
Audit Report

Rochester City School District

For the Period

July 1, 1997 through March 31, 2001

SD-0900-2

May 29, 2002

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





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May 29, 2002

Ms. Joanne Giuffrida
Board President
Rochester City School District
131 West Broad Street
Rochester, New York 14614

Dear Ms. Giuffrida:

The following is our final audit report (SD-0900-2) on the Rochester City School District for the period July 1, 1997 through March 31, 2001. The audit was conducted pursuant to Education Law Section 305 and the Board of Regents/State Education Department Strategic Plan – Goal #5 which states: “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 the 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: Commissioner Mills, R. Cate, J. Kadamus, A. King, B. Porter, T. Sheldon, C. Szuberla, C. Foster (DOB), W. Campbell (OSC), J. Dougherty (OSC), C. Janey, Superintendent

Executive Summary

Rochester City School District (District), located in Western New York, is one of the State's large city districts (Buffalo, Rochester, Syracuse and Yonkers). The District reported serving about 36,784 students in kindergarten through grade 12 in 56 schools and also reported serving 1,689 preschool children and 20,289 adults. The District spent about \$474 million in the 1999-2000 school year. Rochester's average expenditure per pupil for 1998-99 (\$11,245) was \$874 higher than the statewide public school average (\$10,371) but comparable to the average of the other three large city districts (\$11,181).

Audit Results

The audit found that improvements are needed in the management and controls over data reporting for State aid purposes, in particular for the Employment Preparation Education (EPE) Program. The District did not have adequate systems and processes to claim, track, document and report EPE contact hours properly. As a result, the District received \$13.4 million in EPE aid to which it was not entitled. Improvements are also needed for transportation aid.

Improvements are needed in the collection and reporting of student performance data. The District did not adhere to the Department's definition of a dropout, thereby reporting an inaccurate number of dropouts. In addition, documentation to support the reported numbers is inadequate. As a result, the actual dropout rate may be as much as twice the rate reported.

Improvement opportunities exist in relation to management controls and Board governance including the conduct of Board meetings, authorizations, appointment of officers and development of updated written policies and procedures. Improvements are also needed in the area of financial controls including purchasing, approval of claims, payroll, and extraclassroom activity funds.

Comments of District Officials

District officials' comments to the findings were considered in preparing this report and are included as Appendix B. In response to the audit, District officials generally agree with the audit recommendations. The District has already made many improvements in its management controls, in particular over the collection and reporting of both EPE and student dropout data. Although District officials disagree with the definition of a student dropout for reporting purposes, they agree to comply with the recommendations.

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Exhibit 2 – Dropout Rates per SIS Data

Appendix A – Contributors to the Report

Appendix B – Comments of Rochester City School District Officials

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Introduction

Background

The Rochester City School District's (District) stated mission is "to educate all students to their highest levels of performance, in effectively managed learning environments that are safe, inclusive, and student-centered, in collaboration with parents and major community partners." The District, located in Western New York, is one of the State's large city districts (Buffalo, Rochester, Syracuse and Yonkers). All of these large city districts have high student needs relative to district resource capacity. The District reported serving about 36,784 students in kindergarten through grade 12 in 56 schools and also reported serving 1,689 preschool children and 20,289 adults. The District employed about 6,000 full-time staff and spent about \$474 million in the 1999-2000 school year. As shown in the 1999-2000 New York State School Report Card (Report Card), the 1998-99 School district-wide total expenditure per pupil was \$11,245 while the average was \$10,371 for public schools in New York State and \$11,181 for the other three large city districts.

The 2001 Report Card shows that student performance is consistently below State average and slightly below average for the other three large city districts at the elementary level. For example, 62 percent of the District's fourth graders did not meet the Grade 4 Mathematics standards as of June 2000, compared to the statewide public school average of 35 percent and the other large city district average of 53 percent. Similarly, 88 percent of eighth graders did not meet the Grade 8 Mathematics standards compared to the statewide public school average of 60 percent and the other large city district average of 82 percent.

Student performance in the high school is also generally below the statewide average but, in some cases, is more comparable to the average for other large city districts. For example, as of June 2000, 75 percent of the 1996 student cohort passed the Regents English Exam as compared to 90 percent in public schools statewide and 87 percent in the other large city districts, on average after four years of high school. The performance for Regents Math is more comparable in that 65 percent of the 1996 student cohort passed the exam as compared to a statewide average of 77 percent and 55 percent

in the other large city districts. Lastly, 16 percent of District graduates earned Regents diplomas compared to 49 percent in public schools statewide and 26 percent in the other large city districts.

Scope, Objectives and Methodology

The audit examined selected management practices, records, and documentation for the period July 1, 1997 through March 31, 2001. This was a performance audit and our objectives were:

- to verify the adequacy of the District's system of management controls;
- to verify the adequacy and reliability of the policies and procedures for collecting and reporting financial data, including claims for State aid; and
- to verify the adequacy and reliability of the policies and procedures for collecting and reporting certain student performance data, including the student dropout rate.

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

We conducted 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.

Comments of District Officials

District officials' comments were considered in preparing this report and are included as Appendix B. District officials generally agree with the audit recommendations and have already implemented or begun to implement many. For

example, the District has already made improvements in its management controls, in particular over the collection and reporting of both EPE and student dropout data. Also, although District officials disagree with the definition of a student dropout for reporting purposes, they agree to comply with the recommendations.

Improvements Needed to Ensure the Reliability and Validity of Data for Certain State Aid Claims

Employment Preparation Education (EPE)

School districts are eligible to receive aid for Employment Preparation Education (EPE) programs that provide instruction that leads to high school or equivalency diplomas 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. The aid must be spent for EPE related services. If the aid exceeds total expenses, EPE aid will be reduced accordingly in the following year.

The District claimed and received \$21.8 million in EPE Program aid for the three-year period, 1997-98 through 1999-2000, based on a reported 4.5 million contact hours. The audit found that the District did not have adequate systems and processes to claim, track, document and report contact hours properly. As a result, the District could not adequately document it was entitled to \$13.4 million (61 percent) of the \$21.8 million in EPE aid it received. The District will be required to make restitution in such amount to New York State. This report will be used by the Department's State Aid unit to recover ineligible EPE aid.

Ineligible Contact Hours

Since the District is paid EPE aid based on the number of contact hours reported, the audit reviewed documentation supporting the reported contact hours to determine if they were eligible, accurately reported and adequately supported. The documentation reviewed included class schedules, attendance rosters, sign-in-sheets, computerized databases, and student files. The audit found that reported contact hours were substantially overstated for the following reasons:

- ineligible programs and activities,
- non-instructional time, and
- ineligible students.

In total, the District overclaimed contact hours by 2.8 million, or 61 percent of hours claimed for EPE aid. This overclaim

resulted in the District receiving \$13.4 million in EPE aid to which it was not entitled as follows.

