
Audit Report

Edgemont Union Free School District

for the Period

July 1, 2001 through September 30, 2002

SD-0802-3

April 7, 2004

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





THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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April 7, 2004

Mr. Robin Schaffer
Board President
Edgemont Union Free School District
300 White Oak Lane
Scarsdale, New York 10583

Dear Mr. Schaffer:

The following is our final report (SD-0802-3) for the review of the Edgemont Union Free School District for the period July 1, 2001 through September 30, 2002. The review was conducted pursuant to Section 305 of the Education Law in pursuit of Goal #5 of the Board of Regents/State Education Department Strategic Plan: "Resources under our care will be used or maintained in the public interest."

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 review. This required report will be in the format of a recommendation implementation plan and it must specifically address what actions have been taken on each recommendation.

I appreciate the cooperation and courtesies extended to the staff during the review.

Sincerely,

Michael Abbott

Enclosure

cc: T. Savo, T. Sheldon, B. Porter, J. Kadamus, C. Szuberla, R. Bullis, C. Foster (DOB), W. Campbell (OSC), N. Taddiken, Superintendent, R. Smalls, District Superintendent

Executive Summary

Background and Scope of the Review

The Edgemont Union Free School District (District) served more than 1,700 students and spent approximately \$24.7 million in general fund expenditures for the 2001-02 school year. The District's average cost per student for the 2000-01 school year was about \$2,576 more than the statewide average. The District experienced some fiscal stress in the 1999-2000 and 2000-01 school years and ended those years with \$224,163 and \$302,425 negative fund balances, respectively. The District's student performance exceeds the State standards.

The objective of the review was to assess the adequacy of the District's management controls which are designed to help ensure its goals and objectives are accomplished; laws, regulations, and good business practices are complied with; assets are safeguarded; and accurate and reliable data are maintained. The review focused on management practices, records, and documentation for the period July 1, 2001 through September 30, 2002.

Review Results

The review found the District has many of the necessary management controls in place, but identified opportunities for improvement. Among the opportunities identified were the following:

- Develop formal budgetary policies related to budgetary objectives, budget development, preparation, and administration.
- Prepare a long-term financial plan.
- Routinely provide the Board of Education with budget status reports and fund balance projections.
- Monitor revenues and expenditures and manage fund balance to increase the amount available for contingencies.

The improvement opportunities are addressed in more detail in the body of the report. The District's Board of Education should give careful consideration to the recommendations to further improve the operation and management of the District.

Comments of District Officials

District officials' comments about the findings were considered and resulted in some changes to the report. Their comments are included as Appendix B. District officials generally agreed with the recommendations.

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Introduction

Background

The Edgemont Union Free School District (District), located in Westchester County, served over 1,700 students in three schools and spent about \$24.7 million in general fund expenditures for the 2001-02 school year. The District spent \$14,447 per student, which was about 22 percent higher than the statewide average of \$11,871 for the 2000-01 school year. This is a district with low needs relative to the District resource capacity.

The District's student performance exceeds New York State (State) standards. In all of the categories, the rates of students exceeding the State standards are significantly higher than the State rates. For example, the rate of eighth grade students meeting or exceeding the English Language Arts (ELA) standards in 2001-02 was 87 percent, which is almost twice the statewide average of 44 percent. The graduation rate for the District's 1998 cohort was 100 percent, compared to the State rate of 75 percent.

The District experienced some fiscal stress during the 1999-2000 and 2000-01 school years and ended those years with \$224,163 and \$302,425 negative fund balances, respectively. The District improved in the 2001-02 school year, ending with a \$335,392 positive fund balance, and further increased the fund balance by \$15,778 in the 2002-03 school year.

Additional information about the District's financial condition, its students and teachers, and how it compares to similar districts or statewide averages can be obtained from the following sources:

- *Statistical Profiles of Public School Districts* published June 2002 and available online at http://www.oms.nysed.gov/faru/Profiles/profiles_cover.htm, and
- *The New York State School District Report Card* (Report Card) published March 2002 and available online at <http://www.emsc.nysed.gov/repcrd2002/home.html>.

