Audit Report

Mount Vernon City School District

For the Period

July 1, 1999 through March 31, 2001

SD-0101-4

February 13, 2002
February 13, 2002

Reverend W. Darin Moore  
Board President  
Mount Vernon City School District  
165 North Columbus Avenue  
Mount Vernon, New York 10553

Dear Reverend Moore:

The following is our final audit report (SD-0101-4) of the Mount Vernon City School District for the period July 1, 1999 through March 31, 2001. The audit was conducted pursuant to Sections 305 and 1950 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.”

It is the policy of the State Education Department to consider for review matters of significant disagreement which result from the issuance of a final audit report. Appendix C describes the process to be followed in the event of such disagreement.

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. 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 audit recommendation.

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

Sincerely,

Daniel Tworek

Enclosure

cc: R. Cate, A. Hyary, J. Kadamus, A. King, B. Porter, T. Sheldon, C. Szuberla, C. Foster (DOB), J. Dougherty (OSC), R. Ross, Superintendent, Dr. Pedersen, Interim District Superintendent
Executive Summary

Background and Scope of the Audit

The Mount Vernon City School District (Mount Vernon) served about 10,200 students in 16 schools and spent about $102.5 million in the 1999-00 school year. Mount Vernon’s average cost per student for the 1997-98 school year was $962 higher than the statewide average and its student performance was comparable to that of other similar New York State public schools.

The audit focused on management controls and reviewed practices, records, and documentation for the period July 1, 1999 through March 31, 2001. This was a performance audit and our objectives were to assess: the adequacy of Mount Vernon’s system of management controls; the adequacy and reliability of the policies and procedures for collecting and reporting financial data, including claims for State aid and grants; and the adequacy and reliability of the policies and procedures for collecting and reporting certain student performance data, including the student dropout statistics and cohort data.

Audit Results

Mount Vernon has made improvements in its student performance and financial practices over the past several years. For example, Mount Vernon was able to address a $7.5 million deficit fund balance in the 1996-97 year and establish a positive $2.2 million fund balance by June 30, 2000. This was a notable achievement. However, Mount Vernon still has opportunities to improve its Board governance and financial controls, its reporting of State aid and grant data, and its reporting of dropout and cohort data.

Improvements can be made related to Board governance and oversight including the control environment, fiscal oversight, written policies and procedures, and Board meetings and minutes. The Board needs to stress the importance of controls and hold managers accountable, to better monitor Mount Vernon's financial condition, and to ensure written policies and procedures are complete and distributed to appropriate staff. Mount Vernon can also make improvements related to inventory controls and segregation of duties in the business office. These actions will help Mount Vernon improve its operations.

Improvements are needed with Mount Vernon's systems and activities for collecting and reporting data for State aid and grants. Without these improvements, critical data will continue to be incomplete and inaccurate, and will negatively impact Mount Vernon. In fact, Mount Vernon was at risk of losing more than $12.0 million in State aid and grants.

Improvements are also needed in collecting and reporting student performance data. Without these improvements, student performance data will continue to be incomplete and inaccurate. For example, the dropout rate verified by this audit was 6.7 percent, or between 5 and 6 times the 1.2 percent rate initially calculated for Mount Vernon.
Comments of Mount Vernon Officials

Mount Vernon officials' comments about the findings were considered in preparing this report and are included as Appendix B. The District's response indicates "overall objections to the entire audit report, its methodology, findings, analyses and report writing." Nevertheless, Mount Vernon officials stated they have instituted and already addressed many of the recommendations in the report.

Auditors’ Note

The audit, which was conducted in accordance with generally accepted government auditing standards, identified improvement opportunities for Mount Vernon related to management controls. The findings included in the report are based upon conditions found in Mount Vernon during fieldwork. When notified of the findings, Mount Vernon officials generally tried to address the findings immediately or planned to address them as soon as practical. The findings are consistent with the findings that were subsequently reported in the management letter prepared by Mount Vernon's independent auditor. As such, the audit report identifies opportunities for Mount Vernon to further improve its operations.
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Introduction

Background

The Mount Vernon City School District’s (Mount Vernon) mission is “…to recognize the uniqueness of all students and allow them to reach their potential through the dedicated services of its staff.” Mount Vernon, located in Westchester County, is a small city school district. Mount Vernon served about 10,200 students in 16 schools and had general fund expenditures of about $102.5 million in the 1999-00 school year. As shown in the State’s Statistical Profiles of Public School Districts, Mount Vernon’s average cost per student for the 1997-98 school year was $10,772, or $962 more than the statewide average cost per student of $9,810 and $2,156 less than the Westchester County average cost of $12,928.

The New York State School Report Card (Report Card) shows improvement in student performance over the past few years. The percentage of elementary school students in Mount Vernon scoring at or above the State minimum level meets or exceeds the percentage for New York public schools as a whole. Based on Regents examinations, student performance in the high school is comparable to that of other similar public schools in the State.

In the 1996-97 school year, Mount Vernon had a $7.5 million deficit fund balance. Shortly after that, Mount Vernon made significant changes in its senior management. Over the next several years, Mount Vernon balanced its budget and was able to establish a positive fund balance of $2.2 million by June 30, 2000.

Objectives, Scope and Methodology

The audit examined selected management practices, records, and documentation for the period July 1, 1999 through March 31, 2001. This was a performance audit, which focused on the following objectives:

- assess the adequacy of Mount Vernon’s system of management controls;
• assess the adequacy and reliability of the policies and procedures for collecting and reporting financial data, including claims for State aid and grants; and

• assess the adequacy and reliability of the policies and procedures for collecting and reporting certain student performance data, including student dropout and cohort data.

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

We conducted our 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.

Audit Results

This report highlights improvement opportunities for Mount Vernon with its governance and financial controls, data reported for State aid and grants, and data reported for student performance.

Comments of Mount Vernon Officials

Mount Vernon officials' comments about the findings were considered in preparing this report and are included as Appendix B. The response indicates "overall objections to the entire audit report, its methodology, findings, analyses and report writing." The response noted the implementation of a new Management Information System (MIS) in the 1997-98 school year, and questioned the appropriateness of reporting certain findings such as the risk of losing $12 million in State aid.
While the response does not specifically address each recommendation, it does include the statement that Mount Vernon has instituted and already addressed many of the recommendations in the report. The audit corroborated, with information provided by Mount Vernon, that most of the recommendations were in fact implemented.

**Auditors’ Note**

The audit, which was conducted in accordance with generally accepted government auditing standards, identified improvement opportunities for Mount Vernon related to management controls. The findings included in the report are based upon conditions found in Mount Vernon during fieldwork. When notified of the findings, District officials generally tried to address the findings immediately or planned to address them as soon as practical. The findings are consistent with the findings that were subsequently reported in the management letter prepared by Mount Vernon's independent accountant. The findings represent opportunities for District officials to further improve Mount Vernon's operations.

The audit agrees the MIS has provided Mount Vernon with the opportunity and the mechanism for improving its business operations, and ensuring tight management controls. However, Mount Vernon has not fully seized that opportunity. For example, the audit determined Mount Vernon did not use its system to provide monthly budget status reports to its board of education. Without these reports, the Board cannot effectively monitor the financial condition of Mount Vernon. This is evidenced by overspent accounts and a June 30, 2001 operating deficit of $1.1 million.