Table 1: EPE State Aid Adjustment

	1999-2000	1998-99	1997-98	Total
Hours Claimed	1,433,769	1,401,959	1,696,755	4,532,483
State Aid Received	\$7,011,130	\$6,715,384	\$8,076,554	\$21,803,068
Hours Eligible per Audit	498,753	513,565	738,497	1,750,815
State Aid Entitlement	\$2,438,902	\$2,459,976	\$3,515,246	\$8,414,124
Hours Not Eligible per Audit	935,016	888,394	958,258	2,781,668
Restitution to New York State	\$4,572,228	\$4,255,407	\$4,561,308	\$13,388,944

Source: EPE State Aid claim forms (SA-160s) as submitted by the District and audit working papers.

Contact Hours for Ineligible Programs and Activities

Every school district or BOCES seeking to operate an EPE program must submit a comprehensive plan of service to the Department for approval. The plan includes information about major programs that will be offered and the number of students expected to be served. Only those programs that have been approved in the comprehensive plan of service are eligible to generate EPE aid. Amended comprehensive plans must be submitted and approved before new programs are added.

Eligible EPE programs include:

- traditional adult education programs,
- adult high school credit programs,
- distance learning adult education programs in which students are not present in the classroom but their work is supervised by a certified teacher,
- adult occupational educational programs designed to teach the skills needed to obtain employment in a specific field, and
- work experience programs combining classroom training with on-site job experience.

The District claimed contact hours for programs and activities which were not on its approved comprehensive plan and are not EPE eligible activities. Presented below are examples of

ineligible programs/activities along with the amount of aid received for such in parentheses. Since the amounts shown here are for the examples cited, the amounts are not designed to agree with Table 1 which includes all adjustments.

- The District reported 960,828 contact hours for Chapter 1 related programs. Chapter 1 (of Title 1 of the Elementary and Secondary Education Act) is a program to help disadvantaged school-age students and is not related to the EPE Program which is designed to serve students at least 21 years of age (\$4,600,000).
- The District claimed 629,377 contact hours for Community Programs. The programs were not included as part of its approved comprehensive plan although certain activities related to the Community Program were included. However, the District was not able to isolate eligible EPE contact hours and students within its Community Service Program to support the aid claimed (\$3,000,000).
- The District claimed contact hours for recruitment type activities. For example, at one of the District's EPE program sites (Hart Street Family Learning Center), approximately 230,000 contact hours for recruitment activities were claimed. Such activities are not considered eligible as they are not related to instruction or eligible counseling (\$1,100,000).
- The District reported about 155,000 EPE contact hours for SETRC (Special Education Training Resource Center) and LearnFare, for the 1999-2000 school year. These programs are not eligible for EPE aid as they are related to services provided to parents of children with special needs and a program to improve student attendance in the K-12 programs (\$750,000).
- Counseling that is not related to intake, assessment and the preparation of an IEEPP is not eligible for EPE aid. The counselor's time spent with EPE students must be clearly documented if it generates contact hours. The District claimed contact hours for counseling services provided to EPE students, but did not adequately document the counselors' time and the purpose of the counseling. For example, at one of the District's EPE program sites (Westside Refugee Center), the District claimed 14,400 contact hours for counseling for the 1999-2000 school year.

After the audit questioned these hours, the District reduced its claim to 2,200 hours (\$60,000).

- Contact hours may not be claimed for the time students spend taking the General Equivalency Diploma (GED) exam. The District claimed over 37,000 contact hours for the time students spent taking the GED exam. In some instances, the contact hours claimed for taking the GED exam were also claimed under one of the program categories representing a duplication of hours claimed (\$177,000).
- The District reported about 16,000 contact hours for its external degree program (EDP) at the Hart Family Learning Center, but has only provided documentation for less than half of the contact hours claimed (\$77,000).

Contact Hours for Non-Instructional Time

A contact hour is defined by the Regulations as 60 minutes of instruction given by a certified teacher for each student. The only activities that generate contact hours when the student is not in the classroom under the direct supervision of a teacher are those specifically approved in the Comprehensive Plan of Service as a distance learning program or as a work experience program. The Regulations do not recognize time spent working independently at a computer, doing homework, using the library, or any other activity not directly supervised by a certified teacher as acceptable for generating allowable contact hours. The Regulations also do not recognize lunch breaks as instructional time.

The District claimed contact hours for non-instructional time, including lunch breaks, student absences from the classroom, and others. Some examples follow:

- The District generally claimed contact hours for the time students were not receiving instruction during lunch periods within the school day or class period. For example, at one District site (Hart Family Learning Center), 16,000 of the contact hours reported for the traditional (classroom) programs for the 1999-2000 school year were for lunch periods (\$78,000).
- The District also claimed contact hours based on the scheduled class times regardless of whether a student was

tardy or left early. For example, at the Hart Family Learning Center, the District reported about 20,000 EPE contact hours for time students were not present in the classroom due to tardiness, early departure, or because the students were scheduled to attend only a portion of the day (\$98,000).

The District also used incorrect class hours in its calculations of contact hours for certain classes as described in the following example.

- For the GED Outreach programs, the District overstated the EPE contact hours of at least 11 classes for the 1997-98 school year by using incorrect class lengths in its calculations of EPE contact hours. For example, the District counted six contact hours per day for each student attending a GED class, even though the class only met for four hours. As a result of using the incorrect class lengths, the District overstated contact hours for the GED Outreach program by over 10 percent for the 1997-98 school year (\$39,000).

Contact Hours for Ineligible Students

An EPE student must be at least 21 years of age and not have a high school or equivalency program diploma to be considered eligible for the program. Districts may only claim contact hours for eligible students. The audit found that the District claimed contact hours for non-EPE eligible students as described in the following examples.

- The District reports EPE contact hours for its Workplace Literacy program, a program that offers instruction to students in their places of employment. Workplace Literacy course offerings include basic math and reading, introductory and advanced computer topics, English for Speakers of Other Languages, and other courses. The District initially claimed about 34,000 EPE contact hours for its Workplace Literacy program for the 1999-2000 school year. As a result of this audit, the District reduced its claim to less than 3,000 hours, primarily because contact hours had been claimed for students ineligible due to age or diploma status. Similarly, the District reduced its claims for the prior two years (\$214,000).

- The District reported over 25,000 contact hours for its Work Now and Work and Learn programs at the Hart FLC for the 1999-2000 school year for educational assessments of non-working clients of the local Department of Social Services. However, only about 650 of these hours represented services provided to individuals who met the EPE age and diploma status eligibility criteria (\$120,000).
- The District reported EPE contact hours for an Urban League class. However, the Urban League program is a program for teenagers, and therefore, the students would not meet the criterion for age (\$31,000).