Objectives, Scope and Methodology

The State Education Department's (Department) Office of Audit Services (OAS) reviewed selected management practices, records, and documentation for the period July 1, 2001 through September 30, 2002. The review used a questionnaire to focus on seven key areas: governance and planning, accounting and reporting, revenue and cash management, purchasing and expenditures, facilities and equipment, student services, and student-related data. The questionnaire contains information on key controls in each of the areas and also includes the specific criteria or the standards used in assessing the District's operations. A copy of the questionnaire is available from OAS.

The objective of the review was to assess the adequacy of the District's management controls which are designed to help ensure its:

- Goals and objectives are accomplished;
- Laws, regulations, and good business practices are complied with;
- Assets are safeguarded; and
- Accurate and reliable data are maintained.

To accomplish the objective, we reviewed applicable laws, regulations, policies and procedures; interviewed District management and staff using our questionnaire; examined records and supporting documentation; sampled a limited number of transactions on a non-statistical basis; and reviewed the District's audited financial statements.

Our review included examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records, and applying other procedures considered necessary in the circumstances. The review also included assessing the estimates, judgments, and decisions made by management. We believe that the review provides a reasonable basis for our findings, conclusions, and recommendations.

Review Results

The review found the District has many of the necessary management controls in place, but identified opportunities for improvement. Among the opportunities identified were the following:

- Develop formal budgetary policies related to budgetary objectives, budget development, preparation, and administration.
- Prepare a long-term financial plan.
- Routinely provide the Board of Education (Board) with budget status reports and fund balance projections.
- Monitor revenues and expenditures and manage fund balance to increase the amount available for contingencies.

The improvement opportunities are addressed in more detail in the pages that follow. The District's Board should give careful consideration to the recommendations to further improve the operation and management of the District.

Comments of District Officials

District officials' comments about the findings were considered and resulted in some changes to the report. Their comments are included as Appendix B. District officials generally agree with most of the recommendations.

Governance and Planning

A board of education is responsible for the education of the children residing in its district and must provide for the governance and oversight of the district's affairs, personnel, and properties. The review determined the Board addressed many of its governance and planning responsibilities related to the control environment, compliance with legal requirements, fiscal oversight, staffing, and strategic planning. However, the Board could make improvements related to policies and procedures, strategic planning, budget development and budget administration, and fiscal oversight.

Policies and Procedures

Written policies and procedures help ensure employees understand their responsibilities and help hold staff accountable. Written policies and procedures should be distributed and made readily available to the appropriate employees and should be reviewed annually and updated as necessary to reflect the intended objectives of the District. The District had some policies and procedures, as required by Education Law Section 2503(2), which were available to appropriate staff. However, the District had not established policies and procedures in some other important areas. In addition, there was no current organization chart.

Recommendation 1: Establish all written policies and procedures required by law, regulations, and good business practice.

The review determined that the District needs to develop written policies and procedures for the following areas: submission of State aid forms; internal control over cash and revenue receipt; operations and maintenance; fixed asset and equipment inventories; and the recording and reporting of student data. The District has a purchasing policy; however, it should be updated to comply with General Municipal Law by including such items as price quotes, competitive bidding, and documentation requirements.

Recommendation 2: Maintain an up-to-date organization chart which depicts the appropriate lines of communication.

It is good business practice to have policies and procedures that clearly define roles and responsibilities and include an organizational chart that establishes appropriate lines of communication. This enables staff to see lines of authority and responsibility. The District did not have an up-to-date organization chart at the time of this review.

Strategic Planning, Budget Development, and Administration

A district's budget is critical to its operation. It provides a framework for district officials and serves as a gauge upon which the result of the operation can be measured. The budget development process is important in that it affects student welfare, future cost projections, tax levy, community relations, and the long-term well-being of the district as a whole. For these reasons, a number of laws and regulations exist to guide budget development and approval. The review determined that the Board performs many of its responsibilities related to the budget; however, District operations may be improved by developing a current written strategic plan, developing some additional budget objectives, developing a long-term financial plan, submitting a treasurer's report on a monthly basis, mass encumbering known obligations, and making fund balance projections.

Recommendation 3: Develop a comprehensive strategic plan.