In regard to the risk of losing $12 million in State aid, the risk was real. The District did not have adequate policies and procedures in place to claim the aid it was entitled to receive. For example, at the time of fieldwork (March 2001) Mount Vernon had not filed the final cost reports required to receive $11.0 million in Building aid for completed building projects. In fact, District officials were not even aware that the reports were not filed or that failure to file the reports with the Department by the June 30, 2001 due date could result in the loss of the aid. Inadequate policies and procedures is further evidenced by the finding in the Mount Vernon’s independent
accountant’s management letter related to untimely reporting and the reduction in State aid of $636,000.
A school board is responsible for the governance and oversight of school district affairs, personnel, and properties. The superintendent and senior management are responsible for operating the district within the approved policies, and for establishing, implementing, and maintaining an effective management control system. The controls should be designed to help ensure management’s objectives are met, reported data are valid and reliable, assets are safeguarded, and laws are complied with. The controls include the policies and procedures put in place by management to provide oversight, supervision, accountability, and ongoing monitoring of a school district’s operations.

Mount Vernon has implemented many of the necessary controls. It has made improvements in its financial practices over the past several years. For example, Mount Vernon was able to address a $7.5 million deficit fund balance in the 1996-97 school year and established a positive $2.2 million fund balance by June 30, 2000, a notable achievement. However, Mount Vernon still has opportunities to improve its management controls. The following sections discuss these opportunities including Board governance and financial controls.

**Board Governance and Oversight**

A school board has fiduciary responsibility for the operations of the school district. It is responsible for ensuring that the school district meets all legal requirements, operates in accordance with its mission, and uses its assets appropriately. The audit identified opportunities for the Mount Vernon Board (Board) to improve its governance and oversight related to the control environment, fiscal oversight, written policies and procedures, and board meetings and minutes.

**Control Environment**

One of the responsibilities of a school district's board and superintendent is to establish adequate internal controls including the control environment. The control environment sets the overall tone for control consciousness in an
organization and is impacted by factors such as the board's involvement, personnel practices, and management's philosophy and operating style. The attitude, awareness, and actions of the board, superintendent, and school managers have a significant impact on the effectiveness of internal controls. These individuals must set the example and communicate the school district's values and expected behavior to its employees.

A school board can set the overall tone by establishing comprehensive policies, communicating them to school district managers, and holding the managers accountable for the results. However, the Board has not always done this. For example, the Board has not provided the necessary fiscal oversight to appropriately monitor the budget and expenditures, and also has not instituted comprehensive policies and procedures. The Board allowed numerous accounts to be overspent, including the Board’s own conference account, and also did not review all claims for payment. The Board could improve the control environment by stressing the importance of controls, actively monitoring the budget and expenditures, and establishing comprehensive policies and procedures.

**Fiscal Oversight**

A school board has the ultimate responsibility for the fiscal health and stability of a school district. It must present the budget to the voters for approval and use the budget for the control and orderly expenditure of school district funds. As such, the school board should monitor expenditures on an ongoing basis and ensure expenditures do not exceed the approved budget as required by Education Law Section 1718 and Section 170.2 of the Regulations of the Commissioner of Education (Regulations). However, the Board needs to improve its fiscal oversight in monitoring the budget and approving claims for payment.

A school board needs accurate and timely budget status and other reports to monitor the financial condition of the school district and to enable timely corrections to the budget plan. However, the Board did not routinely receive the required information, including monthly budget status reports, cash reports, bank account reconciliations, or the Extraclassroom Activity Fund reports. Without these reports, the Board cannot effectively monitor the financial condition of Mount Vernon.
In addition, the Board did not use the budget to effectively control expenditures. Mount Vernon’s budget status reports indicated numerous accounts with negative balances. For example, the budget status report for January 2001 showed 60 overspent accounts including social security ($433,900), instructional salaries-director ($223,000), and Board conference ($7,800).

In addition, several unbudgeted expenditures were made during the 2000-01 school year with no provision to fund them from reductions elsewhere in the budget. For example, the Board failed to budget for certain contingent liabilities including $1.5 million for the health carrier settlement and $1.8 million for tax certioraris (which have subsequently been bonded). In addition, the Board failed to budget sufficient amounts for other expenses including $363,000 in security services and $740,000 for salaries for new assistant principals. These expenditures resulted in negative account balances that were resolved only when the Board approved a transfer from Mount Vernon's fund balance to cover the expenses.

Section 170.2(k) of the Regulations and Section 1718 of Education Law require the Board to ensure that appropriations are available before expenditures or encumbrances are made. This may require budget transfers before purchase orders are issued or payments are made. Without these controls, Mount Vernon is at risk for overspending its budget, which in fact happened for the 2000-01 school year when the budget was overspent by $730,679.

A school board is required by Section 170.2 of the Regulations and Section 1709 (20-a) of Education Law to audit and approve claims for payment or it may, by resolution, appoint an internal claims auditor to perform this function. During fieldwork, the Board had not approved claims or appointed an internal claims auditor. Rather, the responsibilities were given to business office staff until the Board approved a claims auditor in July 2001. Controls over expenditures in Mount Vernon should improve with an internal claims auditor to review and approve claims for payment.

**Written Policies and Procedures**

Education Law Section 2503 (2) requires a school board to establish policies and procedures concerning school district operations. Policies and procedures should be developed for
budgeting, purchasing, accounting and auditing, travel, transportation, school lunch, operation and maintenance, safety, toxic substances, energy conservation, disaster preparedness, and other areas. Copies of the policies and procedures should be readily available and distributed to school district officials and staff. In addition, school district staff should adhere to the policies.

Board policy should clearly state the mission of the school district, the objectives to be reached, and the standards to be maintained. It should also include the manner in which the school district is to perform these tasks including the assignment of responsibilities and delegation of duties to specific staff members, the methods used, the procedures followed, and the reasoning applied in conducting a school district’s business.

Mount Vernon’s policies and procedures were not complete and were not distributed to all staff. In addition, the policies for inventory controls and for the use of the facilities were not always adhered to. Some specific examples of the deficiencies related to policies follow.

The Board did not have written policies for Board and superintendent travel and conference expenses or for the use of district credit cards. Some of the payments for travel and conference expenses and credit cards were questionable, including $225 for three people to attend a wine tasting event, and payments for flowers, sales tax, books, and gifts. Other payments were not adequately supported. For example, Mount Vernon generally reimbursed travel and conference expenses on credit card statements rather than specific hotel bills and restaurant receipts.

Mount Vernon did not have a written policy for the use of postage meters to help ensure the meters are used for appropriate purposes. Mount Vernon used its postage meters to mail more than 3,200 items unrelated to District business at a cost of approximately $1,100. When the matter was brought to the attention of the superintendent, he took responsibility and obtained full reimbursement for the cost.

Mount Vernon did not have policies for the operation and maintenance of Extraclassroom Activity Fund accounts. Mount Vernon had 32 accounts that were inactive and another 11 that were established for purposes that were not permissible
under Sections 172.1 through 172.3 of the Regulations. For example, accounts were set up for a secretary fund and for a staff fund. The inactive and inappropriate accounts should be reviewed and closed out, if necessary.

