprised of the information they need to fulfill their responsibilities.

The audit found the District needs to improve its communication and information sharing, both between the Superintendent and

the Board, and between and among various District offices and staff. Following are a few examples of how the timely dissemination of information is lacking.

- The late filing of the State aid claims resulting in the delay of \$8.9 million is a prime example of the need to improve communication lines. The Board was not notified of the late filings until several months after the Department notified the District of the late filing.
- Although the Department cautioned the District the ERSSA report would have to be amended to maintain aid eligibility, this information was not communicated within the District for eight months. The Department first notified the District May 18, 1998 that the ERSSA report would have to be corrected by June 30, 1998 to avoid a delay in payment. After this deadline was missed, the Department continued to warn the District that no ERSSA would be paid, even on a delayed basis, if the report was not properly amended by June 30, 1999. Only in January 1999, did the District's Finance staff notify the office that prepares the report, that it would have to be corrected.
- The District is not using information that appears to be readily available from one of its offices to support Public Excess Cost Aid claims. As discussed in an earlier section of this report, the District is using a manual, labor intensive and error prone process to gather the data to support its Public Excess Cost Aid claims. However, the student attendance system, used for maintaining student attendance, IEP, biographical, and other data, already contains all of the information needed for the Public Excess Cost Aid claims. For example, the student attendance system contains individual enrollment information as well as information on the amount of time individual students receive special education services, and whether a student receives consultant teacher services. During this audit, District staff have begun communicating on how the student attendance system information can be used for Public Excess Cost Aid purposes.

## **Roles and Responsibilities**

School districts should employ administrators and staff who possess the knowledge, skill, and ability to carry out their roles and responsibilities. In addition, roles and responsibilities should

be delineated so that administrators and staff are aware of what is expected of them and individuals should generally report to one supervisor. The audit found the District did not always clarify roles and responsibilities and may have assigned responsibilities to individuals who may not possess the necessary knowledge, skill, or ability for those responsibilities.

- The Associate Superintendent for Finance resigned from this position effective July 30, 1999. The District needs to ensure that the individual selected to fill this position has a working knowledge of the State aid process, as well as other school district finance issues, and the leadership skills to engage the District in reengineering its business practices.
- The District's State aid staff and the State aid claiming function do not appear anywhere on the District's organization chart. In effect, the organization chart shows no assignment of responsibility for State aid and no assignment of oversight for this vital function. The District needs to improve its oversight with the State aid claiming process and make this a management priority. Roles and responsibilities need to be clearly delineated.
- The District has assigned vital responsibilities to individuals who may not possess the necessary background and experience to perform the requirements of the job. For example, the District had assigned the processing of most State aid claims to a research aide (a clerical position). Only recently did the District place an associate management analyst in charge of this function. In addition, the District assigned the implementation of the MIS to the individual responsible for instructional technology and the preparation of the District's budget to the individual responsible for instructional staffing. Both of these individuals retained their prior functions within the Division for Educational Support Services, resulting in their reporting to two supervisors.

## **Other Management Responsibilities**

This audit concentrated its review on the District's management controls over the State aid process. We did not review internal controls in detail due to time constraints; the fact that the District's independent auditor reviewed internal controls over financial reporting as part of its annual audit; and the fact that controls should change based on the implementation of the new MIS. Nevertheless, our audit did identify additional internal

control improvement opportunities in several areas including budget monitoring, payroll, and equipment inventory.

- The budget is meant to provide spending limitations, fiscal control and accountability. In order for the budget to be meaningful, it should be monitored and significant variances should be identified, analyzed, and reported to the Board on a timely basis. The Budget Office should be adequately staffed and directed by a budget officer. The audit found that the Budget Office was not adequately staffed or directed by a budget officer, and as previously discussed, the budget was not adequately monitored. The District did not have a budget officer for the 1997-98 school year while the staff person responsible for this function was on a paid leave of absence. For the 1998-99 school year, the District still did not have a full-time budget officer assigned to prepare and monitor the entire budget. Instead, the District's Director of Instruction prepared the expenditure portion of the budget in addition to her other duties; she was assisted by an accountant and two support staff, who also had other responsibilities. The Associate Superintendent for Finance and the Executive Assistant to the Superintendent prepared the revenue portion of the budget. Although District staff regularly reviewed individual expenditure items, they did not monitor the budget as a whole. As a result of this audit, the District increased its Budget Office staff from a 1.0 FTE to a 5.0 FTE. The increase in staff dedicated to the budget process should allow for more comprehensive budget preparation and monitoring.
- A payroll system should be flexible to meet the needs of the user and should provide for the efficient and effective processing of data. However, the current payroll system, developed in 1968, is manually intensive, time consuming and inefficient, as noted by the District's independent auditors. Also, it is not year 2000 compliant and it does not allow for the continuous monitoring of staff FTE, a necessary budget control. The District is in the process of implementing a new payroll MIS that is expected to address most of the problems with the current system. However, concerns have been raised by staff that the system will not meet certain District needs. For example, District staff has stated that although the MIS can split salaries between funds and accounts, it cannot report staff FTEs, only numbers of staff (i.e., each employee would be counted as a 1.0 regardless of whether the employee is full or part-time). In addition, District staff has questioned whether the MIS will

be able to handle retroactive pay increases, such as those typically resulting from settlement of a labor contract. The RFP included these items in its requirements and therefore, the District should ensure these are provided.

- Inventory controls are needed to safeguard property against loss, establish effective utilization, identify amounts for insurance coverage, determine needs and identify surplus items. The District's financial statements show it owns almost \$10 million in equipment items. Because of the lack of significant, reconcilable accounting records for fixed assets acquired prior to 1994, the District's independent auditor did not audit this balance, and has issued qualified opinions on the financial statements for the last three years. The District implemented a control system for its fixed assets in 1994 and expects to have all equipment identified and able to be audited for the 1998-99 school year.

## **Recommendations**

22. Formally assign the Associate Superintendent for Finance the responsibility for ensuring all State aid information is collected, analyzed, and reported to the Department accurately and on a timely basis, regardless of which Division generates the data, and hold the individual accountable for this.
23. Ensure staff are adequately trained to process State aid claims and other reports.
24. Provide adequate supervision and guidance to the staff dealing with State aid.
25. Consider assigning the new Assistant Superintendent for Finance/Administration the responsibility for the day-to-day supervision of staff dealing with State aid.
26. Review the audit committee's charter and consider expanding its responsibilities to provide greater oversight with State aid claims, the implementation of the recommendations in this report, and the District's management control system.
27. Ensure audit committee members are adequately trained and understand their responsibilities.

28. Mass encumber personal service expenses at the beginning of the fiscal year.
29. Summarize the budget status report and submit the summary along with the entire report to the Board.
30. Project the fund balance on a monthly basis beginning no later than January of each year and provide it to the Board.
31. Review all existing policies and add, change or delete policies as appropriate. Ensure all policies are in compliance with laws, regulations, and Department guidelines.
32. Establish written procedures guiding all District operations and distribute the policies and procedures to District officials and staff.
33. Ensure the District has adequate back-up for key positions in case of staff turnover.
34. Re-evaluate the MIS implementation plan and make any necessary corrections.
35. Consider hiring a qualified individual to oversee the implementation of the MIS.
36. Monitor the implementation plan for the MIS and update it on an on-going basis.
37. Advise the Board on a timely basis of all significant matters affecting the District.
38. Encourage the sharing of information between and among District offices and staff.
39. Establish a process to ensure that information from the Department is disseminated to the responsible offices and staff.
40. Continue recent cooperative efforts within the District to determine how to best use the computerized attendance system to collect and summarize the data required for Public Excess Cost Aid claims.

41. Fill the Associate Superintendent for Finance position with an individual possessing the necessary knowledge of State aid and other school district finance issues, and the leadership skills to engage the District in reengineering its business practices.
42. Revise the District's organizational chart to show responsibility for the State aid processing function.
43. When assigning responsibilities to an employee, ensure the employee has the necessary knowledge, skill and ability to fulfill those responsibilities.
44. Appoint an individual responsible for preparing and monitoring the entire budget. Also, adequately staff the Budget Office to permit the level of monitoring required.
45. Ensure the new payroll MIS will meet the District's needs, including staff FTE reporting and retroactive payroll increases, and hold the vendor responsible for meeting all contract requirements.
46. Establish adequate controls over equipment, including records to support the \$10 million in equipment.

### **Comments of District Officials**

The District generally or partially agrees with the recommendations. The District disagrees with recommendations 37 and 39 citing that these practices are already in place.

Auditor's Note: The audit maintains that continuous improvement in communication must be ongoing at all levels, as evidenced by the findings in the report.

**NYS Office of the State Comptroller  
Component of the  
Audit Report**

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# Improvements Needed to Ensure Maximization of Building Aid

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## Background

Each year the District's Plant Division prepares a prioritized list of capital projects, which is reviewed by District officials before being submitted to Buffalo City (City), along with capital requests by City departments. The Mayor and Common Council may add and delete projects, change the scope of the work or the amount of funding. The Common Council ultimately authorizes projects and provides for financing through the issuance of bonded indebtedness, as the District does not possess the statutory authority to issue debt. Additionally, the Board authorizes projects financed with current funds.

Capital fund reported expenditures averaged approximately \$12.9 million, for the four fiscal years 1994-95 through 1997-98. Eligible expenditures are aidable pursuant to the Education Law, which, among other things, requires that the projects be approved by the Department prior to the advertising for competitive bids. School buildings used for instructional purposes are assigned a cost allowance based upon computations, which consider the number of students at various grade levels. These computed cost allowances, which include provisions for certain incidental expenses, function as limits for the amount of aid which may be claimed by the District. Building Aid payments to the District are based upon eligible expenditures multiplied by an aid ratio, computed by a statutorily defined formula. The District's aid ratio for the 1998-1999 fiscal year was 83.7 percent. An additional apportionment of 10 percent is available for projects approved by the Board after July 1, 1998.

To claim Building Aid, the District must submit various forms and documentation to the Department and receive approval before advertising for competitive bids. For expenditures paid from current resources, referred to as "capital outlay", Building Aid reimbursement is received by the District in the following fiscal year. Debt service (principal and interest) on bond issues, used to fund District capital projects, is aided in the year in which debt service payments are made. Building Aid for debt service is initially based upon estimated, approved project costs and adjusted upon project completion, when final cost reports are received from the District. The submission of final cost reports is subject to a statute of limitations defined in the Education Law. For all projects substantially completed before January 1,

1998, final cost reports must be received by the Department by June 30, 1999. For projects substantially completed after January 1, 1998, the final cost report must generally be received by the Department by June 30<sup>th</sup> of the year following the fiscal year in which the project was substantially completed. If these final cost reports are not submitted by the due dates, all previously paid reimbursements for the project, including debt service, will be recovered from the District. Even if a final cost report is submitted after the due date, the aid will not be restored, nor will any additional aid be paid for the project.

In addition, where the District rents space for instructional activities, Building Aid is available for such leases, entered into after July 1, 1992, which have received prior approval from the Department and meet certain criteria, including accessibility to disabled individuals.

As a result of the combined efforts of the Department, the District and OSC, a number of capital projects, which previously were not fully aided, were accounted for and reported in 1994 and an amount in excess of \$15 million was received by the District. In 1995, a Consolidated School/City Capital Development Fund - Capital Reserve Fund was established in which \$8 million of the \$15 million was deposited. A Memorandum of Understanding (MOU) was executed by the Mayor, City Comptroller and Board President, dated May 23, 1996 which, among other things, established a funding mechanism for school building capital projects. The City agreed to commit up to \$80 million from bond sales over a four-year period to the Capital Reserve to finance projects and the District agreed to deposit Building Aid, resulting from these projects, into the Capital Reserve. Monies in the account may be expended for approved projects and debt service on the related bond issues. The City further agreed to provide \$6.7 million toward the annual debt service requirements on school related debt.