Effective organizations define their mission and state desired results. This allows the measurement of performance against the stated mission. It also provides a framework for decision-making. A strategic plan helps a district focus on its educational programs and services, clarifies funding priorities, and informs the voting public of the district's educational plan. A written strategic plan should include: a mission and vision statement; goals and objectives; performance measures; and strategies to accomplish the goals and objectives.

The District has a written mission statement and goals which were developed with community involvement. The District has a process to develop performance measures and strategies to accomplish the goals and objectives. However, the District can improve in this area by incorporating these items into its comprehensive written strategic plan.

Recommendation 4: Develop formal budgeting policies related to budgetary objectives, budget development, preparation, and administration.

Recommendation 5: Develop written budgetary objectives to address areas such as: maintaining reserves and fund balances, incurring short-term and long-term debt, and replacing fixed assets.

It is good business practice to have policies which define the budget development process. The policies should describe the process used to develop the budget and should also describe the district's financial goals related to areas such as targeted reserves and fund balances, the level of short-term and long-term debt, and a plan to replace and acquire fixed assets. These policies are especially valuable in an environment of change in board members and senior staff. The District does not have such policies.

Recommendation 6: Develop a long-term financial plan for operations and capital projects.

One important function of a board of education is to provide oversight of the district's finances. The monitoring of the district's finances establishes a strong control environment and helps ensure the district has the needed resources to achieve goals and objectives in educating the students. The Board could improve oversight by requiring a long-term financial plan.

A financial plan covering up to five years is a valuable tool for budget development for both the board and district administrators. The District does not have such a plan.

Recommendation 7: Make routine fund balance projections for presentation to the Board and make them available to other District officials.

One aspect of good budget administration is an accurate prediction of the year-end fund balance. The amount of fund balance at year-end is affected by the ability of finance officials to keep the level of expenditures below the available revenues. A fund balance projection is particularly valuable to the board and the administration when making final decisions about the upcoming budget.

The available fund balance directly affects the amount of taxes to be levied in the following year. Fund balance projections should begin in January of each year and should be revised each month to reflect actual results and other foreseeable changes until the next year's budget is adopted. The District does not routinely make fund balance projections.

Recommendation 8: Provide the Board with budget status reports.

Section 170.2 of the Regulations of the Commissioner (Regulations) requires the treasurer to prepare a budget status report at least quarterly (monthly if budget transfers have been made). Building and program administrators should use this valuable tool to monitor the fiscal status of encumbrances and appropriations for their respective areas of responsibilities. Board members can also use this report to monitor overall fiscal performance against the budget. The District produces the report and provides it to the appropriate staff; however, it is not provided to the Board.

Fiscal Oversight

Boards should receive and use various fiscal reports on a periodic basis to help monitor a district's financial condition including reports for the extraclassroom activity funds.

Recommendation 9: Provide the Board with a report on the receipts and disbursements of the extraclassroom activity funds, as required by the Regulations.

Section 172.3(b) of the Regulations requires the central treasurer of the extraclassroom activity funds to provide the board with a financial report pertaining to the receipts and expenditures for all accounts in his/her custody on at least a quarterly basis. The District only provided this report to the Board annually with the audited financial statements.

Comments of District Officials

District officials agree with these recommendations.

Accounting and Reporting

Districts must have adequate accounting and reporting systems in place to ensure that accurate, timely, and complete financial records are maintained and disclosed in periodic reports to the board, the public, and the State. The District has many of the necessary accounting and reporting controls related to financial condition, financial accounting and reporting, auditing, and State aid and grants. However, the District's poor financial condition in 1999-2000 and 2000-01 may point out opportunities to improve oversight. In addition, the District could improve by maintaining a bond and note register, publishing required financial information, and improving control over grants processing.

Financial Condition

A board has the responsibility to monitor the financial condition of its district. To ensure fiscal stability, districts need to carefully develop balanced budgets, ensure expenditures are within budgeted amounts, monitor the budget, and amend it as necessary. The District has experienced some fiscal stress. General fund expenditures have exceeded revenue for two consecutive years, resulting in the elimination of any fund balance.