Mount Vernon has a policy concerning the use of district facilities. A written agreement is required and a fee is charged for using the facilities, but the Board may waive the fee. The audit found two instances where the fee was waived, but no documentation was available to show the Board did, in fact, waive the fee. In another instance, Mount Vernon rented several rooms and an office in an elementary school to a local college without the benefit of a contract specifying the terms of the agreement. A contract was used for the prior year, but it was not extended.

Mount Vernon’s written procedures were outdated, inadequate, or missing in many areas. Mount Vernon’s procedures for taking attendance at the high school were outdated. Also, Mount Vernon did not have written procedures for the State aid claiming process and certain business office functions including accounts receivable, accounts payable, cash disbursements, follow-up on outstanding purchase orders, or the procurement of professional services. Since District officials were notified of these findings, many policies were updated or established. In addition, all business functions were scheduled to undergo a review for improvements in procedures.

Written policies and procedures are needed to comply with the law and good business practices. The policies and procedures help staff know what is expected of them, help hold staff accountable, and assist when there are changes in personnel. Mount Vernon management recognizes the importance of policies and procedures and has implemented a plan to make the necessary changes.

**Board Meetings**

School board meetings are held to conduct official school business, including electing board officers, discussing and voting on educational and fiscal policies, and appointing officials. The minutes of the school board meetings are the legal and historical record of the actions of the board. The audit reviewed Board meeting minutes and noted several areas for improvement.
The length of time for Board meetings sometimes exceeded the recommended amounts. Numerous meetings lasted over 3.5 hours and some were as long as 5.75 hours. Department guidelines suggest one or two meetings per month, with reasonable lengths of meetings of about 2.5 hours, ending no later than 11:00 p.m. The length of time of meetings in excess of the recommendation may be an indication that the Board has become more administrative than governance in nature.

The minutes of the annual organizational meeting do not include all necessary activities and resolutions. For example, the minutes do not show the appointment of Mount Vernon’s physician, attorney, or central treasurer. The minutes also do not show the individuals authorized to establish petty cash accounts, certify payrolls, and approve budget transfers. In addition, the minutes do not include a resolution approving religious holidays. Furthermore, Board minutes generally have not indicated resolutions approving the prior meeting’s minutes and are not bound with sequentially numbered pages.

**Recommendations**

1. Improve the control environment by actively monitoring the budget and expenditures, and by establishing policies and procedures.

2. Ensure Board members routinely receive and review fiscal reports including budget status reports, cash reports, bank reconciliations, and Extraclassroom Activity Fund reports.

3. Ensure appropriations are available before expenditures or encumbrances are made.

4. Approve budget transfers in a timely manner.

5. Appoint an internal claims auditor to review and approve all claims.


7. Prohibit reimbursement of questionable expenses including personal expenses, flowers, sales tax, and gifts.
8. Ensure travel and conference expenses are adequately documented with specific hotel bills and restaurant receipts.

9. Ensure the postage meter is only used for official school business.

10. Eliminate inactive and inappropriate Extraclassroom Activity Funds.

11. Maintain adequate documentation to show when the Board waived fees for the use of district facilities.

12. Establish written policies for attendance, State aid claims, accounts receivable, cash disbursement, follow up on outstanding purchase orders, and procurement of professional services.

13. Limit the length of time for Board meetings to recommended levels to help ensure maximum productivity.

14. Ensure the organizational meeting includes all necessary activities and resolutions for Mount Vernon to carry out its operations in an efficient manner.

15. Ensure Board minutes include resolutions addressing the approval of prior meeting’s minutes.

16. Ensure Board minutes are bound with sequentially numbered pages.

**Comments of Mount Vernon Officials**

Based on comments and information provided to the auditors, Mount Vernon officials generally agreed with the findings and recommendations in this section of the report. However, Mount Vernon's response did not specifically address recommendations 1 to 4, 10 to 12, or 14 and 15. In regard to recommendation 7, Mount Vernon agreed with the recommendation, but disagreed with the condition and stated that public funds were not used to purchase personal gifts or personal property. Mount Vernon disagreed with recommendation 13 to limit the length of time of board meetings and stated the Board reserves the right to use the time allowed as needed.
Auditors’ Note

In regard to recommendation 7, the audit found instances of questionable expenses as stated in the text of the report. In regard to one of the questioned expenses, the superintendent, to his credit, reimbursed Mount Vernon $225 during the audit for the expenses for the wine tasting event. In regard to recommendation 13, the audit maintains Mount Vernon should try to limit its Board meetings to reasonable lengths of time to maintain focus and constituent participation.

Financial Controls

A school district must implement controls over financial operations to help ensure: assets are safeguarded against loss from theft or unauthorized use; compliance with laws, regulations, and policies; the reliability and integrity of reports and data; and operational efficiency, economy, and effectiveness. Mount Vernon could improve its management controls related to inventory and segregation of duties in the business office.

Inventory

According to the Office of the State Comptroller’s Financial Management Guide (Guide), maintenance of adequate fixed asset records and the fair reporting of fixed assets enable school districts to conform with generally accepted accounting principles and provide management with tools for establishing appropriate controls.

Inventory controls over assets are needed to safeguard property against loss, establish effective utilization, determine needs, and identify surplus items. Adequate controls include maintaining complete and accurate records, tagging assets with ownership and identification labels, and periodically conducting physical inventories.

Mount Vernon’s financial statements illustrate assets totaling more than $14.8 million including furniture, fixtures, and vehicles. Nevertheless, Mount Vernon did not establish the necessary controls for the assets. It did not maintain an up-to-date inventory of assets, periodically conduct physical inspections, or assign responsibility for the inventory to an
individual. As a result, Mount Vernon’s assets are at an increased risk of unauthorized use or loss.

**Segregation of Duties**

Key duties and responsibilities should be divided or segregated among different individuals to help reduce the risk of loss or misuse of funds. The segregation of duties will also help reduce the possibility of an individual perpetrating and concealing errors and irregularities. The responsibility of reconciling bank accounts should be segregated from the responsibility to collect cash, prepare checks, or maintain the accounting records. However, Mount Vernon assigned the responsibility for preparing checks and reconciling bank accounts to the same individual. This increases the risk that funds may be misappropriated.

**Recommendations**

17. Establish adequate controls over inventory including assigning an individual with overall responsibility for the fixed asset inventory, maintaining detailed records of the assets, and conducting an annual physical inspection of the assets.

18. Segregate the duties for bank reconciliations from collecting cash, preparing checks, and maintaining the accounting records.

**Comments of Mount Vernon Officials**

District officials agreed with these recommendations.
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, and other student and school information. It is crucial that the data are reliable, accurate, accessible, and timely, since the information is used by schools, districts, the Department, and the public. The reliability and validity of data are affected by many factors including communication, supervision, staff training and experience, and established policies and procedures.

Mount Vernon does not have adequate systems and controls in place to reasonably ensure that complete, accurate, and timely data for State aid and grants are obtained, maintained, and fairly disclosed in reports. As a result, Mount Vernon had a substantial risk of losing almost $12 million in State aid and grants including $400,000 in High Cost aid, $150,000 in Private Excess Cost aid, and $11 million in Building aid.