## **Reconciliation of Building Aid Schedules N, M1, and M2**

Shortly after the start of the fiscal year, the District is required to prepare and submit to the Department the following documents:

- Schedule N - lists debt service payments to be made in the current fiscal year,
- Schedule M1 - lists expenditures paid from operating funds in the prior fiscal year, and
- Schedule M2 - lists approved lease payments to be made in the current fiscal year.

The information on these forms is used to generate a preliminary amount of Building Aid that the District will receive for the current fiscal year. Subsequently, the Department audits these forms by, among other things, comparing the data on these forms to other information the District had previously filed with the Department, such as the District's Annual Financial Report, the ST-3. As a result of that audit, the Department may conclude that the preliminary Building Aid amounts should be changed. Department officials indicated that before a final decision to reduce the aid is made, they may send written correspondence to the fiscal contact at the District, requesting additional information. If the District does not respond to the letter within a few weeks, then the Department adjusts Building Aid. The aid could be reduced for a number of reasons, including errors on a report that the District filed, or expenditures claimed for aid, which related to a non-aidable project. Department officials also indicated that these audits were available for review by the District, and that the District could challenge the conclusions reached. At the completion of the audit of *all* State aid categories (there are many programs besides Building Aid in which the District participates), the Department sends Form SA-32, which indicates the results of all the audits, to the District's chief fiscal officer.

The Department provided us with copies of the audited schedules N, M1 and M2 for the 1996-97 and 1997-98 fiscal years. We compared these schedules to the amounts requested by the District and noted the following:

	1996-97	1997-98
<b>Schedule M1- Capital Outlays</b>		
Capital Outlay Expenditures claimed by the District	\$943,918	\$1,646,006
Department - Approved Capital Outlay Expenditures	424,112	351,582
Decrease in Aidable Capital Outlay Expenditures	\$519,806	\$1,294,424
<b>Schedule M2- Lease Expenditures</b>		
Expenditures claimed by the District	\$1,926,177	\$1,908,161
Department - Approved Lease Expenditures	0	1,247,409
Decrease in Aidable Lease Expenditures	\$1,926,177	\$660,752
<b>Schedule N – Debt Service</b>		
Net Debt Service Costs claimed by District	\$2,275,150	\$2,972,183
Department - Approved Net Debt Service Costs	3,001,302	4,066,479
Increase in Aidable Debt Service Costs	\$726,152	\$1,094,296

To illustrate the impact that audit adjustments have upon District revenues, we estimate that the net decrease in aidable expenditures reduced Building Aid for the 1996-97 fiscal year by as much as \$1.44 million and for the 1997-98 fiscal year by as much as \$720,000. Our intention for including this estimate is to demonstrate the significance that the District should assign to such a reconciliation. Scrutinizing the Department’s audit adjustments, and challenging any which appear inappropriate, may result in greater reimbursement levels. We are **not** suggesting that all of these monies are due the District. Due to the complexity of managing and accounting for numerous projects, as well as the myriad of forms that document project expenditures and financing, the likelihood of error on the part of either the District or the Department or both is great. Such a reconciliation and communication of perceived errors will increase the chance that the appropriate amount of aid is established and paid in a timely manner.

We were able to determine that some of the differences noted above were the result of the following:

- During the 1994-95 fiscal year, the City opted to purchase the Waterfront School with bond proceeds. Until that time, the District used the facility under a capital lease from the New York State Urban Development Corporation (UDC). The audited Schedule N that was provided to us by the Department indicated that District Building Aid calculations

continue to be based on the long-term lease as debt service, even though the lease payments are no longer being made to the UDC. Also, no Building Aid is being paid on the \$7,860,000 that financed the purchase of the Waterfront School. (These bond proceeds were part of the \$14.85 million bond issued by the City in December 1994).

Upon inquiry, the Department indicated that, given the fact that the lease payment is no longer made, aid would likely be discontinued and could also be recaptured from prior fiscal years. Moreover, the Department may ultimately hold that, absent special State legislation, aid would not be paid on the current debt service because the District did not obtain project approval from the Department to “purchase” this facility. District officials contend that the City’s “purchase” of this facility, funded with bond proceeds, is in essence a refinancing of long-term debt, and that this transaction was not a new project. The Department presumably provided a project approval and set a cost allowance when the structure was initially built in the mid 1970’s, which resulted in aid to the District for the past two decades. To prevent the loss of previously paid, current and future Building Aid revenues, District officials should contact the Department and take any further action necessary to resolve this matter.

- The District leases space in various buildings throughout the City to provide classroom facilities. Plant Division records indicate that the District entered into 16 leases for the 1998-99 fiscal year totaling \$1.9 million. The cost of these leases ranged from approximately \$9,300 to \$700,000 annually and the lease terms ranged from one to 15 years. In order for lease expense to be eligible for Building Aid, Education Law, Section 2554(6), requires that the NYS Commissioner of Education approve the lease prior to the execution of the agreement between the District and the landlord.

We noted that only four of the eleven leases on the 1997-98 Schedule M2 prepared by the District were aided. Furthermore, evidence provided by the Department indicated that only six of the eleven leases were approved by the Commissioner of Education. Upon inquiry, District officials were unable to provide an explanation for these differences.

We further noted that none of the eighteen leases on the 1996-97 Schedule M2 prepared by the District were aided. The Department recently completed its review of the District’s submitted lease documentation and established the amount of aidable lease expenditures. For the fiscal years

1993-94 through 1996-97, the total aidable expense is \$3.6 million, which results in aid of \$3 million. Due to errors by the District in reporting the necessary documentation to the Department, the payment of this aid will be delayed several years. In addition, the District will also be receiving aid on leases for the 1997-98 and 1998-99 fiscal years. The total aidable expense for those fiscal years is \$614,000, which results in aid of \$514,000. These amounts due to the District should be paid currently.

District officials should contact the Department to determine the status of lease approvals and to determine if any other Building Aid for leases payments is due to the District.

- We noted two projects, approved by the Department in June 1994 and substantially completed in October 1995, for which the final cost reports were filed with the Department in September 1997. Current funds were reported on both final cost reports as the financing source for expenditures, which aggregated \$334,484. We reviewed the audited Schedule M1s and noted that only \$123,326 of the reported expenditures were approved. As a result, the District did not receive Building Aid of \$176,739, apparently because District reported financing sources did not agree with the Department's records.

District officials should contact the Department to determine what additional steps are necessary to claim the remaining aid on these two projects.

- On the 1997-98 Schedule M1, the Department disallowed, among other things, capital outlay funded expenditures of \$96,062 for one project. We contacted the Department and questioned the disallowance and determined that an error was made by the Department and that Building Aid of \$80,404 on these approved costs would be paid.

According to the Department, the time period for filing revisions that impact State aid payable in the 1995-96, 1996-97, and 1997-98 fiscal years expired on June 30, 1999. District officials requested that we provide technical assistance to monitor their analysis and submission of documentation for Building Aid filings due by June 30, 1999. Numerous documents were filed by the deadline. However, we are not in a position to identify the impact on Building Aid since the Department has not completed its analysis of these filings. If any additional aid claimed was the result of an error by the District, such additional aid may be subject to delayed payment as a prior year adjustment.

As an aside, we also noted that the District's contribution to the Capital Reserve was based in part upon capital outlay disbursements for projects for which Building Aid was claimed by the District, but subsequently not aided by the Department. Thus, the District's contributions to the fund may be in excess of the amount actually required by the MOU between the City and the District. Recognizing that some capital outlay disbursements were not aided, Finance Division staff should review the calculation of the District's contributions to the Capital Reserve to determine if any other revisions are necessary.

## **Review of Form SA-130**

The Department prepares a Form SA-130 for each bond, which lists the amount to be aided for each project financed in whole or in part by the proceeds of that debt. Initially, the SA-130 is based upon estimated project costs (sent to the Department by the District on Form SA-139). The SA-130 is then updated as final cost reports for the listed projects are filed by the District with the Department. The SA-130 also indicates the percentage of the bond eligible for Building Aid, commonly known as the "bond percentage." The audited bond percentages for the District's ten outstanding bond issues during the 1997-98 fiscal year ranged from 5.348 percent to 100 percent.

We designed our testing to determine whether all projects, which were actually funded with the bond proceeds, were included on the SA-130, and whether the project financial data as reported were accurate. Our testing disclosed that, in at least two instances, approved projects funded by bond proceeds do not appear on the corresponding SA-130. Therefore, the bond percentage for these two bonds, as a result of these omissions alone, is understated, thereby reducing Building Aid revenues. Also, an error on an SA-130 resulted in the project cost allowance being understated, which also reduced Building Aid revenues possibly by as much as \$457,450. Finally, the bond percentage for an \$18.8 million bond was greater than 100 percent. Obviously, a district can only be aided up to 100 percent of the debt service on the bond; therefore, the District filed erroneous data with the Department that resulted in this overstatement.

Because the SA-130 form is updated as additional project data are submitted to the Department, District officials should periodically perform a detailed review of this form for all outstanding bond issues until a final bond percentage is established. Such a detailed review will help ensure that all

approved projects to be funded by the bond proceeds are included in the calculation of the bond percentage, and to help ensure that the financial data associated with each project are accurate. Any concerns should be reviewed and resolved in a timely manner.

## **Final Cost Reports**

Currently, the District's Plant Division prepares final cost reports for each completed project and submits them to the Department, without the benefit of a review by the Finance Division.

During our review, we noted differences between the amounts reported on the final cost reports and the amounts recorded in the District's capital project accounting records. For example, on two final cost reports, one submitted in November 1998, the other in February 1999, the project was reported as being funded entirely by bond proceeds. However, the accounting records indicated that these two projects were funded by a combination of bond proceeds and current monies. Because the financial information reported on the final cost reports impacts the amount of aid received and the timing of its distribution, a discrepancy of this nature may result in a reduction to Building Aid revenues if the District had previously been aided as though the expenditures were funded by current monies.

In addition, we noted that the Finance Division does not track the filing status of final cost reports. Much of the project information is available to Plant Division staff, which is used by them to prepare the final cost reports. However, we believe that the Finance Division should track the filing status of final cost reports for each project. This will help ensure that the reports are filed timely and accurately.

## **New School Building Design**

The Department assigns a maximum cost allowance to each approved capital project based primarily upon computations which consider classroom space, number of students and grade levels for a particular school building. Generally, the computations rely on a determination of the "rated capacity" of the building, which involves the measure of area used for instructional purposes. These maximum cost allowances, which include provisions for certain incidental expenses, function as limits to the amount of Building Aid which may be claimed by a district. The amount of the maximum cost allowance is not affected by the estimated or actual cost of the project.

While the budgeted and actual costs for the majority of District reconstruction and refurbishment projects are well within these maximum cost allowances, the costs of the District’s new school projects are well in excess of their respective maximum cost allowance.

We compared the building cost (net of site acquisition), approved maximum cost allowances, and other data associated with two recent new school projects in the District to similar data for three new schools at the Rochester City School District (Rochester). We selected Rochester for this comparison because it is the closest Large City District to the Buffalo City School District and has had several new school projects in the last several years. We recognize that direct comparisons of these projects is imprecise because location, grade level and enrollment, among other factors, impact the maximum cost allowance and the ultimate cost of construction. Nevertheless, the disparity between the District and Rochester, in terms of the percent of costs aidable, leads us to conclude that the Buffalo City School District may not have maximized State reimbursements for these projects.