The District began the 1999-2000 school year with a negative general fund balance of \$108,038. The District incurred operating deficits (expenditures exceeding revenues) in its general fund of \$116,125 in 1999-2000 and \$75,262 in 2000-01. The general fund balance was negative in both the 1999-2000 and 2000-01 school years at \$224,163 and \$302,425, respectively. District officials attribute the financial difficulties to end-of-the-year tax certiorari settlements and shortfalls in State aid payments. During the 2001-02 school year, the District budgeted sufficient funds to eliminate the negative general fund balance and end the year with a \$335,392 balance.

Recommendation 10: Monitor revenues and expenditures using the budget status report.

Recommendation 11: Manage the District's fund balance to increase the amounts available for contingencies.

The District's expenditures exceeded revenues for the 1999-2000 and 2000-01 school years. This left the District with a negative fund balance at the end of the two school years. The District's financial condition improved during the 2001-02 school year wherein it finished the year with enough operating surplus to have a positive fund balance.

The District should monitor its revenues and expenditures with the aim of managing its fund balance and increasing the amount of reserved and unreserved fund balance.

Financial Accounting System

An accounting system should provide for an accurate, clear, and complete record of all financial transactions. The system should include written policies and procedures, accounting software, and record keeping systems. It should be designed to comply with appropriate accounting principles, policies, procedures, and classification and coding guidelines. It should also be able to generate periodic financial reports for the board and the State. The District's accounting system generally met those requirements; however, the review identified improvement opportunities in the record keeping for bonds and notes.

Recommendation 12: Maintain a bond and note register to provide a complete record of each issuance of bonds or notes as required by Local Finance Law.

Section 163 of the Local Finance Law requires districts to maintain a bond and note register and a complete record of each issuance of bonds or notes. The District did not maintain such a register.

Financial Reporting

Districts are required to submit various reports and forms to the Department and make information available to the public. The District has an opportunity to improve internal processes for submitting State aid claims, to make its financial reports available to the public on a more timely basis, and to use grant funds for direct and indirect costs.

Recommendation 13: Develop written procedures for submitting State aid forms and consider using a monthly checklist to monitor submissions.

District officials should submit State aid forms, including claims, on a timely basis. The development of written procedures and a monthly checklist will help define responsibilities and establish time frames for submission. The District does not have formal written procedures stating the processes for completing forms, independent reviews by other staff, and time frames or checklists for submission. District officials indicated that some State aid documents have been submitted late.

Recommendation 14: Publish the annual financial reports and notice thereof, as required by Education Law and the Regulations.

Education Law Section 1721 requires districts to publish their annual financial report (ST-3) during the months of July or August. It should consist of summary reports and a notice of the availability of the report in its entirety for public inspection. In addition, General Municipal Law Section 35(2) also requires publication of a notice that the independent audit report is available as a public record for inspection by all interested persons. The District does not publish the summary report or notice of availability of its ST-3 and independent audit report.

Recommendation 15: Consider using federal grant funds to cover a portion of indirect costs associated with operating grant programs.

The *Fiscal Guidelines for Federal and State Aided Grants* states, "Indirect costs can be broadly defined as central administrative costs and certain other organization-wide costs that are incurred in connection with a project but that cannot readily be identified with the project (e.g., payroll preparation, central purchasing). The total indirect costs generated for a grant project are calculated by applying the indirect cost rate to the allowable direct cost base (modified direct cost base)." These funds are used to support the central administrative costs. The District has chosen to use all grant funds for direct program activities and fund indirect costs through the general fund. Given the fiscal stress the District has experienced in recent years, consideration should be given to appropriately using grant funds for indirect costs.

Comments of District Officials

District officials generally agree with these recommendations. The District indicated they do monitor revenue and expenditures and agreed to use the budget status report for this purpose. In regard to recommendation 15, the District believes that all funds received should be used to directly benefit students rather than fund indirect costs.

Revenue and Cash Management

Districts collect and invest millions of dollars in revenue each year. The districts must have adequate controls in place to ensure the funds are collected and deposited, accounted for accurately, and safeguarded. The review determined the District generally complied with revenue and cash management requirements related to processing cash receipts and investments. There is an opportunity to improve controls by having the treasurer audit the triplicate cash receipt book.