Mount Vernon needs to develop written policies and procedures for claiming State aid, to improve its understanding of due dates for the various reports, to submit reports on time, and to improve communication between offices such as the business office and the special education office.

Special Education Aid

School districts are generally eligible for a number of different aids for students with disabilities. Public Excess High Cost aid (HCA) is available for students served in public schools or BOCES programs. Private Excess Cost aid is available for students served in approved private schools. Proactive management and well defined systems are necessary to ensure students with disabilities are provided with appropriate services and to ensure Mount Vernon claims all it is entitled to receive. Mount Vernon has not claimed all the special education aid that it is entitled to receive.
Public Excess High Cost Aid (HCA)

School districts are entitled to receive HCA for students with disabilities when the cost for a student exceeds a specified amount. School districts must file a Department form and report the actual cost and full time equivalent (FTE) enrollment for each qualifying student. Mount Vernon did not report complete and accurate data to the Department and may not be receiving all the HCA to which it is entitled. Mount Vernon did not claim HCA for any students served in District programs and numerous students served in other public placements (BOCES, and other school districts) for the 1998-99, 1999-00, and 2000-01 school years. Also, Mount Vernon did not accurately report cost and FTE enrollment for HCA.

Mount Vernon does not have a system in place to identify and track high cost students served in District placements. Some of those students may be eligible for aid, especially students with individual aides or homebound students. Similarly, Mount Vernon does not have a system in place to ensure all eligible students served in other public school districts or BOCES are claimed for aid. A comparison of the billings from the other districts and BOCES to a list of students claimed for aid would have detected the problem of unclaimed students.

Finally, Mount Vernon did not accurately report the costs or FTE enrollment for some of the students served at BOCES. This was due to using an incorrect number on the BOCES report and not understanding the appropriate method to use to calculate the FTE enrollment.

When these deficiencies were brought to the attention of Mount Vernon officials, they filed the required forms for the students and made corrections for actual costs and FTE enrollment for students already claimed for aid. As of July 2001, Mount Vernon will realize almost $400,000 in additional HCA for the 1999-00 school year (payable in the 2000-01 aid year). Additional aid is also due for the 1998-99 and 2000-01 school years, but the amounts have not been calculated.

As part of the audit of HCA, a sample of students' Individualized Education Programs (IEP) was reviewed to determine each student's required educational setting and the level of service. Several exceptions were noted. For example, several students' IEPs called for educational services provided in an 8:1:3 classroom setting and an individual aide, but the
actual classroom setting was 8:1:2 plus the aide. Mount Vernon officials stated the IEP was incorrectly written and should have stated 8:1:2 plus the aide. In other examples, the frequency of services was listed "as needed" and did not include the duration or the group size. The IEP should clearly identify the length, frequency, and group size of each related service. Mount Vernon is converting to a new IEP management system that will address these deficiencies.

**Private Excess Cost Aid**

Private Excess Cost aid is available to school districts having contracts with approved private schools, special act school districts, and State operated schools for the education of students with disabilities. The Department sets tuition charges for each school and pays aid based on student enrollment and tuition.

To be eligible for Private Excess Cost aid, districts must first submit an application for State reimbursement for each student with a disability placed at a private, special act or State operated school. Applications should be submitted within six days of the initial recommendation for such placement, or prior to June 1 preceding the school year for which funding is sought.

Mount Vernon did not claim Private Excess Cost aid for numerous students in private placements for the 1998-99, 1999-00, or 2000-01 school years. The audit reviewed available information for the 1999-00 school year and estimated Mount Vernon was entitled to an additional $150,000 in Private Excess Cost aid for that year. However, Mount Vernon did not obtain prior approval from the Department for all of these students and only $70,214 is payable at this time. Unless retroactive approval is granted by the Department, Mount Vernon will not be eligible for the remaining aid. Mount Vernon needs to seek retroactive approval for these students and follow-up on the aid that may be due for the other two years.

**Building Aid**

Building aid is paid to school districts for eligible expenses incurred in the purchase, construction, alteration, and lease of school buildings. To claim the aid, school districts must submit various forms and documentation to the Department for
approval prior to initiating the project. Once the project is completed, the school district must close out the project and submit a final cost report. If the required information is not received by the due date, aid may be lost or delayed.

Mount Vernon did not adequately track and monitor its capital construction projects, file the required information in a timely manner, or claim district staff costs for Building aid. This resulted in Mount Vernon having payments of $1.5 million in Building aid delayed several years and being at risk of losing $11 million in Building aid.

Mount Vernon had a system to identify and track costs for each of its building projects, but did not have a system to track and monitor the status of the projects and related claims for Building aid. Mount Vernon had 48 projects related to $11.6 million in energy performance contracts that were initially approved by the Department in 1997 and 1998. The projects were completed, but Mount Vernon had not filed the final cost reports with the Department as of the start of audit fieldwork in March 2001. In fact, Mount Vernon officials were not even aware the reports were not filed or that failure to file the reports with the Department by the June 30, 2001 due date could result in the loss of $11 million in aid. Based on our discussions, Mount Vernon officials filed the final cost reports by the due date and will receive the aid.

In addition, Mount Vernon did not file other required information in a timely manner which resulted in payments for Building aid being delayed. The bond amortization schedule (SA-132) was not submitted on time resulting in $192,968 and $592,988 in aid for 1997-98 and 1998-99, respectively, being delayed several years. In addition, Mount Vernon's failure to submit the SA-132 timely resulted in a delay of payment of $751,800 for the 2000-01 aid year. The delays in payment can have a significant impact on Mount Vernon's cash flow, the need to borrow, and investment income.

Mount Vernon does not have a system to track and claim costs for Building aid for the cost of the time that staff spend on approved capital projects. Without a system to document and track the time district staff in the business office and the buildings and grounds unit devote to approved capital projects, Mount Vernon cannot claim the costs for Building aid.
Employment Preparation Education Aid

School districts are eligible to receive aid for Employment Preparation Education (EPE) programs that provide instruction that leads to a high school or equivalency diploma for students 21 years of age or older. The Department pays EPE aid based on the number of contact hours that are provided to eligible students and the aid is limited to the lesser of program expenditures or the amount calculated using contact hours reported. The aid must be spent on allowable expenses for EPE related services.

Mount Vernon claimed $2,465,745 in expenses for EPE programs in the 1999-00 school year and received $2,448,553 in aid based on reported contact hours. Mount Vernon had procedures and systems to track contact hours for its EPE students. However, in summarizing the contact hours, it understated the number of contact hours by 163 for the first half of the school year. Mount Vernon should revise its reported contact hours which will increase EPE aid by about $690.

In addition, Mount Vernon did not accurately account for or report certain expenditures for the EPE programs as required by Section 168.4 of the Regulations. For example, Mount Vernon did not accurately account for salaries for two individuals. The salary of the grant manager was charged 100 percent to EPE programs even though this individual did not work on EPE programs, and the Coordinator of EPE and Occupational Education programs was not charged to EPE programs. When brought to the attention of Mount Vernon officials, they indicated they would determine the correct accounting for both employees to ensure EPE Program expenditures are accounted for accurately.