Inadequate Systems and Processes

The District's EPE program is part of the District's Workforce Preparation Department and is managed by the Supervising Director of Workforce Preparation. The District did not have adequate systems and processes to track, document and report contact hours properly. As a result, the District does not comply with applicable laws, regulations and policies. Some examples of the weaknesses follow.

- The District's Department of Workforce Preparation has overall responsibility for supervising the EPE program which includes ensuring that the process for reporting contact hours results in data that are accurate, reliable and valid. The District's EPE Program is organized into eight major sites or programs. Two of such programs, the Community Program and Chapter 1 Program, were the basis for \$7.6 million in EPE aid claims.

As noted previously, the contact hours claimed for the Chapter 1 Program are not eligible for EPE aid. Furthermore, the Department of Workforce Preparation was unable to explain or document how contact hours were calculated for the Chapter 1 Program. The Chapter 1 Program administrator claimed no responsibility for supervising EPE activities and related contact hours. The Community Program administrator claimed limited knowledge of EPE requirements. The Director of Workforce Preparation claimed that all EPE administrators were properly instructed on EPE requirements. Yet accountability for contact hours was severely lacking with these two programs.

- The District’s Department of Workforce Preparation did not provide adequate guidance to its EPE site or major program directors. Although copies of pertinent written materials issued by the Department were disseminated to the District’s EPE administrators, the District had no standardized policies or procedures for the administration of the program. In addition, comprehensive written instructions for program documentation and reporting were not provided to EPE staff. Written instructions and standard procedures dealing with issues such as student eligibility, student folders, class registers and attendance records, IEEPPs, intake and assessment, and others would provide uniform guidance for administering EPE and submission of proper State aid claims.

In the absence of such guidance, each site or major program used different procedures or a combination of different procedures. Most offices did not prepare and maintain the required IEEPPs or adequate records of student eligibility and attendance. Without adequate written instructions and standard procedures, staff are unaware of what is expected of them and may not be held accountable.

- The District did not implement adequate controls to ensure the accuracy of reported contact hours. For example, a program administrator had calculated a total of 10,260 contact hours on one worksheet. We reviewed the worksheet calculations and recalculated the total to be 1,692.
- The Regulations require every district and BOCES operating an EPE program to submit a Comprehensive Plan of Services (Plan). The Plan includes a *Statement of General Assurances* which must be signed by the superintendent or the chief administrative officer, thereby providing assurance that the program requirements will be met and that EPE aid is devoted to approved programs. The District submitted its Plans for each year, and each Plan included a *Statement of General Assurances* signed by either the Superintendent or the Deputy Superintendent for Operations. However, the District did not meet those assurances. Some examples follow.
 - The District assured that “individual student folders will be easily accessible to students and teachers, and

will include information concerning attendance, testing and program needs.” The District did not maintain student folders for many students.

- The District assured that “no class register will have more than 20 students unless a waiver is received.” The District requested and received a waiver to allow class sizes of up to 35 students. A sample review of class registers shows that certain registers have more than 35 students listed.
- The District assured that “education and employment preparation plans will be developed for individual adult students.” The District did not develop IEEPPs for many of its EPE students, although it sometimes did indicate a goal (such as obtaining a GED) on a student’s records.

As a result of the audit process, the District has taken certain steps to improve the administration of its EPE program and to ensure its EPE State aid claims are more accurate. For example, the District’s Department of Workforce Preparation has provided EPE training and record keeping guidance to its administrators and teaching staff, and has begun conducting quarterly site visits to verify that the required records are being maintained. In addition, effective with the 2000-01 school year (not audited), the District discontinued reporting contact hours for non-EPE programs such as Chapter 1, Community Programs, LearnFare and SETRC. Due to these and other changes, the District reported 60 percent fewer contact hours for 2000-01 than it did on average for each of the preceding three years. As a result, the District’s annual EPE State aid revenues will also decrease accordingly. In light of the District’s current financial situation, the District needs to assess the impact that this revenue reduction will have on the overall budget.

Transportation Aid

City school districts may, but are not required to, provide transportation services for their students [Education Law Section 3635(1)(c)]. If a city school district elects to provide transportation services, it must be provided for all students in grades K-8 with trips of two miles or more, and for all students in grades 9-12 with trips of three miles or more, up to 15 miles [Education Law Section 3635(1)]. Transportation for students

who live 1.5 miles or less from school is not eligible for aid. The District provides transportation services for its students, including certain students who live 1.5 miles or less from school, although the Board has no official policy. In addition, the District reported transportation services that are not eligible for aid, and has not claimed certain eligible expenditures.

Board Policy

Transportation services must be based on a reasonable and consistent policy that treats all children in like circumstances in a similar manner. Although the District's director of transportation has clearly defined the rules guiding transportation eligibility, these rules should be in the form of an official Board policy. The Board has not established any such policy.

Also, when services are provided to students for lesser distances, the board of a city school district must approve these services. The District has no official transportation policy indicating whether such approval was ever granted.

Non-Allowable Pupil Decimal

The transportation expenses approved for Transportation aid include only those incurred in transporting allowable pupils on approved buses over approved routes. A non-allowable pupil decimal based on a historical record of pupils is used as a substitute for the actual deductible cost of non-allowable pupil miles and also is applied to the purchase of buses. An example of a non-allowable pupil is a non-disabled student who lives 1.5 miles or less from the school attended. At least once every three years, districts are required to submit Non-allowable Pupil Decimal worksheets showing the number of non-allowable pupils being provided transportation services. In addition, the Commissioner's Regulations (Section 156.7) require districts to submit revised calculations during any school year in which an error was made by either the District or the Department in the calculation of a non-allowable pupil decimal for a prior year.

The District's most recent Non-Allowable Pupil Worksheet (for the 1998-99 school year) shows no non-allowable pupils. However, the District does provide transportation to certain students who are not disabled and living less than the minimum distances from school. For example, the District does provide

transportation for safety reasons where the walk has been deemed too hazardous. The District should recalculate its non-allowable pupil decimal to include all non-allowable pupils.

Expenditures – Monitors and Aides

Transportation aid is paid based on expenditures for general operations and bus purchases. Certain transportation related expenses, such as the cost of monitors and aides on regular routes, are not eligible for Transportation aid. However, the costs for aides necessary to assist students with disabilities may be eligible for Transportation aid. The District places about 70 monitors on contractor buses and uses about another 45 monitors on buses where most needed. The District does not separate the costs for aides by eligibility for Transportation aid and claims no aid for any. The District should consider reporting all eligible costs for transportation aid.

State Aid – Miscellaneous

We initially planned to include a detailed review of several of the State aids within the scope of our audit. The District, however, had already hired an outside consulting group to review many of these same areas. Therefore, to avoid a duplication of effort and an additional burden on District staff responsible for these areas, we adjusted the scope of our audit, reviewing only one of the State aids, EPE, in extensive detail.