Cash Receipts

Section 170.2 of the Regulations allows the board to adopt a pre-numbered receipt form, printed in triplicate, to be issued by persons (other than the treasurer) authorized to receive money. The Section further requires that the treasurer receive a copy of the receipt form.

Recommendation 16: Require the treasurer to audit the use of triplicate receipts.

It is good business practice for the treasurer to periodically audit the triplicate receipt book in order to compare the funds listed on the receipts to accounting records and bank statements. The District's treasurer did not conduct such periodic audits.

Comments of District Officials

District officials agree with this recommendation.

Purchasing and Expenditures

Districts purchase thousands of products and services each year. They must have adequate controls in place to ensure purchases are made in compliance with the law and district policy, and result in securing goods and services in the right quantity, at the right time, and for the right price. The District has many of the necessary controls in place related to purchasing, accounts payable and cash disbursements, payroll and personnel, and travel and conference expenses. However, the District could further improve its control related to purchasing and payment practices, payroll and personnel, and travel and conference expenses.

Purchasing and Payment Practices

Districts should generally follow standard steps in purchasing items and paying claims. The steps include processing a purchase requisition, issuing a purchase order, verifying receipt of the goods or services, approving the claim for payment, and paying for the goods or services in a timely manner. The District could improve its purchasing and payment practices by using pre-numbered purchase orders, having the internal claims auditor sign all claims, stamping paid invoices as paid, and segregating duties related to mailing payment checks.

Recommendation 17: Use pre-numbered purchase orders.

It is considered good business practice to use pre-printed, pre-numbered purchase orders. It provides greater accountability over the purchasing process by establishing a method of reconciling all purchase orders. The District does not use pre-numbered purchase orders. Rather, it used a five-part purchase requisition form. At the time of approval, the form becomes a purchase order and it is assigned a number. Using a separate pre-numbered purchase order form would strengthen controls. This helps ensure the accountability over all purchase orders.

Recommendation 18: The internal claims auditor should ensure that all necessary signatures are present on the claim before approving the claim.

Section 1724 of the Education Law requires that a claim be approved by the 'officer giving rise to the claim' prior to being presented to the internal claims auditor for review. The purchasing agent should initially give rise to the claim by signing a purchase order authorizing that the funds be encumbered for a purchase. The second signature needed is that of the person who received the goods or service. The receiver's signature denotes that the order was complete and acceptable. At the end of the process, the purchasing agent should give final approval to the claim by signing off on the claim form indicating that the vendor has fulfilled the contract under the purchase order and the claim should be processed for payment. The internal claims auditor in the District sometimes signed off prior to the purchasing agent's final approval.

Recommendation 19: Ensure signed checks are not returned to individuals with accounting responsibility.

It is considered an important control that individuals responsible for accounting for the payment process do not physically receive the signed checks. It is preferable to have the checks mailed as soon as possible after signature by the signer or an individual independent of the business process. The District returned the signed checks to the account clerk, an individual who has accounting responsibilities. This increases the risk that the check could be misappropriated.

Payroll and Personnel

Salaries and fringe benefits make up the largest expense category of a district's budget. For this reason, the payroll function should be clearly defined through policy and procedures and closely supervised. In addition, the personnel function should provide assurance that the district is hiring and retaining the most qualified individuals. The District generally implemented the necessary controls for payroll and personnel, but it could make some improvements by certifying payrolls, requiring documentation of consultant services, and developing specific job descriptions.

Recommendation 20: Certify the payroll registers.

The certification of payroll registers indicates that the payroll has been examined to ensure that the individuals

included in the register have performed their duties in accordance with the terms of their employment, and that additions or deductions to normal salaries are appropriate and documented. The Board officially designated an administrator to certify payrolls, as required by Section 170.2 of the Regulations; however, this task was not performed for the payroll for the period examined.

Recommendation 21: Maintain adequate documentation to support payments made for consultant services.