Other Areas

Mount Vernon could make certain improvements related to Transportation aid, grants, and attendance data. Mount Vernon claimed certain ineligible transportation expenditures for reimbursement for the 1999-00 school year including $63,036 for monitors on buses for nondisabled students. Mount Vernon officials indicate that the transportation supervisor will identify appropriate costs for claims and submit a revised claim for the 1999-00 school year.
Mount Vernon did not fully spend its Title II grant and, therefore, lost $13,841 in 1999-00 funds. There is no provision to request the Title II grant funds be rolled over and made available for spending in the subsequent year. Better planning could have prevented the loss of the funds. Mount Vernon also did not spend $1,376 of its 1999-00 Title IV grant. Based upon our discussions, Mount Vernon requested that the Title IV grant funds be rolled over and made available for spending in the subsequent year.

Mount Vernon did not track or report attendance statistics for home and hospital bound students. As a result, the attendance data reported to the Department may be understated. Also, Mount Vernon did not provide the required 5.5 hours of instruction to some of its secondary school students each day. The school day was 10 minutes short at the Mandela Alternative School. When the situation was brought to the attention of Mount Vernon officials, it was corrected immediately.

**Recommendations**

19. Implement adequate systems and controls for identifying, tracking, and reporting data for students with disabilities for HCA and Private Excess Cost aid.

20. Ensure accurate, complete, and timely special education data (cost and FTE students) are submitted to the Department to avoid the loss of special education aid.

21. Review State aid claims periodically to ensure Mount Vernon is receiving all the aid it is entitled to receive.

22. Consider using monthly checklists, calendars, or similar tracking systems to help monitor the timeliness of submissions of all reports and correspondence.

23. Ensure IEPs identify the education setting and the length, frequency, and group size of each related service.

24. Consider using a checklist to monitor more closely all construction projects and track their status through the necessary steps to finalize any projects that have been completed.
25. Ensure accurate, complete, and timely Building aid information is submitted to the Department to avoid the risk of losing Building aid.

26. Consider claiming Building aid for appropriate project-related salaries, fringe benefits, and incidental costs incurred by Mount Vernon staff.

27. Ensure EPE contact hours are accurately reported and consider revising the EPE data for the 1999-00 school year.

28. Ensure that only personal service expenses of employees working in the EPE programs are charged to those programs.

29. Ensure only eligible costs are claimed for Transportation aid and revise the reported cost for Transportation aid for the 1999-00 school year.

30. Monitor grant spending to minimize the loss of any grant funds.

31. Track and report attendance statistics for home and hospital bound students.

32. Ensure the required hours of instruction are provided in the elementary and secondary schools.

Comments of Mount Vernon Officials

Mount Vernon officials generally agreed with recommendations 19 through 32, but did not specifically address recommendations 24 and 27, and disagreed with recommendation 29. In regard to recommendation 29, Mount Vernon officials stated bus monitors are a legitimate transportation expense and they will continue to apply for reimbursement of the expense even though Department guidelines prohibit reimbursement. In regard to recommendation 30, Mount Vernon officials stated they have never returned grant funds to the Department due to improper action on Mount Vernon's part. In regard to recommendation 31, Mount Vernon officials stated they track attendance statistics for home and hospital bound students.
Auditors’ Note

In regard to bus monitors, Mount Vernon officials may provide monitors on buses, but the costs for the monitors (assistant drivers) on buses transporting nondisabled students are not aidable as specified in Education Law Sections 3623-a and 3625. The audit maintains Mount Vernon should adhere to the Education Law and not claim the costs for Transportation aid. In regard to recommendation 30, Mount Vernon may be correct in stating it has never returned grant funds to the Department due to improper action on its part. However, Mount Vernon did not have adequate systems to monitor its grant expenditures and did not receive about $14,000 in grant funds that it was entitled to receive. In regard to recommendation 31, Mount Vernon officials stated during fieldwork that they were not tracking or reporting attendance statistics for home and hospital bound students.
IMPROVEMENTS ARE NEEDED IN REPORTING DROPOUT AND COHORT DATA

School districts are required to report data on student performance. This information is used by the Department to produce various reports on student outcomes such as the Report Card. Data need to be reliable and valid to ensure that student performance is accurately portrayed. The audit assessed the accuracy of data reported for student dropouts and cohort, which are used to track student progress toward meeting graduation requirements. Mount Vernon understated the number of dropouts by 226 students, resulting in a 6.7 percent dropout rate, and did not maintain adequate documentation to support the reported cohort data.

Dropout Data

School 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. 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 district and can be used to compare performance among districts.

The dropout rate is a key measure for the Department to gauge whether a school district’s registration as a public school should undergo a review. It is also used as one of the Department’s performance benchmarks in identifying schools that may need assistance in raising student performance. Mount Vernon did not accurately report the number of dropouts or maintain adequate documentation supporting the number of dropouts reported.

Mount Vernon did not adhere to the Department's definition of a dropout, maintain a list of students to support the number of dropouts reported, accurately track students who left Mount Vernon to determine if they were continuing their education, or maintain adequate documentation within each student's file.
Mount Vernon did not always include in its list of dropouts students who ran away from home, moved to a foreign country, were incarcerated, were withdrawn for nonattendance, moved to an unknown location, or transferred to another school without documentation. In addition, Mount Vernon did not withdraw and count as a dropout students who were absent for more than 20 consecutive days and were under the age of 16. If Mount Vernon could not determine the status or location of certain students, the students would remain on the school's enrollment roster until they turned 16 when they would be withdrawn.

School districts should maintain a list of students who dropped out of school and the list should correspond to the number of dropouts reported to the Department. Mount Vernon did not maintain such a list. In fact, the Director of Curriculum and Instruction at the high school had to recreate a list of the dropouts reported. However, the list could not be reconciled to the data reported to the Department.

School districts should document in each student's file the reason for leaving school, efforts made to retain or place the student in another program, and whether the student entered another school or approved high school equivalency program. The audit tried to examine documentation for 100 percent of the students who were withdrawn during the 1999-00 school year, and found that this type of documentation was often lacking. In fact, many files for students who left Mount Vernon during that school year could not be located.

Mount Vernon originally reported 47 dropouts for the 1999-00 school year, resulting in a calculated dropout rate of 1.2 percent. The audit reviewed Mount Vernon records for students who were withdrawn during 1999-00 and determined the number of dropouts that should have been reported was 273, resulting in a calculated District-wide dropout rate of 6.7 percent.

**Cohort Data**

School districts are required to track and report progress toward meeting graduation requirements by submitting cohort data for students entering ninth grade at the beginning of the school year. The data are used to gauge how students are progressing toward obtaining their high school diploma and can be used to identify at-risk students. To ensure that data are
accurate, districts need adequate systems and processes to track and report cohort data. Mount Vernon did not have adequate systems and processes and also did not maintain adequate documentation to support the data reported to the Department.

Mount Vernon was unable to provide adequate supporting documentation for the 1996 Cohort for the high school. Although the Mandela Alternative School provided a listing of students in the 1996 Cohort, the number of students by scoring ranges for both math and English results was not consistent with the information reported to the Department.

Without adequate documentation, the audit was not able to verify the accuracy of the reported numbers. Mount Vernon needs to implement the necessary systems and processes to help ensure accurate data are reported and adequate documentation is maintained.