The District had hired the consultant to study and analyze the District's process for collecting and reporting financial and other data for State and federal reports and to correct any filings beginning with the 1998-99 school year. In addition, the District had hired the consultant to prepare and submit State aid related forms for students with disabilities for the 1999-2000 school year through the 2002-2003 school year.

Specifically, the consultant agreed to:

- study and analyze those departments responsible for the collection and reporting of statistical, financial and other data required for State and federal reporting documents;
- make recommendations to the District concerning improvements;
- correct errors in past filings commencing with the 1998-99 school year; and
- train personnel.

In addition, the consultant agreed to:

- prepare and submit STACs and AVL amendments for the 1999-2000 through the 2002-03 school years; and
- train district support staff.

As a result of the consultant's review and analysis of State aid claims, the District has amended its claims for certain State aids related to the 1998-1999 and 1999-2000 schools years. Because most State aids are typically received in the year following the school year in which they were generated, the State aid amendments will result in changes in State aids for the 1999-2000 and 2000-2001 years. Amendments were submitted to correct transportation expenditures, pupil counts, and Educationally Related Support Services. A detailed review of the amendments has not been included within the scope of this audit.

Recommendations

1. Ensure that only contact hours for eligible programs and activities approved by the Department are claimed for EPE aid.
2. Ensure that contact hours claimed for traditional EPE programs are for instruction or are instruction-related as approved by the Department.
3. Improve procedures to ensure that contact hours are only claimed for students without a high school diploma/GED and 21 years of age or older.
4. Implement controls to ensure that contact hours are sufficiently documented, accurately tabulated and reported.
5. Ensure that original and adequate attendance records are physically retained. Ensure that student folders are properly maintained and contain the required information for all eligible students.
6. Establish procedures to ensure uniform calculation of contact hours for all sites.
7. Provide adequate guidance and supervision, including written procedures, to staff involved in EPE activities.

8. Ensure that programs are conducted in compliance with the Regulations and Statement of General Assurances of the Comprehensive Plan of Services.
9. Obtain Board approval for an official transportation policy for the District.
10. Recalculate and accurately report non-allowable pupils on the Non-Allowable Pupil Worksheet submitted to the Department. Identify and consider students transported for safety reasons.
11. Report all eligible costs for Transportation aid.

Comments of District Officials

District officials agree with recommendations 1 through 8. In their response, District officials describe the substantial improvements they have already made in the administration of the EPE Program. These improvements, if continued, should help ensure the District only claims the aid to which it is entitled.

Although District officials disagree with recommendation 9, they are preparing a transportation policy for Board approval as recommended. District officials agree with recommendations 10 and 11.

Improvements Needed to Ensure the Reliability and Validity of Data for Student Performance

School districts report student performance data which are used to produce various reports on student outcomes such as the New York State School Report Card (Report Card). Data need to be reliable and valid to ensure that student performance is accurately presented. The audit assessed the accuracy of data reported for student dropouts and determined that the District did not accurately report the dropout statistics.

Dropout Statistics

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

Dropout Definition

For reporting purposes, the Department has defined a dropout as any student who leaves school prior to graduation for any reason, except death, and does not enter another school or approved high school equivalency preparation program. Schools are required to report both the number of dropouts and the number of students entering equivalency preparation or other diploma programs for all students in grades 7 through 12.

The District uses a student information system (SIS) as the basis for many of its student records, including attendance, test results and grading. The SIS contains numerous data fields

including a field for the date a student left school (called the left date) and a field for the reason the student left school (called the left code). Our review of the SIS showed the District did not adhere to the Department's definition of a dropout and did not report as dropouts certain students such as "students whose whereabouts are unknown" and "students under the compulsory age of attendance."

Some examples follow:

- Left code "09" was defined as a "dropout" and used by the District to report the number of student dropouts. However some students, even though assigned a left code of "09," might not be reported as dropouts if the District has a record of the student entering an equivalency program. As a result, code "09" does not reflect the true number of dropouts.
- Left code "10" was defined as "no show." According to District staff, this code was meant to be used to account for students never actually enrolled in the District. However, our test of student records at three schools found that students with this code generally were long-term District students. The District should have, but did not count these students as dropouts.
- Left code "21" was defined as "incarcerated." An incarcerated student would be considered a dropout unless educational services were provided. The District did not determine whether students coded as incarcerated were receiving educational services and did not count any such students as dropouts.
- Left code "22" was defined as "maximum age allowable." If a student ages out of school without graduating or continuing his/her education, the student should be counted as a dropout. The District should have, but did not count these students as dropouts.
- Left code "23" was defined as "unknown." If a student's whereabouts are unknown, the student should be considered a dropout, regardless of age. According to District staff, the District only counted those students over the compulsory age of attendance with code "23" as dropouts. However, we reviewed District dropout files and found that this age rule was not uniformly applied.

Regardless, all students who leave school for unknown reasons and unknown destinations should be counted as dropouts.

- Left code “NS” was defined as “needs something” [to graduate]. Unless the student is in a program to obtain the required credit or exam needed to graduate, the student should be counted as a dropout. According to District staff, all “NS” codes would be automatically converted to other left codes. However, we reviewed the student files for all ten students with “NS” left codes at one high school and found that two had completed their graduation requirements while the other eight had not. Although the District should have counted these eight students as dropouts, it did not do so.
- Left code “X1” was defined as “expelled.” Unless an expelled student enrolls in another school or program, the student should be counted as a dropout. The District did not count any expelled students as dropouts.

According to District officials, students under the compulsory age of attendance were not reported as dropouts because they are required by statute to attend school. Similarly, they did not report any students in grade 7 or grade 8 as dropouts because most of these students are under the compulsory age of attendance.

Although the Education Law defines who may legally drop out of school, it does not address issues concerning the reality of “illegal dropouts.” The Department’s definition of a dropout for reporting purposes does not conflict with the compulsory education laws, but addresses the reality of illegal dropouts. The dropout definition simply aims to quantify the number of students who meet the generally accepted definition of a dropout, whether legal or illegal, in a manner that is consistent across all districts in New York State.

For the 1999-2000 school year, the District’s official dropout rate resulting from the reported Basic Educational Data System (BEDS) data is approximately 5.4 percent as shown in Exhibit 1. However, if the District had reported all students dropping out of school as accounted for by the SIS as dropouts, the overall dropout rate would have been 11 percent, or twice the official rate, as shown in Exhibit 2.

Other Reporting Issues

District dropout data, like enrollment, is reported at the school level and dropout rates are established for each school. The audit found that students who drop out of one school are not always reported as dropouts of that school. Some might not be reported at all and others may be reported under a different school or program.

Students who transfer within District schools are first accounted for under school code #80. Eventually, all students assigned to this code should be identified with a school in the District. The audit found seven students accounted for under school code #80 with left codes that classified them as dropouts. However, these students were not counted as dropouts of any school. The students should have been accounted for by the last school enrolled.