All payments should be supported by adequate documentation showing the appropriateness of the claim. Consultant services should be paid based upon a contract or agreement which establishes the terms of the relationship including the amount of payment, deliverable, and any other relevant facts. The District did not have signed and dated copies of contracts for some consultants or the dates and cost of the services being provided.

Recommendation 22: Develop specific job descriptions to guide employees in the performance of their duties.

It is good business practice to provide employees with an outline of the duties they are expected to perform. The policy manual contains some generic job descriptions. The District has not developed specific job descriptions to guide employees in their performance. In addition, job descriptions for some administrators were not current.

Travel and Conference Expenses

The claims section of the *Financial Management Guide for Local Governments*, issued by the Office of the State Comptroller, specifies the requirements and guidelines for the expenses of district officials and staff attending conferences. It states that the board should promulgate rules and regulations concerning reimbursement of expenses. Specifically, the board policy should set forth the types of expenses that are reimbursable, the procedures and documentation necessary to support reimbursement, and any reasonable dollar or time limits. The District had a travel policy; however, control could be improved by developing a policy related to the provision of food and beverages at District-sponsored activities, establishing reimbursement

rates at the federal rates, and by improving documentation of conference attendance.

Recommendation 23: Develop a policy that defines the appropriate use of food and beverages at District-sponsored events.

The Comptroller has opined that a reasonable amount of money may be spent on refreshments for the general public at official meetings. The District provides food and beverages at meetings, but does not have a written policy to describe when it is appropriate and any limitations on the amount spent.

Recommendation 24: Develop a travel reimbursement policy that limits reimbursement to the approved federal rates. Establish a method for allowing reimbursement to exceed federal rates when adequate justification is provided.

A board should promulgate specific rules and regulations concerning reimbursement of expenses. The rules and regulations should set forth the type of expenses that will be reimbursed, the procedures and documentation necessary to support the reimbursement, and any reasonable dollar or time limits which the board of education may wish to set. The board may not arbitrarily limit the amount that can be expended for the authorized purpose. However, the board, after considering current prices, may set a pre-determined ceiling for expenses such as meals and lodging. The board should also adopt a procedure for reimbursement of expenses in excess of the ceiling amounts when properly justified under prescribed circumstances.

Many local governments follow federal reimbursement rates for employee travel in order to avoid misconstruing any part of the reimbursement to be taxable income reportable to the Internal Revenue Service. However, on occasion, the lodging rates may exceed the federal rate. Therefore, a provision in the board policy or procedures should be made to allow actual reimbursement to exceed federal rates, provided a proper justification is submitted by the traveler. The District did not establish reimbursement limits or a policy and reimbursed employees at a rate greater than the federal rate in two of five instances.

Recommendation 25: Require staff to submit documentation of conference attendances along with expense documentation.

In addition to reviewing documentation of expenses incurred on official travel, a district should obtain documentation of attendance at the conference or training. In one of the five samples reviewed, there was no evidence of conference attendance.

Comments of District Officials

District officials generally agree with these recommendations. They disagree with the need to use pre-numbered purchase orders (recommendation 17).

Auditors' Note

The audit maintains that the use of pre-numbered forms improves controls over purchase orders.

Facilities and Equipment

Districts must provide adequate facilities and equipment for educating their students. In addition, districts must adhere to all requirements related to facilities maintenance and construction, and must implement the necessary inventory controls to safeguard their assets.

The District has many of the controls related to facilities maintenance, construction, and inventory including long-range planning for educational facilities and inventory records for the District's assets. However, the District can improve its planning for long-range equipment replacement.

Equipment Replacement Plans

Districts should develop long-range plans for equipment replacement. The written plans can help a district anticipate future needs, serve as a goal, and gauge yearly accomplishments.

Recommendation 26: Develop a long-range equipment replacement plan.

Districts should develop plans showing equipment needs, the remaining useful life for equipment owned, and the costs for new equipment. Such plans can help ensure districts have the equipment needed and can also help establish budgetary needs. The District needs to develop such a plan.

Comments of District Officials

District officials agree with this recommendation.

Student Related Data

Districts are required to collect and report data on student attendance and student performance including dropout, cohort, enrollment, and test scores. A district needs to have adequate policies, procedures, and controls in place to ensure the data are accurate, reliable, and valid. The Department uses the data as a performance benchmark to identify schools that may need assistance in raising student performance; it also uses some of the data for State aid and School Report Cards.