**Recommendations**

33. Establish a system to document and track the status of all students who leave Mount Vernon and efforts to retain students or place them in another program. Also, retain adequate documentation to support the reported student dropout data.

34. Submit revised dropout statistics to the Department for the 1999-00 school year.

35. Maintain adequate documentation to support reported cohort data.

**Comments of Mount Vernon Officials**

Mount Vernon officials generally agreed with recommendations 33 through 35, but did not specifically address recommendations 34 and 35. In regard to recommendation 33, Mount Vernon officials stated they track students who leave school. However, they also stated they cannot be held accountable when they cannot contact parents of students who leave school without notification or a forwarding address.
Auditors’ Note

The Department holds all districts responsible for accurately reporting the number of students who leave school prior to graduation for any reason, except death, and do not enter another school or approved high school equivalency program. It is understandable that districts cannot always determine the whereabouts of all students who leave the district. However, without documentation of entry into another school or approved high school equivalency program, those students should be reported as dropouts.
Appendix A

Contributors to the Report
Mount Vernon City School District

- Michael Abbott, CPA, Manager
- Nancy Taylor, CPA, Associate Auditor
- Stewart Hubbard, Senior Auditor
- Sandra Calabro, Senior Auditor
- Kerrie Ross, Senior Auditor
Requests for Audit Review

It is the policy of the State Education Department to consider for review matters of significant disagreement which result from a final audit report issued by the Office of Audit Services.

An organization requesting an audit review must make a written application to the Associate Commissioner for Planning and Policy Development, New York State Education Department, Room 128 EB, Albany, New York 12234 within 30 days of receiving the final audit report. An organization may request a review of an audit whenever the final audit report directs the recovery of funds from the organization and one or more of the following conditions is met:

- Recovery of funds would cause immediate and severe financial hardship to the organization, thereby affecting the well-being of program participants;
- The organization’s violation was caused by erroneous written guidance from the State Education Department;
- The State Education Department failed to provide timely guidance on the matter or condition when the organization had previously requested such guidance in writing; and/or
- The report contains errors of fact or misinterpretation of laws, statutes, policies or guidelines.

Organizations requesting an audit review must submit a written application describing how one or more of the above conditions have been met. This application must include all evidence and information the organization believes are pertinent to support its position.

An audit report which recommends improvements in internal controls of administrative or financial systems, but has no material financial impact on the organization, will not be considered for an audit review proceeding.
Response to the 
New York State Education Department's Audit 
For the Period 
July 1, 1999 through March 31, 2001
MOUNT VERNON BOARD OF EDUCATION

Rev. W. Darin Moore, President
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Mr. Gerard Dougherty, Assistant Superintendent for Business
Mr. Mario Sciafani, Administrator for Human Resources
Mr. Alfonzo Grimes, Administrator for Community and Student Affairs
Dr. Dawn Arno, Internal Auditor
EXECUTIVE SUMMARY

Overview

The Mount Vernon City School District, like the New York State Education Department, has begun the journey towards transformation and higher standards of achievement for our children. Change is always difficult for some, but we, in Mount Vernon, have enthusiastically embraced the call for higher standards. In three short years we have made remarkable strides in student achievement. The significant increases in our fourth grade reading and math assessments have been phenomenal and we have sustained that achievement. Although Mount Vernon is a high-needs district, our achievement scores are beginning to match districts with far greater resources.

In the "Background and Scope" section of the audit report, the State Education Department reports that the Mount Vernon City School District spends $962 per student more than the statewide average. However, in other SED audit reports the methodology used was to compare regional per pupil costs. If the Mount Vernon City School District was compared to other districts in our region, the findings would show Mount Vernon’s per pupil cost far below most school districts in Westchester County.

One of the audit reports currently published on SED’s website states “The selection of this District for audit is made pursuant to the Board of Regents Strategic Plan – Goal 5 which states 'Resources under our care will be used or maintained in the public interest.' It concentrates Department resources on educational "programs with low performance or poor fiscal practices."

Since the Mount Vernon City School District falls into neither of the two categories – "low performance or poor fiscal practices," it is unclear why SED would spend its limited resources in an effort to impede the progress of a District where administrators and policy makers have made great strides to improve educational opportunities and outcomes for all the children of the Mount Vernon City School District.

Notwithstanding our overall objections to the entire audit report, its methodology, findings, analyses and report writing, which is filled with innuendo, speculation and editorializing, we have nevertheless endeavored to respond openly, honestly and efficiently to all constructive criticism. Our school district remains a work in progress.

In June 1997, we had a $7.5 million deficit and on June 30, 2000, we had a positive fund balance of $2.2 million. The State had given us a seven-year window to correct this situation. We accomplished the task in four years.
In addition to eradicating the deficit and improving student achievement, the Mount Vernon City School District has had to contend with having three business managers in a three-year period. In spite of such rapid transitions, we have maintained our focus on sound fiscal management. The bond market has also been aware of our progress and has rewarded us by increasing our bond rating to AAA+ status, thereby saving taxpayers thousands of dollars over the next several years in interest costs.

With respect to State aid and grants, the audit report notes that the school was at substantial risk of losing $12 million. The school district did not lose $12 million. The district did not lose one penny of the “so called” substantial risk ($12 million). The audit should restrict its reporting to factual reporting; speculation and false prognostication is unseemly and unwarranted. What could have happened, and did not happen, and may never have happened, are beyond the scope of this report.

The Mount Vernon City School District has worked vigorously and collaboratively to strengthen operational effectiveness without compromising the delivery of academic services to our students. In the 1997-1998 school year, the Mount Vernon City School District purchased a fully integrated financial and personnel Management Information System (MIS). Despite our improvements and accomplishments, the SED audit reports the “need for improvement” in areas like “binding books,” “organizing/indexing the policy manuals,” etc. One would be embarrassed if such suggestions came from others in the accounting profession in this day and age of electronic media filing. An organization must respond to its own specific needs. The management practices in the Mount Vernon City School District take into account the need for change and standardization in accounting/reporting while recognizing our own uniqueness.

Again, we need to reiterate that the new Management Information System (MIS) has provided the Mount Vernon City School District with the opportunity and the mechanism for improving its business operations, and ensuring tight management controls. This is a fact that has not been observed or noted in the SED audit report. Since the MIS implementation has been integral to the changes that the District has instituted, and already addresses many of the recommendations included in the audit, one can rightfully question the legitimacy of the methodology used for conducting the audit and, therefore, the accuracy of the audit report itself.

While our response is detailed, we wish to give an example of our rationale for making such a response to the audit. For example, in the EPE budget of $2,465,745, we are criticized for underreporting contact hours which would impact our aid received by less than three one hundredths (3/100) of one percent (1%), for a total of $690. While the Mount Vernon City School District makes every attempt to maximize our fiscal resources, and openly accepts constructive criticism, the accounting profession
recognizes such small sums as immaterial and insignificant in outcome.

In spite of this, and other similar minor observations, the fact remains that even the SED audit notes that "procedures were being followed" in our business office and that "no exceptions were found."

The underreporting of drop-outs was a difference in methodology. In other areas the audit report notes that the Mount Vernon City School District could make certain improvements related to transportation aid, grants and attendance data. We applaud the fact that the auditors had to stretch so far to find things to criticize.