	Northwest Academy	Makowski Early Childhood Center		Northeast Elementary	Dr. Freddie Thomas Learning Center	Roberto Clemente
School District	Buffalo	Buffalo		Rochester	Rochester	Rochester
Total Project Cost	*\$ 34,000,000	\$ 26,170,342		\$16,350,000	\$ 26,906,000	\$ 14,100,000
Site Acquisition Cost	none	36,000		1,800,000	3,100,000	1,900,000
“Building” Cost	34,000,000	26,134,342		14,550,000	23,806,000	12,200,000
Max. Cost Allowance	14,259,869	10,018,981		10,031,587	15,185,997	8,339,490
Percent of Building Costs Aidable	42 %	38 %		69 %	64 %	68 %
Project Approval Date	December 1997	February 1993		February 1995	February 1994	March 1993
Community Space Included in Design	No	Yes		No	Yes	No
Square Feet	185,000	176,000		102,000	185,000	96,000
Grade Level	5 to 8	Pre-K to 2		Pre-K to 5	6 to 8	Pre-K to 5
Enrollment	1,000	1,000		1,000	1,200	850

\* estimated by District, project not complete

The MOU between the City and the District, which defines the mechanism for funding and utilizing the Capital Reserve,

includes a provision which states, “The Board of Education’s capital building program shall include the design of capital projects to maximize their aidability and to accelerate the building of new schools and the refurbishment of existing schools...”.

District officials have indicated that new buildings are intended to promote the concept of “community schools”. These buildings contain, in addition to instructional space, facilities that are designed to accommodate a variety of programs for the benefit of the community, which therefore, may reduce the City’s need to provide for similar facilities. For example, the Makowski Early Childhood Center, noted in the schedule above, includes a clinic for the benefit of the surrounding community. Such space, because it is not classroom area, does not qualify as rated capacity in the computation of the maximum cost allowance. However, we noted that the Rochester City School District, included community space in the Dr. Freddie Thomas Learning Center and received reimbursement for a portion of the cost of construction from other entities. The Buffalo City School District had not received similar financing from another entity for its community space in the Makowski Early Childhood Center.

District officials should design buildings and adopt project budgets that promote the recovery of costs through Building Aid reimbursements. These designs should, to the extent possible and in compliance with regulation, incorporate the alternative use of otherwise non-aidable space for instructional purposes. For example, we noted that cafeteria space could be utilized as a study hall during other parts of the school day and thereby increase rated capacity. The Department’s Office of Facilities Planning, in a recent cover letter to all school superintendents, indicated that, “It is our desire to assist school officials with the planning of facilities to house their educational programs as efficiently as possible, while at the same time maximizing Building Aid.” District officials should solicit such assistance at the time that building designs are being evaluated. Additionally, District officials should consider contacting other school districts to obtain information on best practices for maximizing Building Aid and other means of financing otherwise unaidable space.

## **Use of In-House Staff**

Staff from the District Plant Division often prepare project plans and specifications, and perform construction progress inspections. In our prior Report of Examination, we indicated that the Department would allow work on approved capital

projects performed by in-house staff to be eligible for Building Aid reimbursements, and accordingly, we recommended that District officials should claim Building Aid for project costs incurred through the use of such District staff. In response to our recommendation, the Plant Division has been preparing a schedule of Division salaries and benefits chargeable to various capital projects. However, the District has not incorporated these costs into documents submitted to the Department to claim reimbursement.

District staff also perform structural inspections of school buildings used for instructional purposes, as required by Education Law. Department officials indicated these costs are aidable pursuant to Education Law, Section 3602(6)(d). In our prior Report of Examination, we recommended that District officials should claim Building Aid for inspection services provided by District staff. However, our review disclosed that the District has not claimed any Building Aid for providing these services.

It should be noted that the State legislature recently incorporated structural inspection activities into the new RESCUE (Rebuilding Schools to Uphold Education) program. This program, which becomes effective in the 1999-2000 school year, will apparently provide aid for district staff who perform such inspections, and therefore the mechanism for claiming aid for these services may differ.

As with any of the recommendations contained within this report, we will make ourselves available to provide technical assistance requested by the District to facilitate the implementation of this recommendation, as it may require a different approach to budgeting and accounting for these activities.

## **Repair and Maintenance Type Activities**

Generally, repair and maintenance type expenditures are not eligible for Building Aid. However, certain repair and maintenance type activities, if more capital in nature, or if related to other capital construction projects, may be eligible for Building Aid, pending project approval from the Department. For example, we noted that several schools had radiator covers and plumbing components replaced during 1998, with the cost of materials aggregating to approximately \$84,000 charged to the general fund and therefore not eligible for Building Aid. Further, District tradespeople installed these components and therefore, their personal service and fringe benefit costs would have

resulted in additional project costs. If these improvements exceeded \$10,000 per building and were acknowledged by the Department's Office of Facilities Planning as capital in nature, some or all of these costs would have been aidable as distinct projects. Alternatively, if the construction costs for this work were less than \$10,000 and the activities related to other projects at these same buildings, some or all of the costs may have been aidable.

Plant Division officials indicated that they currently attempt to combine repair and maintenance type activities with capital projects, but this process could be enhanced if a detailed school building condition inventory was available. Such an inventory would allow them to more efficiently identify necessary repair and maintenance activities and incorporate these needs into related capital projects at the same building.

## **Refunding Bonds**

In February 1998, the City Comptroller refinanced portions of three outstanding bonds, some of the proceeds of which funded certain District projects, by issuing a refunding bond in the amount of \$10,950,000. A refinancing is intended to achieve savings in debt service costs over the life of the debt, typically by taking advantage of lower interest rates in the current market than existed at the time when the original bonds were sold.

We noted that District officials did not report the issuance of the refunding bonds to the Department. This resulted in an overpayment of Building Aid to the District during the 1997-98 fiscal year, because the aggregate interest costs of the new debt and the interest on the remaining portions of the three previously issued bonds, were less than what the aggregate interest costs would have been had the refunding bond not been issued. Our analysis disclosed that the portion of Building Aid revenues generated from District debt service payments was actually based on the principal and interest payments of the original issues. Unless the District reports the new debt service to the Department, overpayments will also occur in subsequent fiscal years, all of which will be recovered by the Department once the error is identified.

We also noted that the City issued refunding bonds in February 1999. The District, in a filing dated June 8, 1999, reported the revised debt service requirements for that issue to the Department.

## **Status Reports**

Currently, the Plant Division prepares a construction status report, organized on the basis of the Department project number, for distribution to only members of its staff. This report, which typically includes numerous projects at various stages of completion, should be revised to include by project: the total budget, cumulative expenditures, financing sources and the status of the various forms required to be filed with the Department. To improve communication and inform other interested parties of the status of project activity, this report should be prepared at least quarterly and distributed to officials in the Plant and Finance Divisions, the Superintendent, Board of Education, Mayor, Common Council, and City Comptroller.

## **Capital Planning**

The method of selecting capital projects for funding significantly impacts the planning process of the Plant Division. A capital plan, including estimated costs for each proposed project, is prepared annually by the Plant Division, reflecting perceived improvements necessary for school facilities. The projects are ranked in priority order and, for those which require funding with debt proceeds, are submitted to the City for approval. We noted instances where projects were not funded in the District's prioritized order or in the amount estimated. For example, the 1997-98 capital plan, as approved by the Common Council, included a \$2,675,000 project for the Emerson Culinary School which was not among the projects listed on the District's capital funding request.

Because of the uncertainty as to which projects will ultimately be approved, the Plant Division does not prepare plans and specifications until after a project has been authorized through the budget process. This then delays the application for approval by the Department and the subsequent bidding, awarding, and signing of contracts. District officials indicated that the bulk of the construction projects in school buildings used for instructional purposes must be done during the summer recess. Therefore, many of the significant projects must be planned, properly documented and submitted for Department approval several months in advance.

We recognize that City officials' involvement in capital planning is governed by Article 19-A of the City Charter, which provides a structured approach to the process. City officials need to consider multiple demands for City capital funding to improve its infrastructure to provide many different City services, only one

part of which is District related. However, District projects are unique in that they require direct interaction with a State agency, throughout the design, bidding and construction phases, and more importantly, receive reimbursements now approaching 95 percent. An alternative means of establishing a plan, perhaps for a multiple year period, should be considered by City officials. City officials could incorporate the same level of scrutiny and deliberation into such an alternative process, with the end result being a commitment to finance specific projects, which District staff can rely on to prepare plans and specifications for review and approval by the Department. Such an alternative process would require the establishment of a timeline much earlier than the one set forth in the Charter.

We noted that some of the projects authorized by the City in the spring of 1997 had received financing through the February 1999 bond issue. These projects aggregated to \$9 million in financing of the \$28.2 million issue. District officials indicated that the City Comptroller only issues the bonds when the construction phase of the project is imminent. Therefore, these projects were generally approved by the City some two years before the construction was actually begun. Clearly, plans and specifications were prepared, Department approval was sought and received and bids were solicited in the interim. However, this significant time lapse between approval and project completion must be addressed before a change in the authorization process should be contemplated.

Because the District currently has a number of authorized but incomplete capital projects, they would need to be initiated before a change in the authorization process could occur. Otherwise, earlier authorization by the City of additional projects would merely add to the backlog that already exists.

In addition, as addressed earlier, we encourage the Plant Division to pursue its intention to develop a comprehensive inventory of school buildings, to include a means by which to evaluate structural and mechanical components. Such an inventory will support the District's prioritized capital needs.

## **Recommendations**

47. Reconcile Building Aid claimed on Schedules N, M1 and M2, to amount of aid as determined by the Department's audit of these schedules.

48. Periodically review Form SA-130 in detail for all outstanding bond issues until a final bond percentage is established.
49. Ensure final cost reports are reviewed by the Finance Division before the Plant Division submits these reports to the Department. This review should involve comparing the amounts on the final cost reports to the amounts recorded in the District's accounting records. Furthermore, the Finance Division should track the status of projects to ensure that final cost reports are filed timely.
50. Plan and design new schools so that Building Aid reimbursements are maximized. Also, contact other school districts to obtain information on "best practices".
51. Claim Building Aid for project related personal service, fringe benefit and incidental costs incurred through the use of District staff.
52. Incorporate certain repair and maintenance type activities, which might otherwise not qualify for Building Aid, into capital construction projects, for the purpose of maximizing Building Aid reimbursements.
53. Report bond refinancing to the Department on a timely basis.
54. Prepare and distribute a report of capital projects, including construction and financial status, to various City and District officials.
55. Review the process for authorizing capital projects in light of the need to facilitate the timely filing of necessary documentation with the Department and to maximize State reimbursements.

### **Comments of District Officials**

The District agrees with the recommendations.

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## Improvements are Needed in Other Areas

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The audit identified opportunities for the District to make other improvements. The following sections discuss these opportunities, including accelerating receipt of grant revenue, ensuring the maximum amount of Repair and Maintenance Aid is received, and controlling and monitoring personal service appropriations.

### **Special Aid-Interim Grant Payments**

During the 1998-99 fiscal year, the District operated 96 Special Aid programs supported primarily by the proceeds of State or federal grants of approximately \$99.9 million. For most programs, District officials are required to prepare applications and detailed budgets for submission to the Department. After program budgets are submitted to and approved by the Department, an automatic first (start-up) payment is made to the District. Although the amount of the first payment may vary by program or fiscal year, due to statutory, regulatory, or policy requirements, we noted that for the four largest programs operating during the 1998-99 school year, the start-up payment ranged from 20-50 percent of total appropriations.

For most Special Aid programs, interim grant payments are generated when school district officials prepare and submit a report entitled "Request for Funds for a Federal or State Project" (Form FS-25) to the Department. Such requests should be filed monthly, for programs with budgets over \$100,000, or quarterly, for programs with budgets \$100,000 or less. The majority of the Special Aid programs administered by a school district require monthly filing.

The interim grant request for funds should be based on total recorded program expenditures to date plus projected program expenditures anticipated during the next month (or quarter, in some cases), less program payments received to date. Requests for interim payments may be filed until the program's fiscal year has ended or grant payments equal to 90 percent of the program's budget have been made to a school district.