The District has many of the necessary controls to accurately account for and report attendance and student performance data. However, the District could make improvements related to recording student attendance and the reliability of student performance data.

Attendance

Attendance is a critical factor for student success in school. Consistent school attendance, improved academic performance, and school completion have a positive correlation that can help to ensure that all students reach higher standards established by the Board of Regents. School attendance records must be maintained for compliance with the Education Law, as well as for determining average daily attendance which is used to determine some components of the District's State aid. The Board has not designated anyone to supervise the keeping of attendance regularly. In addition, the District filed the 2002-03 attendance reports late.

Recommendation 27: Have the Board designate an individual responsible for certifying, verifying, and supervising the keeping of a register of attendance.

Section 104.1 of the Regulations requires the designation of responsibility for the register of attendance to be completed, verified, and supervised. The Board has not designated any teacher or other District employee to perform such a function.

Recommendation 28: File required attendance reports on time.

Section 3604 of the Education Law allows the Commissioner to withhold the general fund apportionment due to any district when that district fails to submit the reports required to calculate State aid apportionment by the due date. The District was late in submitting its attendance data (SA-129) for the 2002-03 State aid claim.

Dropouts

Districts are required to report the number of dropouts annually. 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. This information is used by the Department to calculate a dropout rate that is published in the Report Card for each district and can be used to compare performance among districts. The District did not maintain adequate documentation for students who left the District.

Recommendation 29: Track students who have left the District to determine whether they have entered another school or approved high school equivalency preparation program.

Districts should adhere to the Department's definition of a dropout by accounting for the students who leave the District. The District did not maintain documentation to support the whereabouts of such students.

Comments of District Officials

District officials agree with these recommendations.

Contributors to the Report
Edgemont Union Free School District

- James A. Conway, Manager
- Neil Smith, CPA, Auditor-in-Charge
- Gerald Aberbach, Senior Auditor

Appendix B

EDGEMONT UNION FREE SCHOOL DISTRICT
300 White Oak Lane
Scarsdale, New York 10583

Nancy L. Taddiken, Superintendent of Schools

March 9, 2004

Michael Abbott
Director, Office of Audit Services
The State Education Department
Albany, New York 12234

Sent by fax (518) 473-0259 and overnight mail

Dear Mr. Abbott:

Thank you for giving me an opportunity to comment on the results and recommendations made in the draft report (SD-0802-3) for the review of the Edgemont Union Free School District for the period July 1, 2001 through September 30, 2002. Although I welcome the opportunity for an outside review of Edgemont's financial status, I do have several comments, which I prepared with the assistance of Bob Conboy, Assistant Superintendent for Business.

My first comment is one of concern for the process that was used. Neil Smith and Gerald Aberbach were the two auditors who came to Edgemont as representatives of your office. Both individuals were pleasant and easy to address. However, they both expressed frustration during the process because they were required to use a new instrument with which they had no familiarity. Several times during the interview process, Bob and I found ourselves unable to provide documentation that the auditors requested because they were unable to explain the question they were asking!

My second comment is one of concern for the lack of timeliness in my receiving a draft report. The audit was conducted in October of 2002, and the first draft report that I received arrived in my office on February 18, 2004! I recognize and acknowledge that there have been severe cutbacks in staff at the State Education Department, which are certainly unfortunate for all of us. Since the report was already delayed, I would have welcomed an opportunity to have some discussion with you about the report and about the date for the return of my comments before the report arrived in my office.

I agree with most of the recommendations in the report. However, I disagree, as does Bob Conboy, with six of the recommendations. I have listed these recommendations, as well as the reasons for our disagreement, on the next page of this letter.