The Mount Vernon City School District continues to put in place any measures helpful in building a world-class school district. We wish to thank all those who continue to help us with their advice and constructive criticism.

Respectfully submitted,

Ronald O. Ross, Superintendent
Recommendations and Responses

1. Improve the control environment by actively monitoring the budget and expenditures, and by establishing policies and procedures.

Following a lengthy review process, the Mount Vernon School District purchased a fully integrated financial and personnel Management Information System (MIS) in the 1997-1998 school year. This MIS included modules for all financial functions, such as general ledger, budgeting, encumbrance accounting, project/grant accounting, capital projects accounting, accounts payable, purchase requisitions, warehouse inventory, fixed assets/inventory control, and all human resource functions.

Process Improvement Project: In conjunction with the implementation of this comprehensive MIS, the District initiated a District-wide process improvement project which would re-engineer the processes and functions within the financial and personnel departments.

The District engaged the services of Southern Westchester BOCES and an implementation consultant Software Systems Inc. of Philadelphia. An implementation plan was developed which called for the initial implementation of the general ledger, payroll and purchasing modules of the new MIS. This is standard practice when engaging in such a large scale change, and is necessary to ensure the success of the project.

The MIS implementation began in Fall 1998, and to date, we have successfully completed the implementation of the accounting, general ledger, payroll and purchasing modules. The implementation plan calls for personnel, inventory control, fixed assets, and budget modules to be implemented next. Southern Westchester BOCES and an onsite consultant continue to support the District in the completion of this implementation and improved business office operations.

2. Ensure Board members routinely receive and review fiscal reports, including budget status reports, cash reports, bank reconciliations, and Extraclassroom Activity Fund reports.

CHANGE STRATEGY: The implementation of a new MIS system is a massive change strategy undertaken by the District, to modernize and improve operations within the system, including addressing internal control concerns. This improvement strategy began with the District’s search for a new MIS system in 1997, long before the SED audit and with no external prompting from the State Department!
The new MIS implementation required that the District maintain two parallel accounting systems for the first year of the implementation. This required constant monitoring on a routine basis to ensure that the implementation proceeded as planned. The District continues to be under contract with Southern Westchester BOCES as the full implementation of the total MUNIS software package is realized.

This is a massive change strategy that the District has undertaken! Anyone familiar with similar such implementations within organizations, (whether school districts or commercial business enterprises), would appreciate the enormity of the task, and the Mount Vernon School District’s major strides in managing and controlling and improving their business operations.

3. Ensure appropriations are available before expenditures or encumbrances are made.

ENCUMBRANCE ACCOUNTING: The newly implemented MIS included encumbrance accounting. Encumbrances are accounting entries to recognize commitments related to unperformed contractual obligations and personal services. They serve the purpose of a budgetary monitoring technique, that forces the District to set aside specific appropriations for known obligations and expected costs. When funds are encumbered, they are then unavailable for other purposes, unless the encumbrances are cancelled following the release of the specific obligations.

The formal use of encumbrance accounting is a continuous and integral part of the District’s monitoring activities. Reports listing budgeted appropriations, encumbrances, and cumulative expenditures are constantly and very easily generated for all funds, and provide District officials, (both administrators and policy makers), with the financial data necessary for monitoring and controlling the approved budgeted expenditures.

4. Approve budget transfers in a timely manner.

Budget transfers of amounts under $50,000 are reviewed by the Assistant Superintendent for Business, and are routinely handled as a part of the internal control process established by the District. In keeping with Board policy, transfers over $50,000 are submitted to the Board for approval.

SECURITY: Security levels within the MIS are set so that only supervisory personnel can override the built-in controls of the system. Utilizing the MIS, district officials currently create encumbrances for all known commitments including expenditures for personal services, the purchase of equipment, contracted services, materials, and supplies.
Routine purchasing and requisitioning cannot be processed if funds are not available within the budget code to which the items are being charged.

With respect to expenditures for salaries and personnel services, the personnel division of the District works closely with the Budget and Payroll departments to ensure modification of encumbrances when changes in staffing levels and/or funding sources warrant.

PROJECTING YEAR END BALANCES: As a part of the re-engineering of the business processes, the District has also instituted a routine system of projecting year-end balances once program and staffing levels become more stable. The Accounting, Budget and Personnel Departments are integrally involved in monitoring and ensuring that expenditures for personnel are controlled.

5. Appoint an internal claims auditor to review and approve all claims.

With respect to the appointment of an internal claims auditor, please note that the district appointed an internal auditor, effective July 9, 2001, and the individual assumed responsibility on August 1, 2001. A copy of the resolution adopted by the Mount Vernon Board of Education was forwarded in writing and by fax to Ms. Nancy Taylor at the Office of Audit Services on July 13, 2001.


These policies were adopted and implemented by the Board of Education. The auditors noted that there is no district-wide policy on Parent Involvement. The Mount Vernon City School District views its parents as partners in the education of our children. It has always reached out to involve and include parents and the community in educational decisions that affect the school and community's children, through compact teams, Parent-Teachers' Associations, participation on the comprehensive district education and strategic planning teams.

District Administrators contacted six local school districts to request a copy of their Parent Involvement Policies, only to learn that none of them had such a policy in place. The District then contacted the State Education Department and was referred to the Buffalo School District. After ill attempts to locate or identify such a policy, the District contacted the office of Mrs. Sheila Evans-Tranuum, whose office forwarded a policy that could be used as a guide.
Realizing, however, its ongoing commitment to shared decision-making and parent involvement, the District contracted the services of the New York University Metro Center for Urban Education to work with parents and administrators in the development of a Parent Involvement Policy. This resolution was adopted on August 8, 2001 and forwarded to the Office of Audit Services. The draft policy will be completed by January 15, 2002 and the district has completed its training of all school compact teams.

Copies of all policies adopted during the audit period were sent to the Office of Audit Services.

7. **Prohibit reimbursement of questionable expenses including personal expenses, flowers, sales tax, and gifts.**

The auditors would suggest that this district makes inappropriate and illegal expenditures for gifts of a personal nature. The district does not, and has never done so. There have been no incidents of such purchases for personal gifts or personal property. At no time has this district made expenditures for personal gifts or property.

8. **Ensure travel and conference expenses are adequately documented with specific hotel bills and restaurant receipts.**

The standard operating procedures of the business office require all employees to submit documentation to support travel and conference expenses.

9. **Ensure the postage meter is only used for official school business.**

Postage meters are only used for official school business.

10. **Eliminate inactive and inappropriate Extraclassroom Activity Accounts.**

A policy for the operation of Extraclassroom Activity Accounts has been adopted and implemented.

11. **Maintain adequate documentation to show when the Board waived fees for the use of District facilities.**

The district has adopted a policy on the use of facilities and this is strictly adhered to.
12. Establish written policies for attendance, State aid claims, accounts receivable, cash disbursement, follow up on outstanding purchase orders, and procurement of professional services.

The Mount Vernon City School District’s business office follows the procedures as prescribed in the State Comptroller’s Official Management Guide for Local Government. With the implementation of the new MIS financial system in the finance office, all business office functions have undergone review for improvement in procedures.