A review of FS-25s filed by the District indicated that such interim grant payment requests did not include all the anticipated expenditures for the ensuing month, for any of the programs for the 1997-98 program year, or for the 1998-99 program year, to date. The interim requests for funds were based on all year-to-date program expenditures, including personal service costs, and

encumbrances only for equipment, contracted services, materials and supplies recorded in the program's appropriation ledger. District officials did not claim any additional amounts needed to finance projected program payroll and fringe benefit expenditures expected to be incurred during the course of the ensuing month. Consequently, interim payments claimed by the District were less than the amount that the District was entitled to receive at the time the requests were filed. Including the anticipated expenditures of ensuing months on the interim payment requests submitted to the Department would significantly enhance cash flow to the District.

District officials should closely review the financial activity of each Special Aid program to ensure that the maximum amount of interim grant payments available to the District is requested. Toward this end, District officials should develop expenditure trends and projections for each program to serve as the basis for requesting funds for anticipated cash expenditures on the FS-25.

We recognize that, in certain instances, delays in program approvals and the receipt of start up funds diminish the benefit of requesting the maximum amount of interim payments. However, we noted that most of the larger programs, such as Title 1 (Budget- \$25 million), were approved on a timely basis, thereby allowing the District to request the maximum amount of interim grant payments for these programs during the 1998-99 fiscal year.

## **Repair and Maintenance Aid**

Beginning with the 1998-99 fiscal year, the District received over \$600,000 in State funding for minor maintenance and repair of school facilities. Funding for this program, which is separate and distinct from Building Aid, is calculated and distributed to the District based on factors such as building age and square footage. Upon our request, the Department provided us with a schedule of square footage by school building that was used to calculate the District's share of Repair and Maintenance Aid. On this schedule, square footage was shown as zero for nine schools currently owned and operated by the District. While the noted exceptions affect the funding level of Repair and Maintenance Aid, we did not attempt to estimate the amount of aid the District did not receive, because other errors may exist in these reports.

District Plant Division officials indicated that the omissions of square footage data were apparently due to errors on fire inspection reports that they prepare and submit to the Department annually.

District officials should review their fire inspection reports to ensure that they contain, among other things, accurate square footage data and are acceptable to the Department. We provided the Plant Division with a copy of the schedule of square footage, by building, and they were attempting to correct the square footage exceptions noted, as well as reviewing the documents for other errors.

## **Personal Services Appropriation Control and Encumbrances**

Personal services appropriations, including associated fringe benefits, totaled approximately \$278.8 million, or 73 percent of the District's general fund budget for the 1998-99 fiscal year. Furthermore, the Special Aid funds and the food service funds included personal service and fringe benefit appropriations in excess of \$90 million and \$6.7 million, respectively. For the four largest projects within the Special Aid fund, personal service and fringe benefit appropriations exceeded 90 percent of total appropriations, while for the majority of the other Special Aid programs, personal service and fringe benefit appropriations were in excess of 70 percent of total appropriations for those projects.

Each fiscal year, District officials are faced with the task of allocating available financial resources between essential educational programs and support activities. Given the existing funding constraints, it is imperative that the actual costs of District programs and support activities are monitored and kept within spending limits established in the annual budget, to help ensure that significant variances from the budget are identified in a timely manner. This can be accomplished with an appropriate system of budgetary controls and budget monitoring.

Encumbrances are accounting entries to recognize commitments related to unperformed contractual obligations and personal services. They should be used as a budget monitoring technique to set aside specific appropriations that are already committed to fund expected costs, which are then unavailable for other purposes. District officials currently encumber commitments for the purchase of equipment, contracted services, materials, and supplies. However, as previously discussed in the Department's component of the audit report, the District does not encumber personal service appropriations in the accounting records, even though these costs are the most significant part of the District's three major operating funds.

Currently, the balances in personal service appropriation accounts are reduced only when expenditures are made. For many public entities it is unnecessary to encumber personal service appropriations because budgetary estimates are based on actual salaries to be paid to specific individuals, and also because there is little movement of personnel between funds and appropriation accounts. The District, however, estimates salaries by applying an average, which is less accurate than methods used by other entities. In addition, the District often adds and deletes personnel, and transfers employees between appropriation accounts and/or funds.

Because of payroll changes, it is imperative that District officials devise a system that allows them to be aware of the financial status (surplus or deficit) of various appropriation accounts and allows them to efficiently modify encumbrances as changes in staff levels and/or funding sources warrant. Information concerning the amount of appropriations contractually committed through the end of a fiscal year and the amount of unencumbered balance at a given point during the fiscal year should be calculated based upon actual salaries to be paid to District employees. Thus, as it is recognized that the need for multiple staffing changes may exist at the beginning of the fiscal year, the District should consider calculating the encumbrances of personal service expenditures a month or two into the school year, after program and staffing levels are more static, yet still early enough to provide the ability to more accurately forecast total expenditures and any significant budget variances in a timely manner.

The formal use of encumbrance accounting should be a continuous and integral part of monitoring activities. Reports listing budgeted appropriations, encumbrances, and cumulative expenditures would provide District officials with the necessary financial data to guard against incurring personal service liabilities which may result in expenditures exceeding the appropriations approved by the Board of Education. In addition, these data allow school officials to make timely decisions related to the transfer of unneeded appropriation account balances or the need to take action if it is anticipated that a particular appropriation account will be overexpended. Any budget transfers should be in accordance with the applicable provisions of the bylaws of the Board.

## **Recommendations**

56. Request the maximum amount of interim grant payments allowed from the Department for each eligible Special Aid program operated by the District.
57. Determine if Repair and Maintenance Aid was funded at the proper level.
58. Require the encumbrance of personal service appropriations to accurately anticipate and quantify potential overexpenditures and/or underexpenditures of appropriations.

## **Comments of District Officials**

The District agrees with the recommendations.

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July 15, 1999

Richard H. Cate  
 Chief Operating Officer  
 The State Education Department

Hon. H. Carl McCall  
 Comptroller  
 State of New York

Re: Response to June 1999 - State Audit Report - Draft

Dear Sirs;

The enclosed response to your June 1999 Draft Audit Report of the Buffalo City School District was presented to the Buffalo Board of Education at 5:00 P.M. immediately prior to its July 14, 1999 meeting. As such the Board has not had an opportunity conduct a thorough review. However, the Board did not want to miss the July 16, 1999 deadline established for having a response to the Draft Audit Report to your offices.

The July 14, 1999 meeting was the first regularly scheduled meeting of the Buffalo Board of Education since three (3) new Board members took office. A new President and Vice President have been elected. I have called a special meeting of the Board for Tuesday July 20, 1999 to begin a review of the Audit, and more importantly to implement corrective measures.

The Buffalo Board of Education looks forward to working cooperatively with both of your offices so that we may provide the best educational opportunities for the children of the City of Buffalo.

Sincerely,

  
 Paul G. Buchanan

# **BUFFALO PUBLIC SCHOOLS**

## **RESPONSE TO JUNE 1999 STATE DRAFT AUDIT REPORT**



**JULY 1999**

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July 13, 1999

Dear Representatives:

This document is presented as the official response from the Buffalo Public Schools to the Draft Audit Report from your offices. This response was organized after the draft report was thoroughly analyzed by the review committee convened by the Superintendent of Schools.

It should be known that we fully support the initiative to foster continuous improvements in (1) student achievement and (2) maximizing funding for the District. We fully support the initiative to collaborate with your agencies in order to achieve targeted results.

While we realize that the Buffalo Public School District has been making hard decisions relative to priorities with limited resources, it is expected that the long term impact of this audit will position the District to ultimately reach the goal of higher student achievement.

Our sincere thanks to you for your committed interest in the success of the Buffalo Public Schools.

Sincerely,

*James Harris*  
James Harris, Ph.D.  
Superintendent

## SECTION I: INTRODUCTION AND HISTORICAL INFORMATION

The Buffalo Public School District is a dynamic organization committed to teaching and learning. The district is guided by the following mission statement and strategic goals:

### *Mission Statement*

- To ensure that every student will have the confidence, knowledge, thinking skills, character and hope to assume responsibility for her/his life and contribute to the lives of others; and
- We will champion excellence and innovative learning experiences in partnership with family and community; and
- We will hold ourselves accountable for educating our students and for working to energize all members of the community to actively participate in the accomplishment of our mission.

### *Strategic Goals:* By the Year 2002:

- Every student will continually make unselfish contributions to the betterment of others and will actively participate in addressing community issues; and
- Every student will continually set, plan for, assess progress toward and achieve goals; and
- Every student will master the skills defined by a challenging curriculum at each individual grade level or by her/his individual learning plan; and
- Every student will have a passion for inquiry and the ability to think logically, critically and creatively; and

- Every student will demonstrate and promote respect for their own and others' diverse attributes

The district is further guided by a series of six strategies developed to foster attainment of the strategic results:

**Strategies**

1. We will design comprehensive training and support for all so that we can accomplish our mission and our strategic results.
2. We will design a process to audit, align and if necessary, create curriculum, instructional methodologies and assessments to achieve our mission and our strategic results.
3. We will develop the means for students, staff, families and communities to support the achievement of our mission and our strategic results.
4. We will design an ongoing process to audit, align, allocate, and if necessary, secure resources (financial and others) to achieve our mission and our strategic results.
5. We will create a culture of responsibility that respects and fosters diversity throughout the district so that we can accomplish our mission and strategic results.
6. We will reorganize and restructure staff and facilities so that we can accomplish our mission and our strategic results.

The above information is pertinent to the strong support of the district for the audit process in progress focusing on areas impacting funding for the district. The 1996 commitment to audit processing is clearly documented in strategy #4 of the district's Strategic Plan. "We will design an ongoing process to audit, align, allocate, and if necessary, secure resources (financial and others) to achieve our mission and our strategic results."

It should be noted that the support of the district to various audits is rooted in the overarching goal of fostering continuous improvements that will result in high student achievement. Audits are being viewed as opportunities for outside consultants who understand the complexities of educational operations to analyze the effectiveness of selected areas and to present recommendations from their perspectives that might foster improvements. To that end, arrangements have been made for the implementation and completion of the following audits from 1997 to present:

Curriculum Management Audit

Started in December of 1996 and completed in 1997, the audit focused on the deficiencies in the curriculum management in the district. It presented a series of 15 major recommendations.

Clinical Audit of Mathematics Education

(Completed during the 1997-1998 school year)

Clinical Audit of Language Arts Education

(Completed during the 1997-1998 school year)

Clinical Audit of Instrumental and Vocal Music Education

(Completed during the 1997-1998 school year)

Clinical Audit of Science Education

(Completed during the 1998-1999 school year)

**Clinical Audit of Social Studies Education**  
(Completed during the 1998-1999 school year)

**Clinical Audit of Physical Education, Health & Athletics**  
(Completed during the 1998-1999 school year)

**Analysis of Funding for the Buffalo Public Schools**  
(Completed during the 1998-1999 school year by the Council of Great Cities Schools)

In 1997, the Superintendent requested that the State Comptroller conduct an assistance audit of the Buffalo Public Schools. The 1997 response from the Office of the Comptroller referred the administration to the audit of 1993 previously completed by the Comptroller's office. Also, staff limitations did not allow for an audit in 1997.

It should be noted that the district fully participated in the development of a management study in 1994 and the **Financial Planning Commission Study of 1995**.

This introductory and historical information is being included in our response to the draft audit report of 1999 in order to highlight the commitment of the district to foster continuous improvements based on continuous internal and external reviews.