Comments for SED re: Draft Audit Report

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- Recommendation 1 - page 4 of draft report
Edgemont has a purchasing policy, which apparently was overlooked by the auditors. Attached is a copy for your records.
- Recommendation 3 - page 5 of draft report
Edgemont has a mission statement, which is our vision statement. Attached is a copy for your records.
- Recommendation 10 – page 8 of draft report
Estimated revenues and expenditures are monitored closely to avoid an operating deficit. However, operating deficits occurred in Edgemont because we were required to make certiorari payments, which could not be anticipated.
- Recommendation 15 – page 10 of draft report
It is our belief that the grant funds we receive, however limited they may be, should benefit children directly. For this reason, we have considered—and then we rejected—using federal grant funds to cover a portion of indirect costs associated with operating grant programs.
- Recommendation 17 – page 17 of draft report
For Edgemont we strongly disagree that it is good business practice to use pre-numbered purchase orders. The Business Office staff assigns a number to a purchase order after a purchase order has been approved and before it is encumbered. If we were to use pre-numbered purchase orders we believe that individuals might, either inadvertently or advertently, bypass the required approval process.
- Recommendation 19 – page 14 of draft report
This recommendation makes no sense to us. All Edgemont checks are signed by a member of the Board of Education. Are you suggesting that a Board member retain all checks until the checks are mailed?

I look forward to having an opportunity to discuss the report and my responses with you or with a designated member of your staff. Please feel free to contact me by telephone at (914) 472-7768 or by e-mail message at ntaddiken@mail.edgemont.org.

Thank you, in advance, for your anticipated attention to my request.

Sincerely,



Nancy L. Taddiken
Superintendent of Schools

POLICY

Purchasing Policy

1. Policy

It is the intent of the Board of Education to serve the educational community by providing supplies, equipment, and related services. The district's purchasing policy and activity will meet the following objectives:

1. to consider the educational welfare of the students as foremost in making purchasing decisions;
2. to effectively and efficiently supply all administrative units in the system with needed materials, supplies, and contracted services;
3. to obtain materials, supplies, and contracted services at the lowest prices possible consistent with the quality and standards as determined by the Assistant Superintendent for Business in cooperation with the requesting authority;
4. to ensure that all purchases fall within the budgetary limitations and that they are consistent with the educational goals and programs of the district;
5. to maintain an appropriate and comprehensive accounting and reporting system to record and document all purchasing transactions;
6. to ensure, through the use of proper internal controls, that the loss and/or diversion of district property is prevented; and
7. to conform to the statutes of the General Municipal law for purchase contracts involving annual expenditures exceeding \$10,000 and public works contracts exceeding \$20,000.

Purchasing will be centralized in the business office under the general supervision of the Assistant Superintendent for Business.

Goods and services which are not required by law to be subject to the competitive bidding process will be procured in a manner so as to ensure the prudent and economical use of public funds, to be in the best interests of the taxpayers, to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost, and to guard against favoritism, improvidence, extravagance, fraud, and corruption.

No Board member, officer or employee of the school district shall have an interest in any contract entered into by the Board or the District as provided in Article 18 of the General Municipal Law.

The unintentional failure to fully comply with the provisions of section 104-b of the General Municipal law or the district's regulations regarding procurement will not be grounds to void action taken or give rise to a cause of action against the district or any officer or employee of the district.

MISSION STATEMENT

The Edgemont School District is a culturally diverse community of concerned individuals dedicated to providing exemplary education in a changing world. The community recognizes the importance of ethical behavior, mutual respect, and social conscience. We accept our shared responsibility in creating a nurturing environment that promotes diverse learning opportunities for all. We are committed to our students: encouraging and facilitating intellectual development and critical inquiry, assisting discovery, and cultivating individuality and self-esteem. We take pride in our uniqueness; the Edgemont Schools are the essence of our community.

DISTRICT GOALS

(First Priorities Workshop - March 1, 1986)

1. The District shall develop and maintain an effective articulated instructional program K-12.
2. The District shall work towards developing an atmosphere of mutual trust and respect. Such an atmosphere should make for more effective communication between the community and the school.
3. The District shall provide stable educational leadership, with the roles of the Board of Education, the Superintendent, and the Principals clearly defined.
4. The District shall improve its procedures, both for selecting its professional staff and for regular evaluation and appraisal of its members. It shall encourage the development and professional growth of each member of the professional staff.
5. The District shall strive to insure that the individual needs of each student are met in an appropriate manner.