The District has three programs, which it does not consider as actual schools (The Tutoring Center, Young Mothers' Program, and SHAPE - Senior High Alternative Program of Education). The three are not diploma granting institutions. The home school from which the student transferred is the school that would actually grant any diploma. However, the three programs do report their own dropout (and COHORT) data, not the home schools. The District needs to determine if these programs are actually schools. If they are not schools, the home school should be reporting all student data including the dropout data.

Inaccurate and Inadequately Supported Data

The audit selected three high schools with higher than average dropout rates for a detailed review. On a sample basis, student records were reviewed to determine if the number of dropouts reported for each school was accurate. The audit found that the number of dropouts was significantly underreported for each school. In addition, the audit also found that the left code data on the District's SIS was inaccurate and was not adequately supported. Thus, even if the left code data for all dropout codes on the SIS had been properly used to report the number of dropouts, the data are still not correct.

For example, the audit reviewed student files for a sample of 46 students who were shown on the SIS as transferring out of one of the three schools and therefore not reported as dropouts.

Student files contained adequate documentation to show that 30 of these 46 students had actually transferred to other schools or districts. However, the records for the other 16 students (35 percent) indicated that the students had actually dropped out of school or the records did not include adequate documentation to show that the student had transferred and not dropped out.

In addition to reporting the number of dropouts, schools are required to report the number of students who enter equivalency preparation and other diploma programs. The District's SIS contains left codes indicating a student has entered an equivalency program. The District also maintains a separate database of students enrolled in equivalency programs within the District. The audit reviewed student files for a sample of 57 students who were shown as entering equivalency type programs on the SIS, but whose names did not appear on the database of students enrolled in equivalency programs. Student files contained adequate documentation to show that only 9 of these 57 students had actually entered equivalency programs. The records for the other 48 students (84 percent) indicated that the students had dropped out of school or the records did not include adequate documentation to show that the student had entered an equivalency program and not dropped out. As a result, the District not only underreported the number of dropouts, it overreported the number of students entering equivalency programs.

Subsequently, the District did account for several of the students considered dropouts in our original audit estimates for both the East High School and the Benjamin Franklin High School, although adequate documentation was not contained in the students' files. The following table illustrates dropout rates for each of the three high schools reviewed. In all three cases, the high schools have dropout rates approximating or in excess of 10 percent, at a minimum, which is the benchmark for determining whether a school should be considered for registration review. In the first two cases, the actual rates may be well in excess of 10 percent, but the precise rates cannot be determined without a more detailed review than done as part of this audit.

Table 2: Estimated Dropout Rates for Selected Schools

High School	1999 - 2000 Dropout Rates		
	per reported (BEDS) data	per SIS data	per Audit Estimate
East	4.7%	12.2%	11.0-18.8%
Benjamin Franklin	8.3%	18.4%	9.8-25.6%
Edison Tech. & Occ. Ed.	7.6%	10.2%	9.9-10.6%

Source: BEDS, District's SIS, and audit review of student records

Untimely Reports

School districts were required to report the number of dropouts as part of the annual Basic Education Data System (BEDS) School Data Form. The dropout and other school data were collected in October each year and should have been submitted to the Department at that time. The District however, submitted its Fall 2000 BEDS data in March 2001, several months late. According to District staff, the submission was late because of the lack of familiarity by school-based staff with the new data collection system first used by the District for the Fall 2000 BEDS reports and because of organizational changes in the District at that time.

Beginning with the 2000-01 school year, the Department collected data on students who dropped out or transferred to high school equivalency preparation programs on the *Graduation and Dropout Report*, rather than as part of the BEDS reporting process. Schools must complete and return the *Graduation and Dropout Report* to the Department in July of each year following the reporting year.

Decline in Dropout Rate

Historically, the District has not adhered to the Department's definition of a dropout for reporting purposes. However, as a result of the audit, the District did apply the Department's definition when reporting its 2000-01 dropout statistics. The dropout rate of 10.2 percent for the 2000-01 school year is about twice the original rate reported for each of the previous three years as a result of including additional categories of students no longer in school receiving education programs.

The following table illustrates the effect of including all categories of students no longer in school according to SIS data. After factoring in the additional categories, the dropout

rate may have actually declined in the two years since the 1998-99 school year by 8 percent and 6 percent respectively.

Table 3: Historical Dropout Statistics

	1997-98	1998-99	1999-2000	2000-01
Original Dropout Statistics:				
Number of Dropouts	421	450	432	816
Dropout Rate	5.2%	5.6 %	5.4%	10.2%
Dropout Statistics per the SIS:				
Number of Dropouts	909	961	865	
Dropout Rate	11.1%	11.7%	10.8%	
% +/- Prior Year		+5%	-8%	-6%

Source: Department Dropout Records (BEDS Data) and Left Code Data as provided by the District.

As previously discussed, the left code data on the District’s SIS were found to be inaccurate and inadequately supported. The dropout statistics per the SIS are not valid measurements of the actual numbers of students dropping out of school and the resulting dropout rates. However, the dropout statistics per the SIS do provide a reliable measure of dropout trends showing a slight decrease from 1998-99 through 2000-01.

Recommendations

12. Ensure the number of dropouts reported includes all students (starting with the seventh grade, regardless of student’s age) who left school prior to graduation for any reason, except death, and did not enter another school or equivalency program.
13. Ensure that all students who have discontinued their education are reported as dropouts of the actual school where they last attended or their home school.
14. Ensure that BEDS report and all other school data reports, including the Graduation and Dropout Report, are submitted to the Department by the required dates.

Comments of District Officials

The District agrees to comply with recommendations 12 and 13, and to make every effort to comply with recommendation 14. In response to the audit, District officials disagree with the Department’s definition of a dropout for reporting purposes in that it varies from the compulsory education provisions of the

Education Law. Nevertheless, District officials agree to report dropouts in compliance with the Department's definition.

Also in response to the audit, while District officials agree that the dropout rate may be more than was reported, they do not agree that the actual rate may be as much as twice the reported rate. Subsequent to the audit, the District has taken steps to enhance the reliability of its SIS to capture and reflect student data more accurately and to provide the required dropout data for reporting purposes.

Auditor's Note

The Department's definition of a dropout for reporting purposes does not conflict with compulsory education laws. The definition is used to quantify the number of students who meet the generally accepted definition of a dropout in a manner that is consistent across all districts in New York State. The Department has applied this definition consistently from year to year and has provided guidance to school districts.

Improvements Needed in Management Controls

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

Government Auditing Standards, 1994 Revision

The audit identified several opportunities for the District to improve its management controls. The following sections discuss these opportunities including Board Governance and Financial Controls.