13. Limit the length and number of Board meetings to recommended levels to help ensure maximum productivity.

14. Ensure the organizational meeting includes all necessary activities and resolutions for Mount Vernon to carry out its operations in an efficient manner.

15. Ensure minutes include resolutions addressing the approval of prior meeting’s minutes.

School Board meetings are scheduled twice a month, one for a work session, and the other for official action. However, the School Board reserves the right to use the time allowed as needed.

16. Ensure minutes are bound with sequentially numbered pages.

The minutes are bound and sequentially numbered and available for public review.

17. Establish adequate controls over inventory including assigning an individual with overall responsibility for the fixed asset inventory, maintaining detailed records of the assets, and conducting an annual physical inspection of the assets.

The district purchased a new Management Information System in 1997 and implemented it in 1998. It includes fixed assets tracking and inventory control modules. In addition, the district routinely engages the services of industrial appraisals to document and update all fixed assets. With full implementation of the MIS, the district will have the most advanced and efficient inventory system on the market.

18. Segregate the duties for bank reconciliations from collecting cash, preparing checks, and maintaining the accounting records.

SEGREGATION OF DUTIES: With respect to SED’s comments about segregation of duties within the business office, (cash receipts vs bank reconciliation) please note the following:
The District is well aware that the segregation of duties is an important internal control mechanism. As a result of the new MIS implementation and the associated re-engineered business processes within the Business office, these duties are segregated.

The district treasurer serves as the chief accountant and is functionally responsible to the Assistant Superintendent for Business. All bank reconciliations are done by the treasurer, and reports on outstanding checks or other irregularities reported to the Assistant Superintendent for Business for follow up. Two business office staff members have responsibility for handling cash receipts. The MIS system is, of course, used for recording and reporting all revenues received.

ACCOUNTABILITY: Note that the Assistant Superintendent for Business has the ultimate responsibility for ensuring the integrity and accountability of all Business operations. The Treasurer/Accountant reports to the Assistant Superintendent for Business, who in turn reports to the Superintendent.

Again, we need to reiterate that the new MIS system has provided the District with the opportunity and the mechanism for improving its business operations, and ensuring tight management controls. This is a fact that has not been observed or noted in the State's audit report. Since this MIS implementation has been integral to the changes that the District has instituted and already addresses many of the "recommendations" included in the Audit, we must question the legitimacy of the methodology used for conducting this audit and finally the accuracy of the audit report itself.

19. Implement adequate systems and controls for identifying, tracking, and reporting data for students with disabilities for HCA and Private Excess Cost aid.

20. Ensure accurate, complete, and timely special education data (cost and FTE students) are submitted to the Department to avoid the loss of Special Education aid.

21. Review State aid claims periodically to ensure Mount Vernon is receiving all the aid it is entitled to receive.

22. Consider using monthly checklists, calendars, or similar tracking systems to help monitor the timeliness of submissions of all district reports and correspondence.
25. Ensure accurate, complete, and timely Building aid information is submitted to the Department to avoid the risk of losing Building aid.

26. Consider claiming Building aid for appropriate project related salaries, fringe benefits, and incidental costs incurred by Mount Vernon staff.

With respect to application for all State aids for special education, capital projects, general operating aid, school lunch, the District closely monitors, and has implemented procedures for maximizing its revenue. Data collection, data completion and submission of forms to the State Education Department are coordinated through the business office.

23. Ensure IEPs identify the education setting and the length, frequency, and group size of each related service.

The district has implemented an on-line IEP student management system (IEP Direct) which allows for the recording of all necessary IEP data. This system provides for the development of IEPs, managing programs and preparing State Aid reports.

24. Consider using a checklist to more closely monitor all construction projects and track their status through the necessary steps to finalize any projects that have been completed.

The financial MIS system includes a capital projects accounting module. In addition, the district monitors all construction projects and their status through our construction manager. The business office routinely monitors all phases of construction, including, but not limited to, appraisals, and State aid deadlines for reporting on financial cost reports via the State Education Department’s web site. The district has also hired an independent owner’s representative to ensure the District’s interests are protected. The owner’s representative goes out to the site, monitors the construction manager, and reports back to the Board of Education.

27. Ensure EPE contact hours are accurately reported and consider revising the EPE data for the 1999-2000 school year.

The State in its visit complimented the district on the efficiency and accuracy of the EPE program. The State also used us as a model.
28. Ensure that only the personal service expenses of employees working in the EPE programs are charged to those programs.

The budget office routinely reviews all budget codes used to which personnel are charged.

29. Ensure only eligible costs are claimed for Transportation aid and revise the reported cost for Transportation aid for the 1999-2000 school year.

To ensure the safety of our children, the district included bus monitors in the transportation contract. These are legitimate transportation expenditures. However, the State Education Department declared that they would not reimburse the district for these monitors. As with all legitimate transportation expenditures, the district applied for reimbursement for transportation aid.

30. Monitor grant spending to minimize the loss of any grant funds.

The district not only monitors its grant funds very carefully, but no grant funds were returned to the State due to improper action on the district's part.

31. Track and report attendance statistics for home and hospital bound students.

This is another inaccuracy on the part of the State Education Department. The district has also tracked and returned attendance statistics for home and hospital bound students.

32. Ensure the required hours of instruction are provided in the elementary and secondary schools.

This item referred only to the ten minute schedule in our alternative school, which has since been amended.

33. Establish a system to adequately document and track the status of all students who leave school and the district's efforts to retain students or place them in another program. Also, retain adequate documentation to support the reported student dropout rate.
34. Submit revised dropout statistics to the Department for the 1999-2000 school year.

To the extent that we can, the district tracks the status of all students who leave any of its schools. The district cannot be held accountable when it is unable to contact parents who leave the district without notifying or leaving any forwarding information.

This district continues to take very seriously its responsibility to track and report its progress in helping students meet graduation requirements and did, in fact, revise and implement its student discharge and transfer procedure. The district cooperated with the State and immediately forwarded the procedures to the Office of Audit Services. We are concerned, however, that the State held the district responsible for knowing the placement or whereabouts of students whose parents or guardians remove them from our schools during the summer months without notifying the child's school or our district school officials. Such was the case with many of the students whom the State classified as dropouts. The district, therefore, could not confirm the student's location through an investigative visit, as is its practice. It should also be noted that State agencies could not confirm the whereabouts of students who were removed or transferred from group homes to other State facilities. These students, therefore, were classified by the State as dropouts.

It should be further noted that the State counted returning 5th year seniors as dropouts, since they failed to graduate the previous year. However, the State did not give the District credit for these same students when they did, in fact, return to our school the following year to complete graduation requirements.

From April, 2001 through May, 2001, school officials were in constant communication with the State auditors concerning the location of discharged students.

35. Maintain adequate documentation to support reported cohort data.

The District uses a five-step process for Cohort reporting:

1. Identify the cohort group for a particular year.
2. Tag sub-groups within the cohort.
3. Record assessment scores for the cohort.
5. Update cohort information.
In order to identify a cohort group, we use the School Administration Student Information (SASI) software. Demographic and academic information for any student ever enrolled is maintained in the system as either “active” or “inactive.” When we identify the cohort, we look for all students who started in 9th grade, at any time, in a particular year.