**SECTION II: BUFFALO PUBLIC SCHOOLS RESPONSE TO JUNE 1999  
STATE AUDIT REPORT RECOMMENDATIONS  
JULY 1999**

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
1.	Develop a corrective action plan to address the findings and recommendations contained in this report	<ul style="list-style-type: none"> <li>• The Superintendent will convene a task group to draft responses to the findings and recommendations in the audit report.</li> <li>• The Superintendent will share the response report with the Board of education.</li> </ul>	<ul style="list-style-type: none"> <li>• Superintendent</li> <li>• School Board</li> </ul>
2.	Calculate and report student FTE enrollment in accordance with Section 175.6 of the Regulations <b>AGREE</b>	<ul style="list-style-type: none"> <li>• FTE will be calculated based on enrollment as prescribed by Section 175.6 and the Individual Enrollment Computation Guide.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Finance, HRS and Support Services</li> <li>• Assistant Superintendent for Special Education</li> </ul>
3.	Ensure the data gathered for Public Excess Cost Aid are accurately reported <b>AGREE</b>	<ul style="list-style-type: none"> <li>• Data on selected Special Education students was reported without cycle information.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Finance, HRS and Support Services</li> <li>• Assistant Superintendent for Special Education</li> </ul>
4.	Accurately accumulate and report FTE enrollment for students with disabilities in the appropriate weighting categories for Public Excess Cost Aid. Maintain adequate documentation to support the	<ul style="list-style-type: none"> <li>• FTE calculated based on attendance data rather than enrollment. Students receiving services below the threshold were included with eligible students in one category. Dates of service for some</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Finance, HRS and Support Services</li> <li>• Assistant Superintendent for Special Education</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
inclusion of student FTE enrollment in each weighting category <b>AGREE</b>	students were inaccurately recorded and reported.		
5. Determine the feasibility of using the computerized student attendance data system to track enrollment dates, grade levels, legal and illegal absences, and special education services in order to report student FTE enrollment in the proper weighting categories <b>AGREE</b>	<ul style="list-style-type: none"> <li>• An appropriate forum exists for this in regularly scheduled meetings between the Buffalo and BOCES Student Information System implementation teams.</li> <li>• All items are given attention at this forum and appropriate work is scheduled as a result of the meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• District will continue forums with Erie BOCES.</li> <li>• District will provide ongoing training for building staff.</li> <li>• District will designate a monitoring team.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant Superintendent for Student Support Services</li> <li>• Director of Technology</li> </ul>
6. Review claims for Public Excess Cost Aid and determine if amending these claims is warranted <b>AGREE</b>	<ul style="list-style-type: none"> <li>• 1998-99 Public Excess claims are being reviewed for possible amendment</li> <li>• A new staff position has been assigned to manage quality of data.</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriate amendments will be submitted following the review.</li> <li>• A staff development training program for cross department team will be conducted to further detail cost and departmental responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> <li>• Assistant Superintendent for Special Education</li> </ul>
7. For each type of special education service, calculate cost for High Cost Aid based on actual, not budgeted, average salaries and staff FTE, fringe benefits, caseloads, class sizes, and levels of services <b>AGREE</b>	<ul style="list-style-type: none"> <li>• District uses average budgeted salaries and staff FTE to calculate costs. Class sizes and caseloads are based on historical estimates.</li> </ul>	<ul style="list-style-type: none"> <li>• The method for calculating costs will be changed so that average salaries, fringe benefits, and staff FTE's will be based on actual financial data from June 30, which represents end-of-the-year expenditures.</li> <li>• The Special Education Department will provide accurate caseload, class size, and levels of service information for all</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant Superintendent for Special Education</li> <li>• Assistant Superintendent for Finance, Personnel and</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
		settings that relate to High Cost calculations after the end of the academic year. <ul style="list-style-type: none"> <li>• Checks and balancing procedures will be refined to insure accountability</li> </ul>	Administration
8. Ensure Individualized Education Plans specify the frequency and duration of all special education services including the services of part-time teacher aides <b>PARTIALLY AGREE</b>	<ul style="list-style-type: none"> <li>• IEP special services are being provided to students.</li> </ul>	<ul style="list-style-type: none"> <li>• IEP will specify frequency and duration for all special education services including the services of part-time teacher aides</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant Superintendent for Special Education</li> </ul>
9. For each student, calculate cost for High Cost Aid based on special education services required by the Individualized Education Plans and on the periods for which those services are provided <b>AGREE</b>	<ul style="list-style-type: none"> <li>• Calculations are made by the Finance Department in conjunction with the Instructional Department.</li> </ul>	<ul style="list-style-type: none"> <li>• An action plan will be developed so that calculations include all services required in Special Education plans and other related services provided to students.</li> </ul>	<ul style="list-style-type: none"> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> <li>• Assistant Superintendent for Special Education</li> </ul>
10. Maintain adequate documentation to support the actual provision of services required <b>AGREE</b>	<ul style="list-style-type: none"> <li>• Each therapist keeps his/her own records on students.</li> </ul>	<ul style="list-style-type: none"> <li>• The Special Education Department will maintain adequate documentation to support the actual provision of services required.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant Superintendent for Special Education</li> </ul>
11. Review selection criteria to ensure all eligible students, including home instruction students, are claimed for High Cost Aid, and submit	<ul style="list-style-type: none"> <li>• The district identifies certain populations (settings) of Special Education students to determine High Cost Aid.</li> </ul>	<ul style="list-style-type: none"> <li>• The district will review the method for identifying eligible students so that a cost is developed for every Special Education student.</li> </ul>	<ul style="list-style-type: none"> <li>• Assistant Superintendent for Special Education</li> <li>• Assistant Superintendent for</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
all required Department – forms (STAC) for these students <b>AGREE</b>			Finance, Personnel and Administration
12. Retain adequate documentation to support student attendance data as reported to the Department <b>AGREE</b>	<ul style="list-style-type: none"> <li>• Homeroom teachers mark Traveler Cards at the start of day and send to the office.</li> <li>• Written documentation of legal absences is retained by homeroom teacher and submitted to office at end of school year. These notes are filed by homeroom not by individual student.</li> </ul>	<ul style="list-style-type: none"> <li>• Homeroom teachers will maintain an attendance folder provided by the district for each student in the school. It will include the Traveler Card for each semester. All written excuses documenting legal absences and tardy slips completed by school clerks when student arrives late for school will be filed.</li> <li>• Folders will be retained in locked storage in the school for one year.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant Superintendent for Student Support Services</li> <li>• Supervisor of Attendance</li> <li>• Building Principals</li> </ul>
13. Request that BOCES consider making the necessary adjustments to the computerized student attendance data system so that reports can be generated, as they may be needed <b>PARTIALLY AGREE</b>	<ul style="list-style-type: none"> <li>• An appropriate forum exists for this in regularly scheduled meetings between the Buffalo and BOCES Student Information System (SIS) implementation teams.</li> <li>• BOCES system constraints determine the availability and type of reports requested by the district.</li> <li>• All items are given attention at this forum and appropriate work is scheduled as a result of the meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• BOCES will make available attendance reports no more than 30 days after the close of each semester.</li> <li>• BOCES will be consulted to change SIS so as to generate reports as needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Director of Technology</li> </ul>
14. Require homeroom teachers to use uniform markings or symbols on student	<ul style="list-style-type: none"> <li>• Teachers refer to explanation information on the Traveler Card folder.</li> </ul>	<ul style="list-style-type: none"> <li>• Inservice training will be provided for all teachers to use uniform markings or symbols on student attendance cards to</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
<p>attendance cards to help avoid clerical errors and to assist with future attendance audits <b>AGREE</b></p>		<p>help avoid clerical errors and to assist with future attendance audits.</p> <ul style="list-style-type: none"> <li>• Will provide Quick Reference Card listing attendance symbols with reasons for legal and illegal absences, other pertinent information to assist in marking cards accurately.</li> <li>• Scenarios for legal and illegal absences will be listed.</li> <li>• Sample notes for parents will be included.</li> <li>• Traveler Card will be audited every 5 weeks by the Attendance Department</li> <li>• Attendance information packet will be prepared for substitute teachers.</li> <li>• Will require substitutes to sign log sheet on days in which they take attendance in homeroom.</li> </ul>	<ul style="list-style-type: none"> <li>• Assistant Superintendent for Student Support Services</li> <li>• Supervisor of Attendance</li> <li>• Building Principals</li> </ul>
<p>15. Ensure that student attendance cards are updated to reflect accurate information based on other documents such as sign-in sheets and absentee lists <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>• The school personnel input attendance data in SIS.</li> </ul>	<ul style="list-style-type: none"> <li>• Will specify that data entry school personnel reserve time at beginning of each day to input attendance into SIS.</li> <li>• Before the end of each day, Traveler Cards and SIS are to be updated to reflect tardy students.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant Superintendent for Student Support Services</li> <li>• Supervisor of Attendance</li> <li>• Building Principals</li> </ul>
<p>16. Require school-level attendance audits to be periodically performed by staff not involved in</p>	<ul style="list-style-type: none"> <li>• School personnel do not audit attendance records; districtwide audits are conducted twice per year by</li> </ul>	<ul style="list-style-type: none"> <li>• Will assign teams of two attendance teachers and school personnel to conduct an audit of all T-Cards every 10 weeks.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
<p>maintaining the respective school's attendance records <b>AGREE</b></p>	<p>attendance teacher teams.</p> <ul style="list-style-type: none"> <li>Attendance teachers audit their assigned schools.</li> </ul>	<ul style="list-style-type: none"> <li>Attendance teachers will audit schools other than their respective school.</li> <li>District will investigate the pros/cons of tracking attendance by period in the secondary schools.</li> </ul>	<p>Superintendent for Student Support Services</p> <ul style="list-style-type: none"> <li>Supervisor of Attendance</li> <li>Building Principals</li> </ul>
<p>17. Accurately report all eligible hours for Educationally Related Support Services Aid <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>The Guidance Department is responsible for the compilation of the hours relating to ERSSA.</li> </ul>	<ul style="list-style-type: none"> <li>The district will identify additional staff members who provide support services for students. This will include the ISST teams, speech and language improvement services, diagnostic testing, occupational therapy, physical therapy as well as curriculum and instruction.</li> <li>A first level review, by the Finance Department, of hours submitted by the Guidance Department should occur. However, it is important to note that it is the responsibility of the Instructional Department to provide the Finance Department with complete and accurate hours.</li> <li>To improve communication and information, the district will assign an Instructional person to work with Finance personnel to develop revised reporting procedures. The district has already requested the guidelines for completing Schedule R-I that are being developed by the SED Supervisor of Comprehensive Health and Pupil Services for improved tracking of</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Finance, HRS and Support Services</li> <li>Assistant Superintendent for Finance, Personnel and Administration</li> <li>Associate Superintendent for Instructional Services</li> <li>Assistant Superintendent for Student Support Services</li> <li>Director of Guidance</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
		<p>ERSSA staff.</p> <ul style="list-style-type: none"> <li>• District will assign three digit project codes.</li> <li>• It is requested that the State Education Department refine the procedure with details of applicable types of hours and train guidance staff in Buffalo.</li> </ul>	
<p>18. Recalculate the number of dropouts for the 1997-98 school year to include all students' who left school prior to graduation for any reason, except death, and did not enter another school or approved high school equivalency preparation program <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>• There was inconsistent reporting of students dropped from regular school.</li> </ul>	<ul style="list-style-type: none"> <li>• Based on past practice, the district has no means to retrieve the information that was not collected originally. Therefore, the district is unable to recalculate the number of dropouts for the 1997-98 school year to include all students who left school prior to graduation for any reason, except death, and did not enter another school or approved high school equivalency preparation program</li> <li>• District will contact other agencies and Bennett Evening School (BES) every 5 weeks to gather data on students enrolled in their respective programs.</li> <li>• Will specify a SIS screen and designation for students enrolled in BES.</li> <li>• District will track attendance as in regular day school.</li> <li>• BOCES will print and distribute a list of dropout students every 5 weeks so that Attendance teachers can conduct follow-up investigations.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant Superintendent for Student Support Services</li> <li>• Supervisor of Attendance</li> <li>• Building Principals</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
<p>19. Ensure the costs for all services provided as part of the school-age summer special education program including physical and occupational therapies, are reported on the cost reports for all eligible students <b>PARTIALLY AGREE</b></p>	<ul style="list-style-type: none"> <li>• Assistant Superintendent for Special Education has instituted a plan that ensures the costs for all services provided as part of the school-age summer Special Education program including physical and occupational therapies, and speech improvement services are reported on the cost reports for all eligible students.</li> </ul>	<ul style="list-style-type: none"> <li>• With the new MUNIS software system, a program budget with a cost center will be established to track and capture all related work.</li> <li>• District will continue the plan to ensure all costs are included in reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant Superintendent for Special Education</li> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> </ul>
<p>20. Appropriately report all revenues for the school-age summer special education program in the proper accounts <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>• Revenue for school-age summer Special Education programs is being reported in the proper revenue account</li> <li>• District is currently complying with this recommendation</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring will continue to ensure proper accounting of funds.</li> <li>• District will develop an action plan to appropriately report all revenues for the school-age summer special education program in the proper accounts.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant Superintendent for Special Education</li> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> </ul>
<p>21. Ensure cost reports for the school-age summer special education program are submitted by the due dates, and submit these cost reports for the 1997-98 school year as soon as possible <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>• The report has been submitted to SED.</li> </ul>	<ul style="list-style-type: none"> <li>• A master schedule of state, federal and local forms has been compiled for monitoring due dates.</li> <li>• Ongoing cross department staff training with designated staff responsible for specific forms/tasks will occur.</li> <li>• District will institute practice to send all SED reports by "certified mail."</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Assistant Superintendent for Special Education</li> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
<p>22. Formally assign the Associate Superintendent for Finance the responsibility for ensuring all State aid information is collected, analyzed, and reported to the Department accurately and on a timely basis, regardless of which Division generates the data, and hold the individual accountable for this.</p> <p><b>AGREE</b></p>	<ul style="list-style-type: none"> <li>The various Departments were sending reports to the appropriate State Education Department office (See Appendices A, B, C, D).</li> </ul>	<ul style="list-style-type: none"> <li>It is agreed that all State Aid information will flow through the Associate Superintendent for Finance, HRS and Support Services.</li> </ul>	<ul style="list-style-type: none"> <li>Superintendent</li> <li>Associate Superintendent for Finance, HRS and Support Services</li> </ul>
<p>23. Ensure staff are adequately trained to process State aid claims and other reports</p> <p><b>AGREE</b></p>	<ul style="list-style-type: none"> <li>A consultant was hired to create a state aid manual specifically for Buffalo (See Appendix E). The consultant is also responsible for monitoring state aid submittals through December 1999. The consultant is still under contract and continues to schedule training.</li> </ul>	<ul style="list-style-type: none"> <li>Coordination of training and monitoring of State Aid with the consultant and SED will occur as will ongoing inter-divisional State Aid meetings to share the global impact of departmental operations.</li> <li>The State Aid operational manual will be completed.</li> </ul>	<ul style="list-style-type: none"> <li>Superintendent</li> <li>Associate Superintendent for Finance, HRS and Support Services</li> </ul>
<p>24. Provide adequate supervision and guidance to the staff dealing with State aid</p> <p><b>AGREE</b></p>		<ul style="list-style-type: none"> <li>Staff will be adequately trained and supervised on the entire State Aid process.</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Finance, HRS and Support Services</li> <li>Assistant Superintendent for Finance, Personnel and Administration</li> </ul>

	RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
25.	Consider assigning the new Assistant Superintendent for Finance/Administration the responsibility for the day-to-day supervision of staff dealing with State aid <b>AGREE</b>	<ul style="list-style-type: none"> <li>As of May 14, 1999, the position of Assistant Superintendent for Finance, Personnel and Administration was filled.</li> </ul>	<ul style="list-style-type: none"> <li>The new Assistant Superintendent for Finance, Personnel and Administration will develop an action plan for day-to-day operations of State Aid reports.</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Finance, HRS and Support Services</li> <li>Assistant Superintendent for Finance, Personnel and Administration</li> </ul>
26.	Review the audit committees charter and consider expanding its responsibilities to provide greater oversight with State aid claims, the implementation of the recommendations in this report, and the District's management control system <b>AGREE</b>	<ul style="list-style-type: none"> <li>The Budget/Audit Committee is part of the current structure of the Board of Education standing committees. The committee is structured to review the fiscal year budget, the prior years audit and anything that may arise out of the year pertaining to budget/audit (ex: implementation of MUNIS, new computer system).</li> </ul>	<ul style="list-style-type: none"> <li>The responsibilities of the Budget/Audit Committee will be reviewed and modified as appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Superintendent</li> <li>School Board</li> </ul>
27.	Ensure audit committee members are adequately trained and understand their responsibilities <b>AGREE</b>		<ul style="list-style-type: none"> <li>A structured training program will be organized for Board Members.</li> <li>District will encourage Board Members to attend the NYSSBA conferences on budget.</li> </ul>	<ul style="list-style-type: none"> <li>Superintendent</li> <li>Associate Superintendent for Finance, HRS and Support Services</li> </ul>
28.	Mass encumber personal service expenses at the beginning of the fiscal year <b>PARTIALLY AGREE</b>	<ul style="list-style-type: none"> <li>Current system is not capable of encumbering personal services.</li> <li>A new payroll system is in the process of being implemented</li> </ul>	<ul style="list-style-type: none"> <li>During the 1999/00 school year the budget will reflect the new payroll system that will encumber salaries.</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Finance, HRS and Support Services</li> <li>Assistant</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
	that will encumber personal services.		Superintendent for Finance, Personnel and Administration
29. Summarize the budget status report and submit the summary along with the entire report to the Board <b>PARTIALLY AGREE</b>	<ul style="list-style-type: none"> <li>Board receives detailed bi-weekly status of all accounts including grants.</li> </ul>	<ul style="list-style-type: none"> <li>An executive summary will be given to the Board on a monthly basis.</li> </ul>	<ul style="list-style-type: none"> <li>Superintendent</li> <li>Associate Superintendent for Finance, HRS and Support Services</li> <li>Assistant Superintendent for Finance, Personnel and Administration</li> </ul>
30. Project the fund balance on a monthly basis beginning no later than January of each year and provide it to the Board <b>AGREE</b>	<ul style="list-style-type: none"> <li>Fund Balance projection continues to be manually calculated,</li> </ul>	<ul style="list-style-type: none"> <li>Commencing in January of each year (after school has started, staff has been hired, etc.), the Finance Division will project the June 30 Fund Balance.</li> <li>This process will continue monthly and be presented to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Finance, HRS and Support Services</li> <li>Assistant Superintendent for Finance, Personnel and Administration</li> </ul>
31. Review all existing policies and add, change or delete policies as appropriate. Ensure all policies are in compliance with laws regulations, and Department guidelines <b>PARTIALLY AGREE</b>	<ul style="list-style-type: none"> <li>The policy review is taking place and has been for the past two to three years</li> <li>The Board Members have been reviewing the Board Policies for a couple of years. Restructuring, revising, adding, deleting and reviewing has been the focus of the Board Members on policy.</li> <li>The policy structure needed an</li> </ul>	<ul style="list-style-type: none"> <li>Will continue the review and adoption of policies and procedures.</li> </ul>	<ul style="list-style-type: none"> <li>School Board</li> <li>Superintendent</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
	<p>overhaul and that is the process that is currently taking place. New York State School Boards' Association worked with the Board on the new proposed policies and the Board is reviewing these policies now.</p> <ul style="list-style-type: none"> <li>• Each board meeting the members review policy and either adopt or revise the position presented by the collaborative effort of staff, Board committees and NYSSBA. Many policies have been adopted and hundreds await final approval.</li> </ul>		
<p>32. Establish written procedures guiding all District operations and distribute the policies and procedures to District officials and staff <b>PARTIALLY AGREE</b></p>	<ul style="list-style-type: none"> <li>• The Board is reviewing policies and procedures and when they are approved staff is receiving a copy of the approved policy.</li> <li>• The Board is in the process of revising the current policies and procedures. NYSSBA has worked with the School District on the policies, and in the event those items arise from the audit which were not addressed by the proposed policies' changes, they will be added.</li> </ul>	<ul style="list-style-type: none"> <li>• Policies will continue to be distributed of to all staff as policies are approved.</li> <li>• Policies will be converted to procedures where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• Superintendent</li> <li>• All Associate Superintendents</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE	
33.	<p>Ensure the District has adequate back up for key positions in case of staff turnover</p> <p><b>AGREE</b></p>	<ul style="list-style-type: none"> <li>• Adequate back-up does not currently exist in key positions due to early retirement incentives, retirements, budget reductions and other factors including lack of knowledge when someone will retire or becomes unable to work (injury).</li> </ul>	<ul style="list-style-type: none"> <li>• An action plan will be developed that will provide backup for each key position.</li> <li>• Unions will be contacted to develop a mutually agreeable backup plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Superintendent</li> <li>• All Associate Superintendents</li> </ul>
34.	<p>Re-evaluate the MIS implementation plan and make any necessary corrections</p> <p><b>PARTIALLY AGREE</b></p>	<ul style="list-style-type: none"> <li>• A master implementation schedule was devised by the Core Team in January 1999.</li> <li>• The original plan was slightly modified in May, 1999.</li> <li>• A revised implementation schedule is currently being compiled.</li> <li>• The plan will be revised monthly thereafter.</li> </ul>	<ul style="list-style-type: none"> <li>• Reevaluation will take place to make necessary changes.</li> <li>• A monthly update of software implementation will be compiled.</li> <li>• The Phase Two portion of the implementation plan for the rest of the City Hall offices will be drafted, agreed to and distributed.</li> <li>• The third phase will include all off-site buildings for on line access to purchasing and payroll.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Finance, HRS and Support Services</li> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> <li>• Supervisor of Administrative Services</li> </ul>
35.	<p>Consider hiring a qualified individual to oversee the implementation of the MIS</p> <p><b>PARTIALLY AGREE</b></p>	<ul style="list-style-type: none"> <li>• The district is finalizing the details to hire two consultants utilized by the Ken-Ton schools in 1993 for the implementation of their MUNIS system. The district will benefit from their expertise; collaboration is necessary.</li> </ul>	<ul style="list-style-type: none"> <li>• District is organizing a plan to provide additional technical supervision.</li> <li>• Supervisor's position will be upgraded to Director to ensure better coordination and completion of the plan (authority-wise).</li> <li>• The district is in the process of filling the position of Supervisor of Data Processing. This will be an administrative/technical position that will be responsible for the implementation of MIS.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Finance, HRS and Support Services</li> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> <li>• Supervisor of Administrative Services</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
36. Monitor the implementation plan for the MIS and update it on an on-going basis. <b>PARTIALLY AGREE</b>	<ul style="list-style-type: none"> <li>• A master implementation schedule was devised by the Core Team in January 1999.</li> <li>• The original plan was slightly modified in May 1999.</li> <li>• A revised implementation schedule is currently being compiled.</li> <li>• The plan will be revised monthly thereafter.</li> </ul>	<ul style="list-style-type: none"> <li>• A monthly update of software implementation will be compiled.</li> <li>• The Phase Two portion of the implementation plan for the rest of the City Hall offices will be drafted, agreed to and distributed.</li> <li>• The third phase will include all off-site buildings for on line access to purchasing and payroll.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Finance, HRS and Support Services</li> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> <li>• Supervisor of Administrative Services</li> </ul>
37. Advise the Board on a timely basis of all significant matters affecting the District <b>DISAGREE</b>	<ul style="list-style-type: none"> <li>• Board is being advised by the Superintendent and senior staff in multiple ways: <ul style="list-style-type: none"> <li>- Board receives periodic written information</li> <li>- Board receives weekly written communications</li> <li>- Board receives weekly verbal communications</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• These practices will continue.</li> </ul>	<ul style="list-style-type: none"> <li>• Superintendent</li> </ul>
38. Encourage the sharing of information between and among District offices and staff <b>PARTIALLY AGREE</b>	<ul style="list-style-type: none"> <li>• Weekly Cabinet meetings are held to foster sharing of information among the departments.</li> <li>• Interdepartmental meetings are held as required.</li> <li>• Superintendent sends out BPS Report to all staff and community.</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly meetings as a Cabinet to discuss on a senior level pertinent information will continue.</li> <li>• Will continue interdepartmental meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• Superintendent</li> <li>• All Associate Superintendents</li> </ul>
39. Establish a process to ensure that information from the	<ul style="list-style-type: none"> <li>• Superintendent has established a process to distribute the</li> </ul>	<ul style="list-style-type: none"> <li>• Present practices will continue.</li> <li>• Investigation of ways to enhance</li> </ul>	<ul style="list-style-type: none"> <li>• Superintendent</li> <li>• All Associate</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
<p>Department is disseminated to the responsible offices and staff. <b>DISAGREE</b></p>	<p>information from the State Education Department.</p> <ul style="list-style-type: none"> <li>• Superintendent holds weekly and monthly informational meetings.</li> <li>• All correspondence received in the Superintendent's office is and will continue to be reviewed by the Director of Communications and forwarded, based on the subject matter of the communication, to appropriate staff members for their review and/or action.</li> <li>• If the correspondence needs action, a response from the staff member must be received in the Superintendent's office indicating what action was taken. Department heads will be contacted, after one week, concerning their response to correspondence needing action.</li> <li>• All correspondence is logged in a notebook before it leaves the Superintendent's office.</li> <li>• Memos to various departments and to individual staff members are faxed, hand delivered, or sent via the</li> </ul>	<p>communication through the use of new technology (e-mail) will continue.</p> <ul style="list-style-type: none"> <li>• Training of staff in strategies to adequately use recently installed technology will occur.</li> </ul>	<p>Superintendents</p>

	RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
		<p>PONY mail system, depending on the urgency of the content of the memo.</p> <ul style="list-style-type: none"> <li>• Copies of all memos are filed in the folders that have been created for each department and department head</li> <li>• Information is also disseminated at meetings held throughout the year (See Appendix G).</li> </ul>		
40.	<p>Continue recent cooperative efforts within the District to determine how to best use the computerized attendance system to collect and summarize the data required for Public Excess Cost Aid claims <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>• An appropriate forum exists for this in regularly scheduled meetings between the Buffalo and BOCES Student Information System implementation teams.</li> <li>• BOCES system constraints determine the availability and type of reports requested by the district.</li> <li>• All items are given attention at this forum and appropriate work is scheduled as a result of the meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• BOCES will be consulted to change SIS so as to generate reports as needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Instructional Services</li> <li>• Director of Technology</li> </ul>
41.	<p>Fill the Associate Superintendent for Finance position with an individual possessing the necessary knowledge of State aid and other school district finance issues, and leadership skills</p>		<ul style="list-style-type: none"> <li>• The Board accepted applications for the Associate Superintendent for Finance, HRS and Support Services position. The deadline for applications to be handed in was June 25, 1999. The Personnel Department will screen the applications and then a committee</li> </ul>	<ul style="list-style-type: none"> <li>• Superintendent</li> <li>• School Board</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
<p>to engage the District in reengineering its business practices <b>AGREE</b></p>		<p>appointed by Board Members will review the applications approved by the Personnel Department.</p> <ul style="list-style-type: none"> <li>The discussion surrounding the position and the qualifications centered on knowledge of State Aid. This will be one of the top criteria. The other qualifications mentioned will be closely looked at, especially the leadership skills.</li> </ul>	
<p>42. Revise the District's organizational chart to show responsibility for the State Aid processing function <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>State Aid is handled by assigned staff in the Finance Division working in collaboration with the Instructional and Plant Divisions.</li> </ul>	<ul style="list-style-type: none"> <li>The District will implement this recommendation. The process of hiring a new Associate Superintendent for Finance, HRS and Support Services will be completed in the very near future. This person will be in charge of the reorganizing the District's organizational chart to show responsibility for the State Aid processing function.</li> </ul>	<ul style="list-style-type: none"> <li>Superintendent</li> <li>Associate Superintendent for Finance, HRS and Support Services</li> </ul>
<p>43. When assigning responsibilities to an employee ensure the employee has the necessary knowledge, skill and ability to fulfill those responsibilities <b>AGREE</b></p>		<ul style="list-style-type: none"> <li>District will conduct interviews and placement procedures as approved by personnel regulations. Efforts will be made to assign responsibilities to employees who are properly qualified.</li> <li>Staff training will be provided to employees as warranted.</li> </ul>	<ul style="list-style-type: none"> <li>Superintendent</li> <li>All Associate Superintendents</li> </ul>
<p>44. Appoint an individual responsible for preparing and monitoring the entire budget. Also, adequately staff the</p>	<ul style="list-style-type: none"> <li>Staffing was increased from 1.0 FTE to 5.0 FTE in order to prepare and monitor the budget.</li> </ul>	<ul style="list-style-type: none"> <li>The current Budget Team will stay in place under the direction of the new Associate Superintendent for Finance, HRS and Support Services.</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Finance, HRS and Support Services</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
Budget Office to permit the level of monitoring required <b>PARTIALLY AGREE</b>			<ul style="list-style-type: none"> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> </ul>
45. Ensure the new payroll MIS will meet the District's needs, including staff FTE reporting and retroactive payroll increases and hold the vendor responsible for meeting all contract requirements. <b>PARTIALLY AGREE</b>	<ul style="list-style-type: none"> <li>• In January 1998, an RFP was created to commence the process to find a software product that would not only meet the required financial requirements, but also integrate the Human Resource Department.</li> <li>• In January 1999, a vendor was selected.</li> <li>• Since January of 1999, a schedule of implementation was devised with the goal of implementing the new software. Several challenges in the implementation have changed the implementation from July to September 1999.</li> <li>• This summer period allows for further testing prior to payroll being online.</li> </ul>	<ul style="list-style-type: none"> <li>• An action plan will be developed to ensure the payroll MIS will meet the District's needs including staff FTE reporting and retroactive payroll increases and hold the vendor responsible for meeting all contract requirements.</li> <li>• A fully functional relational database that meets the fiscal control needs of the district is planned (See Appendix H).</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Finance, HRS and Support Services</li> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> </ul>
46. Establish adequate controls over equipment, including records to support the \$10 million in equipment <b>AGREE</b>	<ul style="list-style-type: none"> <li>• Since 1994, the district procedure is to tag all equipment regardless of funding source.</li> <li>• It should be noted that the \$10 m. inventory refers to information prior to 7/1/94 and</li> </ul>	<ul style="list-style-type: none"> <li>• The District will continue to tag all equipment regardless of funding source.</li> <li>• A research grant is possible for tagging equipment prior to 7/1/94.</li> <li>• An action plan will be put into place to correlate actual equipment on hand vs.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Finance, HRS and Support Services</li> <li>• Assistant Superintendent for Finance, Personnel and</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
	is based on information prior to 1994.	equipment no longer in the district (i.e. stolen, outdated, destroyed).	Administration <ul style="list-style-type: none"> <li>• Assistant Superintendent for Service Center Operations</li> <li>• Auditor</li> </ul>
47. Reconcile Building Aid claimed on Schedules N, MI and M2, to amount of aid as determined by the Department's audit of these schedules <b>AGREE</b>	<ul style="list-style-type: none"> <li>• Review and processing of Schedules N, M1 and M2 is currently handled by the Finance Division.</li> <li>• Plant Division dedicated the time of the Assistant Superintendent for Facilities Planning, the Associate Account Clerk, and the Associate Superintendent for Plant Services during the months of May and June 1999 to reconcile these three years. Plant Division also requested and obtained the assistance of two staff members of the Buffalo office of the State Comptroller in aid reconciliation and coordination with SED. Visits to SED offices in Albany by Plant Division staff were made on May 27 and June 21. The direct contact with SED officials with the project "paperwork" being reviewed</li> </ul>	<ul style="list-style-type: none"> <li>• Communication networks between Plant Division, Finance Division, City Comptroller, and SED Facilities and State Aid offices will be computer automated and linked among all offices and personnel.</li> <li>• Electronic transmission of forms will facilitate monitoring and collecting of data and figures as forms are being processed.</li> <li>• A <u>full-time</u> senior level Capital Projects Financial staff person will be identified and assigned to work with the current Plant Division staff, to track projects through the system. This person must have a working knowledge of building design and construction issues and a detailed knowledge of the State Building Aid process.</li> <li>• It is important that this position be housed within the Plant Division offices and be an integral part of its daily operational and organizational structure. The person filling this position will report directly to the Assistant Superintendent for Facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Plant Services</li> <li>• Assistant Superintendent for Facilities Planning</li> <li>• Associate Superintendent for Finance, HRS and Support Services</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
	<p>simultaneously was invaluable in reconciling and adjusting information that was correctable.</p> <ul style="list-style-type: none"> <li>• It should be noted that the Albany meetings have been attended by personnel from both SED Facilities and SED Aid offices. With all three entities present, we have been able to resolve numerous outstanding Building Aid and Lease Aid issues.</li> </ul>	<p>Planning, but will coordinate regularly with the Finance Division.</p> <p><u>Leases:</u></p> <ul style="list-style-type: none"> <li>• Among the assignments of the Associate Account Clerk position in the Plant Division is the leased facilities, negotiation and processing of lease aid claim forms and formulating of contracts. Because of the significant complexity of the leased facilities process, the use of a dedicated and <u>trained</u> staff person in this function will continue.</li> <li>• It is highly recommended that bimonthly trips to SED Albany by personnel responsible for project tracking and building aid be budgeted to allow the kind of direct communication to occur.</li> </ul>	
<p>48. Periodically review Form SA-130 in detail for all outstanding bond issues until a final bond percentage is established <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>• Form SA-130 is currently reviewed in detail on a monthly basis by the Assistant Superintendent for Facilities Planning in collaboration with the Finance Division.</li> </ul>	<ul style="list-style-type: none"> <li>• Among the assigned responsibilities of the <u>full time</u> senior level Capital Projects Financial staff person will be the monthly review and reconciliation of the Form SA-130's for all bonds sold by the city.</li> <li>• This person will also facilitate monthly capital projects review meetings between the Plant Division, the Finance Division, and the City Comptroller's office.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Plant Services</li> <li>• Assistant Superintendent for Facilities Planning</li> <li>• Associate Superintendent for Finance, HRS and Support Services</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
<p>49. Ensure the Finance Division reviews Final Cost Reports before the Plant Division submits these reports to the Department. This review should involve comparing the amounts on the final cost reports to the amounts recorded in the District's accounting records. Furthermore, the Finance Division should track the status of projects to ensure, that final cost reports are filed timely <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>Final Cost Reports are compiled by Plant Division staff and submitted directly to SED (See Appendix F).</li> <li>During the 1998-99 fiscal year, the Plant Division developed a computer-automated format for project forms including Final Cost Reports. The use of these computer generated forms would have facilitated the ability to network this data to both Plant and Finance offices in Buffalo as well as SED in Albany. Review of calculations, input of data, and adjustments or corrections could be made prior to electronic transmission of reports. When our proposal to utilize this method was first presented to SED, it was <u>not</u> approved, thus reducing us to the continued use of hand processing of paperwork.</li> </ul>	<ul style="list-style-type: none"> <li>Review, reconciliation, tracking, and filing of Final Cost Reports will also be the responsibility of the Capital Projects Financial staff person under the direction of the Assistant Superintendent for Facilities Planning. This person will coordinate the review of these reports with the Finance Division before they are submitted to SED.</li> <li>During the June 21 meeting at SED, Plant Division staff requested that SED officials revisit the possible use of computer generated forms. It was agreed that the district could begin the process of computer scanning of the forms so long as they match the format of the original forms. Electronic transmission of forms to SED still is not possible, however. SED officials estimated that it will be about "two years " before their computer systems are upgraded to accept electronic transmissions.</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Plant Services</li> <li>Assistant Superintendent for Facilities Planning</li> <li>Associate Superintendent for Finance, HRS and Support Services</li> </ul>
<p>50. Plan and design new schools so that Building Aid reimbursements are maximized. Also, contact other school districts to obtain information on "best practices" <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>Only three new schools have been planned and built in the past twenty years. They were planned and designed based upon the information available and applicable at the time.</li> </ul>	<ul style="list-style-type: none"> <li>The district will plan and design new schools so that Building Aid reimbursements are maximized.</li> <li>SED has established formulas and computations for building aid based upon cost allowances for instructional space and other factors. Although</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Plant Services</li> <li>Assistant Superintendent for Facilities Planning</li> <li>Associate</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
		<p>these numeric factors are memorialized in SED regulations, they are subject to interpretation on a project-by-project basis. Higher cost allowances will be achieved through direct contact with SED officials during the programming and preliminary design phases to determine creative and non-traditional means of identifying and designating instructional space. These approaches will include close coordination with the district's Instructional Division to fully develop the intended educational program for each project.</p> <ul style="list-style-type: none"> <li>• The Buffalo Board of Education has crafted proposed legislation that seeks changes in the formulas for building aid eligibility and maximum cost allowance on the basis of increased classroom sizes and increased aidability for non-instructional uses.</li> <li>• Plant Division staff has contacted SED regarding the maximum cost allowance for the Northwest Academy project and have requested that it be recalculated on the basis of the project's change in grade structure from 3 to 8, to 5 to 8 and other factors which may increase the building aid reimbursements for the project.</li> </ul>	<p>Superintendent for Finance, HRS and Support Services</p>
<p>51. Claim Building Aid for project related personal service, fringe benefit and</p>	<ul style="list-style-type: none"> <li>• Plant Division compiles monthly time records of</li> </ul>	<ul style="list-style-type: none"> <li>• Additional district staff Architects, Engineers, and Construction Inspection</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
<p>incidental costs incurred through the use of District staff <b>AGREE</b></p>	<p>district staff Architects, Engineers, and Construction Inspection personnel in the Facilities Planning Department. These time records show hours spent on all projects for each person. This information is compiled by the Associate Account Clerk and submitted to the District's Finance Division. Clarification is being sought from SED of the methodology to be used to incorporate these hours into project costs to obtain Building Aid for incidental costs.</p>	<p>personnel will be identified and their costs will be charged to the proper Capital Accounts in order to claim Building Aid.</p> <ul style="list-style-type: none"> <li>At the Monday, June 21, meeting at SED offices, SED officials stated that a 20-25% allowance for incidental costs can and should be used and added to maximum cost allowance on both capital projects and leased facilities. Among other things, incidental costs can include costs for time spent by district staff. Use of Building Aid to account for work-hours and summary costs of architectural, engineering and construction inspection staff must be project specific and must be paid out of capital funds, or the aid claims cannot be honored.</li> </ul>	<p>Plant Services</p> <ul style="list-style-type: none"> <li>Assistant Superintendent for Facilities Planning</li> <li>Associate Superintendent for Finance, HRS and Support Services</li> </ul>
<p>52. Incorporate certain repair and maintenance type activities, which might otherwise not qualify for Building Aid, into capital construction projects, for the purpose of maximizing Building Aid reimbursements <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>Repair and maintenance type activities which don't qualify for aid if done independently are incorporated into capital construction projects whenever possible.</li> <li>When repair and maintenance type activities are of an emergency nature or require an immediate completion because of equipment or system failures, incorporating the work is not possible.</li> </ul>	<ul style="list-style-type: none"> <li>The portion of repair and maintenance type activities that can be incorporated into aidable capital projects will increase significantly once the Plant Division completes a comprehensive Building Survey and Inventory of all district facilities. This inventory will create a computer database indicating the condition, life cycle, repair or replacement value, and other pertinent information for all facility components, systems, and equipment. This information will enhance the Division's ability to implement a preventative</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Plant Services</li> <li>Assistant Superintendent for Facilities Planning</li> <li>Assistant Superintendent for Building Repairs</li> <li>Associate Superintendent for Finance, HRS and Support Services</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
		<p>maintenance plan.</p> <ul style="list-style-type: none"> <li>The Building Survey and Inventory mandated by the State Education Department and required to be completed by November 15, 2000, will also be useful to the district in compiling a long-range capital plan and to prioritize capital budgeting.</li> </ul>	
<p>53. Report bond refinancing to the Department on a timely basis. <b>AGREE</b></p>		<ul style="list-style-type: none"> <li>A higher/more frequent communication will occur between the Board of Education and the City prior to any refinancing so that the Board of Education can be aware of any revenue impact and report to the department on a timely basis.</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Finance, HRS and Support Services</li> <li>Assistant Superintendent for Finance, Personnel and Administration</li> </ul>
<p>54. Prepare and distribute a report of capital projects, including construction and financial status, to various City and District officials <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>A capital projects status report is compiled monthly and distributed to various district offices and staff.</li> </ul>	<ul style="list-style-type: none"> <li>An expanded capital projects status report with construction and financial data will be compiled and distributed to various city and district officials and staff on a quarterly basis.</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Plant Services</li> <li>Assistant Superintendent for Facilities Planning</li> </ul>
<p>55. Review the process for authorizing capital projects in light of the need to facilitate the timely filing of necessary documentation with the Department and to maximize State reimbursements <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>The Plant Division annually puts forth a capital improvement funding request, reflecting its understanding of facility improvement needs within the district at the time of the writing of the funding request and projected forward for the next six fiscal years.</li> </ul>	<ul style="list-style-type: none"> <li>The district will review the process for authorizing capital projects in light of the need to facilitate the timely filing of necessary documentation with the Department and to maximize State reimbursements.</li> <li>The flow of work and the structure of capital planning will be further strengthened if an agreement is made</li> </ul>	<ul style="list-style-type: none"> <li>Associate Superintendent for Plant Services</li> <li>Assistant Superintendent for Facilities Planning</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
	<p>While this process is straightforward and definable, it is subject to significant influence, change, restructuring, etc. because of multiple demands for funding and implementation of other projects initiated by entities both within and outside of the Board of Education.</p> <ul style="list-style-type: none"> <li>• Modifications to the annual capital budget request are historically done by the Board of Education, as well as the Mayor and City Council. The 1999-2000 Board of Education capital budget request was reduced significantly in the budget approved by the mayor and Council. Among the changes was the deletion of funding for Campus East School #89 (See Appendix I).</li> </ul>	<p>with the City comptroller's office to sell capital bonds for school construction twice a year, rather than annually as is the current practice. This change would shorten the lag time between approval, financing, and implementation of projects and consequently reduce the backlog that now exists.</p> <ul style="list-style-type: none"> <li>• Another measure that will enhance the capital planning process is the writing of Bond Resolutions to accommodate as broad and comprehensive a scope of work as possible, i.e., currently separate resolutions are written for roofs, windows, masonry, mechanical, electrical, and other improvements. In the future, these may all be combined into one bond resolution which may state "reconstruction work various schools." This method of writing bond resolutions will allow a closer match between the work required at each school, including unforeseen changes, and available bond funds.</li> <li>• Capital planning is a function of the application of comprehensive facilities data with educational program needs in the context of time (scheduling and sequencing of activities) and resources (financial and human). The Division of Plant Services and School Planning will prepare and submit to SED for</li> </ul>	