Board Governance

A school board is responsible for overseeing and managing the district's affairs, personnel and properties, and has ultimate responsibility for the fiscal health and stability of the district. A school board should develop policies and should delegate the administration of the district to the superintendent and senior administrators who should manage the school within the established policies. The superintendent and senior administrators should then be held responsible for results. The audit identified opportunities where the Board can improve its governance activities by changing the manner in which it conducts and documents its meetings, by appointing an internal claims auditor and purchasing agent and by updating and strengthening its policies.

Board Meetings

School board meetings are held to conduct official school district business including electing board officers, discussing and voting on education and fiscal policies, and appointing officers. Minutes should be taken to reflect accurately the actions of the board during its meetings. The audit found that the District does not hold an annual organizational meeting and the Board does not make official appointments and authorizations at its biennial organizational meeting. The audit also found the Board does not approve prior meeting minutes and the minutes do not include all of the required information.

Annual Organizational Meeting

Each school district should hold an annual organization meeting of the board and its agenda should contain many items appropriate to address at that time. This includes various appointments such as school district physician, attorney, census enumerator, central treasurer of the extraclassroom activity fund, purchasing agent, internal claims auditor and independent auditor. The District does not have an annual organizational meeting, but has a Biennial Organizational Meeting in January. Although the Board does elect its officers at this meeting as required (Education Law, Section 2553.9.f), it does not make any other appointments.

Other authorizations, such as payroll certification, establishment of petty cash funds, budget transfer authority should be routinely accomplished at the annual organization meeting. No such authorizations were made at the January 5, 2000 Biennial Organizational Meeting.

The Board should designate the official bank depository for District funds, and official newspapers and establish regular meeting dates at its annual organizational meeting. No such designations were made at the January 5, 2000 Biennial Organizational Meeting. However, at an April 15, 1999 meeting, the Board did designate an official depository bank and authorized its accounting director to act on behalf of the District relative to transactions involving accounts at the designated bank.

Minutes

Board minutes are used to record the actions of a board during its meetings and provide a legal and historical record of a board's actions. The minutes should be written in a clear and concise manner, should be signed and should be approved by the board on a timely basis.

The audit found the Board's minutes were not complete and were not signed by the District Clerk.

- The official minutes for certain meetings did not indicate the times of convening and adjournment, members present and absent, others present, and any late arrivals or early departures by Board members.

- The minutes did not indicate the time of adjournment of the executive session and whether the Board returned to regular session. In addition, the minutes did not always provide sufficient information to support the reason for moving to executive session.
- The minutes of the Biennial Organizational meeting of January 5, 2000 do not indicate that the oath of faithful performance was administered to any Board member or the District Clerk. According to District officials, the oaths of office are traditionally administered and signed before the organizational meeting.
- The District Clerk did not sign any of the Board minutes for any of the meetings in either 1999 or 2000.

Board Appointments

The School Board has the authority to appoint school district officers. These officers generally include a clerk, treasurer, tax collector, purchasing agent and auditor. These individuals are appointed to administer to the district's affairs and facilitate for an efficient operation of the district.

Although the Superintendent has been granted the authority to appoint those employees considered managerial and confidential and therefore excluded from the right to bargain collectively, only the Board may appoint its officers.

- The position of a school district's internal claims auditor is a discretionary appointment of a board. However, without a claims auditor, a board is required to review all claims with supporting documentation before payment. An internal claims auditor helps ensure the prompt payment of bills and improve workflow in the business office. At the time of this audit, the District did not have an internal claims auditor. The filling of this position by a qualified employee would substantially improve controls over District funds.
- Section 170.2 (b) of the Regulations requires boards to designate the person to whom the purchasing function is delegated. The purchasing agent is the only person legally authorized to obligate the school district for the purchase of goods and services. The appointment should, by a resolution, be duly adopted by the board at the annual

organizational meeting. Although the District has a purchasing agent, an appointment to such position was not made at the Biennial Organizational Meeting or at any other subsequent Board meeting.

Board Policy

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

The audit found that the District does have a current Board Policy Manual, but the Manual does not include policies relating to many of the business management areas. For example, the Manual does not include Board Policies for budgeting, accounting and auditing, transportation, school lunch, operations and maintenance, OSHA, toxic substances, energy conservation, and disaster preparedness. Also, although the Manual does have a purchasing policy, this policy does not include certain of the required elements.

In place of official Board Policy, the District relies upon administrative regulations for certain business management areas. However, the administrative regulations were prepared by District staff and have not been approved by the Board. These regulations cannot take the place of official Board Policy and do not meet the requirements of the Education Law. As a result, District staff may not know what is expected of them and the District may not be able to hold staff fully accountable.

Financial Controls

A district must implement the necessary financial controls to help ensure assets are safeguarded against loss from theft or unauthorized use; ensure compliance with the laws, regulations and policies; maintain the reliability and integrity of reports and data and ensure operational efficiency, economy and effectiveness. These controls may include preparing complete and accurate financial reports; establishing accounting and budgeting policies; ensuring requirements for purchasing, claims approval and payroll are met; and ensuring the use of

the Extraclassroom Activity Fund is in compliance with the Regulations.

Financial Reports

Section 170.2 of the Regulations requires the treasurer of a school district to submit cash reports and budget status reports to the district's board, and good budget administration requires accurate fund balance predictions. School districts that are fiscally dependent on a city, such as the District, generally do not have a separate treasurer. Therefore, these reports are generally prepared by the accounting or budget staff. The audit found that the budget status reports are incomplete, cash reports are not submitted to the Board, and fund balance projections are not prepared on a regular basis.

Budget Status Reports

District staff should render a report, at least quarterly (and monthly in the event that budget transfers have been made since the last report) for each fund including, at a minimum, the revenue and appropriation accounts required in the annual State budget form. This report should show the status of these accounts in at least the following detail:

- revenue accounts: estimated revenues, amounts received to date of report, and revenues estimated to be received during balance of the fiscal year; and
- appropriation accounts: original appropriations, transfers and adjustments, revised appropriations, expenditures to date, outstanding encumbrances, and unencumbered balances.

The audit found that although budget status reports are prepared for the Board, the reports are incomplete as follows:

- the reports only cover the general fund, not all funds as required;
- for the appropriation accounts, the reports do not show transfers and adjustments, and do not show the proper level of detail (to the object code); and
- for the revenue accounts, the reports do not show revenues estimated to be received during the balance of the fiscal

year, but show the difference between the budgeted and the year-to-date revenues.

In addition, the minutes of the board meeting do not reflect that the budget status reports were actually submitted, reviewed and approved.

Cash Reports

District staff should render a monthly cash report for each fund showing the cash balance on hand at the beginning of the month, receipts by source during the month, total disbursements during the month, the cash balance on hand at the end of the month, and reconciliation with bank statements.

The Board does not receive any cash reports or bank reconciliations.