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE
		<p>approval a long-range Comprehensive Educational Facilities Plan by January 2001 in accordance with SED requirements, with multi-year funding. All capital projects will be required to be in compliance with the plan. To this end it is recommended that the district fund <u>additional staff</u> within the Division of Plant Services and School Planning including Architects, Engineers, Planners and Construction Inspectors, that will be designated to data-based planning and coordination of the multiple facilities planning efforts and numerous projects that are processed on an annual basis. The district will explore with SED the feasibility of funding this additional staff through capital funds.</p>	
<p>56. Request the maximum amount of interim grant payments allowed from the Department for each eligible Special Aid program operated by the District <b>AGREE</b></p>	<ul style="list-style-type: none"> <li>• The district practice has been requesting cash (monthly) for actual previous month expenditures rather than anticipated expenditures for the coming month.</li> <li>• In place is an accurate, systematic and timely procedure for requesting cash.</li> </ul>	<ul style="list-style-type: none"> <li>• The Board will request the maximum amount of interim grant payments allowed from the Department for each eligible Special Aid program operated by the District.</li> <li>• District will continue to automate its system in order to comply with this recommendation.</li> <li>• District will request that the State enhance this process by shortening the time between grant requests and grant approvals. Appendix J details our seven largest NYS projects for 1998-</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Finance, HRS and Support Services</li> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> <li>• Supervisor of Special Projects</li> </ul>

RECOMMENDATION	PRESENT PRACTICE	PROPOSED ACTION	MONITORING & COMPLIANCE	
57.	Determine if Repair and Maintenance Aid was funded at the proper level <b>AGREE</b>	<ul style="list-style-type: none"> <li>• SED uses annual fire safety reports compiled and submitted by school districts to determine the square footage for district facilities. The square footage figures in turn are used to determine repair and maintenance allowances.</li> </ul>	99, their start dates, approval dates and receipt of the first check. <ul style="list-style-type: none"> <li>• Repair and maintenance aid was not funded at the proper level. Corrected square footage figures for nine buildings have been compiled and submitted to SED.</li> <li>• The Repair and Maintenance Aid report will be re-examined to determine if the work was fully reimbursed.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Plant Services</li> <li>• Assistant Superintendent for Facilities Planning</li> <li>• Assistant Superintendent for Building Repairs</li> </ul>
58.	Require the encumbrance of personal service appropriations to accurately anticipate and quantify potential overexpenditures and/or underexpenditures of appropriations <b>AGREE</b>	<ul style="list-style-type: none"> <li>• A new payroll system is in the process of being implemented.</li> <li>• A line-by-line manual review of expenditures occurs against the budgeted amount. Transfers are made when needed.</li> </ul>	<ul style="list-style-type: none"> <li>• The 1999/00 school year budget will reflect the new payroll system that will encumber salaries.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Superintendent for Finance, HRS and Support Services</li> <li>• Assistant Superintendent for Finance, Personnel and Administration</li> </ul>

### SECTION III: ANTICIPATED COSTS NECESSARY TO COMPLY WITH RECOMMENDATIONS

#### PLANT DIVISION:

	FTE	Approximate Costs
Staff:		
Associate Architect	1.0	
Associate Engineer	1.0	
Data Planner	1.0	
Associate Account Clerk	1.0	
Staff Support	2.0	
		\$325,000
Consultants:		
Building Inventory		\$700,000
Other:		
Telecommunications System	—	\$500,000
<b>TOTAL</b>	<b>6.0</b>	<b>\$1,525,000</b>

#### INSTRUCTIONAL DIVISION:

	FTE	Approximate Costs
Staff:		
Special Education Data Manager	1.0	
Special Education Clerical Support	1.0	
Attendance Supervisor	2.0	
Attendance Clerical Support	3.0	
		\$290,000
Consultants:		
BOCES	—	\$600,000
<b>TOTAL</b>	<b>7.0</b>	<b>\$890,000</b>

**FINANCE DIVISION**

	FTE	Approximate Costs
Staff:		
MIS Director	1.0	
Budget Director	1.0	
Financial Analysts	2.0	
Clerical Support Special Projects	1.0	
		<u>\$260,000</u>
Other:		
Computer Automation	—	<u>\$150,000</u>
<b>TOTAL</b>	<b>5.0</b>	<b>\$410,000</b>

**GRAND TOTAL**                      **18.0**              **\$2,825,000**