Fund Balance Projections

One aspect of good budget administration is an accurate prediction of the year-end surplus or deficit. Information concerning fund balance is particularly valuable to the board and administration when making final decisions about the upcoming budget. A fund balance projection should be calculated starting in January of each year. A revised fund balance projection should then be calculated each month until the next year's budget is enacted.

The District does not routinely project year-end fund balance, but may prepare these projections on an as-needed basis.

Accounting and Budgeting

Districts should have formal accounting and auditing policies and formal budgeting policies, controls against over-commitment of funds, and long-range budgets. The audit found that the District does not have official accounting and auditing or budgeting policies, adequate controls against over-commitment of funds or a complete long-range financial plan.

Policies

Districts should have formal policies regarding accounting and auditing that deal with such items as specific responsibilities of district officers and employees, audit procurement, audit scope, and internal controls. A comprehensive policy should cover all phases of the fiscal management process but the policies should not be so specific as to inhibit their administration. The audit found the District has no formal accounting or auditing policies.

Districts should also have formal budgeting policies dealing with such items as budgetary objectives, budget preparation procedures, budget administration, and budget transfers. Copies of the policies should be made available to staff members involved in budget preparation and administration. The audit found the District has no formal budget policies.

Encumbrances and Controls Against Over-Commitment of Funds

To ensure that the budget and individual budget codes are not overspent, it is necessary to mass-encumber all known obligations, such as salaries, debt service, utilities, service contracts, fringe benefits, and others. It is not unusual to note that 85-90 percent of the budget is already committed at the beginning of the fiscal year leaving some room to take care of unexpected expenditures which may arise during the fiscal year.

The District does not mass-encumber salaries. In addition, the District does not encumber debt service, utilities, most fringe benefits, approved travel and recurring mileage reimbursements. It does, however, encumber service and contractual agreements as well as all purchases made through a purchase order. Although the District's previous accounting system may not have allowed for the encumbrance of salaries, its current system does allow for this and other encumbrances.

Long-Range Plans

Districts should have a long-range financial plan for both operating expenses and capital items, which is updated at least annually. Although the District does have a long-range capital improvement plan, it does not have a long-range plan for operating expenses. Such long-range planning could be a valuable tool for budgeting purposes.

Purchasing, Approval of Claims, and Payroll Controls

Purchasing is one of the most highly specialized activities in school administration and is regulated by State law, court decisions, and local board policy. Likewise, State law, court decisions and local board policy also regulate the audit and approval of claims for payment and payroll requirements. Strong controls are necessary to ensure purchases result in securing goods and services in the right quantity, at the right time, and for the right price, and to ensure that purchases are made in compliance with the law and district policy. In addition, strong controls are also necessary to ensure all claims have been properly reviewed and approved for payment, and to ensure the payroll has been examined and approved.

The audit found that the District needs to improve its controls over purchasing as follows:

- As in other areas of school operations, the Board must adopt carefully formulated and clearly stated policies and procedures for the conduct of purchasing. Although the Board has established a purchasing policy, this policy does not include certain of the required elements. For example, it does not define the allowable use of petty cash, and it does not define the approval of all claims by the purchasing agent and the audit procedure for payment. Most of the required elements not covered by the policy are included in the District's administrative procedures. However, the District's official policy manual (Board approved) should contain all the policies necessary to cover the full range of purchasing procedures.
- Section 170.4 (a) of the Regulations requires a board of education which has established petty cash funds to adopt rules and regulations regarding the operation of such funds. Although the District's Board has not adopted rules and regulations regarding the operation of petty cash funds, the District does have administrative procedures regarding petty cash. The administrative procedures allow petty cash funds to be established up to \$200 each, while the Regulations limit each fund to \$100. The Board should review these procedures, modify them as appropriate, and approve them as official Board policy.

- The District has established “small purchase funds” at its schools for certain purchases costing \$150 or less. The small purchase function is a method the District devised to help the schools facilitate the procurement of certain types of supplies. Rules for the use of small purchase funds are delineated in the District’s Business Procedures Manual. The stated intent of the small purchase funds is not to circumvent the purchasing function. However, it does exactly this. Although the District’s purchasing agent is the only person legally authorized to commit the district for a purchase, he does not review or approve any small purchases. Instead, this function is under the control of the accounting office. Also, supporting documentation for the small purchases is maintained at the school level and is not routinely reviewed by the District’s accounting office prior to approval.

The District’s internal auditors do review small purchase funds at the schools on a sample basis. For example, during the 1999-2000 school year, the internal auditors reviewed the use of these funds at eight schools. Their reports have consistently identified numerous exceptions with the use of small purchase funds including non-existent or insufficient supporting documentation, lack of required authorizations and required signatures on checks, checks written out of sequence, voided checks not retained, and inappropriate expenditures.

Our audit also identified numerous exceptions with the use of small purchase funds. For example, during the 1999-2000 school year, three schools transferred \$2,062 in small purchase funds to extraclassroom activity funds and, at the end of that school year, eight schools retained \$701 in small purchase funds rather than returning the funds to the District as required. In addition, we found numerous inappropriate expenditures at the one school we selected for a more detailed review. For example, during the 1999-2000 school year, over \$2,000 was spent for 34 different food and beverage purchases, payments for single purchases were split into more than one payment to avoid the maximum payment allowed, and gift certificates were purchased.

The audit also found that the District needs to improve its controls over the audit and approval of claims for payment and for payroll as follows:

- Section 1724 of the Education Law requires that a board audit and approve each claim except for contracted wages and debt service. A board may, by resolution, authorize the payment in advance of audit claims for public utility charges, postage and cartage, provided that such claims are presented at the next regular meeting for audit. Section 1709.20 (a) of the Education Law further authorizes a board to adopt a resolution to appoint an internal claims auditor to perform this important function in its stead.

The Board does not audit or approve claims, and has not officially authorized payments in advance of audit for certain types of expenditures. Also, although the District has an internal audit office, the Board has not appointed an internal claims auditor or assigned this responsibility to the Internal Audit Director. Instead, claims are usually reviewed by one or two clerks in the accounting office, and on occasion by one of the internal auditors. The Board needs to appoint an internal claims auditor and to make this individual responsible for reviewing all claims prior to payment or, in the case of payments authorized in advance of audit, after payment.

- All payroll registers should be certified by an official designated by the board in accordance with Section 170.2 of the Regulations. In most districts, the board designates the superintendent as the person responsible for certifying the payroll. A certified payroll is one that has been examined and approved by an administrator who certified that the persons included in the payroll have regularly performed their duties in accordance with the terms of their employment by the board and that any additions to or deductions from normal salary payments have been made pursuant to the bylaws of the district and on the basis of personnel records that have been maintained by the district. The audit found that the Board has not designated any official to certify the payroll registers, and that the payroll registers are not certified.
- One of the best ways to protect assets is to have strong internal controls, and segregation of duties is an important piece of that effort. The District could improve its internal controls over payroll by separating certain responsibilities of the payroll function. Currently, the persons involved in preparing the payroll also distribute the payroll checks.

Extraclassroom Activity Funds

Extraclassroom activity funds are defined as moneys raised other than by taxation or through charges of a board of education for, by, or in the name of a school or student body. Activity funds are raised and spent by student bodies to promote the general welfare, education, and morale of all students, and to finance the normal, legitimate extracurricular activities of the student body. The superintendent of a district has the responsibility and the authority to implement all policies and rules pertaining to the supervision and administration of extraclassroom activity funds in accordance with established policies and rules of the district's board of education.

As part of our audit, we reviewed the District's extraclassroom activity funds and tested the funds on a sample basis. We found that the District's extraclassroom activity funds are not in compliance with the Regulations in several areas as follows.

Policies

Section 172.2 of the Regulations requires a board to make rules and regulations for the establishment, conduct, operation, and maintenance of extraclassroom activities and for the safeguarding, accounting and audit of all moneys received. Although the Board had established policies for the establishment, conduct, operation, and maintenance of extraclassroom activities, it has not established policies for the safeguarding, accounting and audit of all moneys received. The District does, however, have administrative procedures regarding certain financial aspects of the extraclassroom activity fund.

Section 172.3 of the Regulations requires that the board establish rules and regulations regarding the method of disposing of funds of defunct organizations (should be deposited into a school's general student fund). A policy should be enacted by the Board related to the closing out of inactive extraclassroom activity accounts, which are usually inactive due to lack of student interest or because a graduating class leaves an unused balance. The Board has not established such a policy, although the District's Business Procedures Manual does contain guidelines. However, these guidelines are not being adhered to. For example, the audit found 118

inactive accounts as of June 30, 2000. During the audit, the District's Internal Audit Unit took immediate action to ensure all inactive accounts were closed.

Central Treasurer and Quarterly Reports

Section 172.4 of the Regulations requires boards to direct that the moneys received from the conduct, operation or maintenance of any extraclassroom activity be deposited with an official designated by the board. This official shall be treasurer of the extraclassroom activity fund and is commonly referred to as the central treasurer. The District's Board has not appointed a central treasurer or central treasurers for the extraclassroom activity fund.

It is considered good business practice for a board to require that the central treasurer of the extraclassroom activity fund be bonded for no less than the amount of the average cash balance of the fund. In this way, the money belonging to the various student organizations would be protected. The District does not bond any of its staff involved in the operation of the extraclassroom activity fund.

Section 172.3 (b) of the Regulations requires that the records of receipts and expenditures be maintained and that reports be made at least quarterly to the board of education. The District's Board does not receive any reports, other than the annual audit report on the extraclassroom activity fund.

Audited Financial Statements

Section 172.3(d) of the regulations requires that an independent and impartial audit of the accounts for the extraclassroom activity fund be made at least annually in conjunction with the audit of the District's records. Therefore, the independent auditor appointed by the Board to make an annual audit of all school district finances should also be required to include the extraclassroom activity fund as part of that annual audit report.

The Audited Financial Statements for the Extraclassroom Activity Fund should represent the financial status and activities of that fund only, and should not include any expenses of the District. The audit found that the District combined its "small purchase" funds at the schools with the extraclassroom activity accounts. As a result, the cash receipts and disbursements of the extraclassroom activity fund were

overstated by over \$200,000 on the audited financial statements.

Qualifying Activities

Section 172.2 of the Regulations allows for extraclassroom activities for students in educational programs beyond the sixth grade. The District, however, has established extraclassroom activity funds for most of its schools and other program sites, including those serving only elementary level students or adults.

One of the intended purposes of an extraclassroom activity is to allow students to operate an activity and be involved in the financial management of that activity. It would appear that this is not practicable at the elementary school level and that the teacher/advisor would have a significant role beyond the intended involvement.

According to Section 172.1 of the Regulations, “an organization within a school district whose activities are conducted by students and whose financial support is raised other than by taxation or through charges of the Board of education shall be known as an extraclassroom activity and the moneys received by it as extraclassroom activity funds.” As a general rule for determining extraclassroom activity status, only activities having student officers, a student membership, and an appointed advisor would qualify as acceptable in this fund.

The District’s extraclassroom activity funds include numerous accounts, which are not legitimate student activities. These activities include:

- activities related to faculty and staff such as retirement party funds;
- gifts and donations in the forms of grants and scholarships;
- fees collected on behalf of the District, such as library fines, loss and damage, lost or damaged textbooks, etc.; and
- activities operated by faculty and staff without benefit of student officers and student memberships.

For example, at one high school (The Wilson Magnet High School) selected for detailed review, the audit identified the following inappropriate activities accounted for in the extraclassroom activity fund:

- Board of Education Losses,
- Board of Education Textbooks,
- Advanced Placement Fees,
- Athletic Fees,
- Student Juice Fund (proceeds from two Coke machines dispensing juice products were used to fund clubs of faculty handling machines and to provide funding for special requests),
- General Class of '44 (principal's fund), and
- Grants – Mini-Grants (used to fund special requests).

In addition, the audit found that the District provides funding for certain extraclassroom activity accounts as stipulated by the Teachers' contract. The District provides \$26,000 for supplies, materials, printing and transportation for activities. This funding is actually distributed to the various schools and accounted for in the extraclassroom activity funds. For example, at the one high school (Wilson Magnet High School) selected for detailed review, the audit found the District provided \$2,500 for supplies and \$6,000 for stipends, but this funding was accounted for in the Small Purchases accounts rather than the extraclassroom activity fund. Although the District may provide funding for appropriate student activities, the funding should be under the control of the District and not accounted for in the extraclassroom activity fund.

Grants and Scholarships

According to Education Law Section 1709(12), a board is required to take and hold for the use of its schools or departments, any gift, legacy or annuity. According to Section 1709(12-a), a board is also required to take and hold in trust for the purpose of awarding scholarships any gift, legacy or annuity. A district's Trust and Agency Funds are used to account for assets held in a trustee capacity.

According to the District's Business Procedures Manual, a school may deposit a cash gift or donation in its checking accounts if the total gift or donation is less than \$500 from the same person or organization for the school year. Larger cash gifts or donations must be approved by the Board and deposited in the District's Trust Fund.

The audit found that at least 12 schools account for scholarship and memorial funds and at least four schools account for grants

in their extraclassroom activity funds. As of June 30, 2000, the schools reported a total balance of \$23,532 for scholarship and memorial funds and for grants as part of their extraclassroom activity funds. For example, at one school, the audit found two memorial funds (with a total balance of \$2,792) and two grants (with a total balance of \$1,079) as of June 30, 2000. In addition, the audit identified a third memorial fund at this school (\$282) which was neither accounted for in the school's extraclassroom activity funds nor the District's Trust and Agency Fund.

Overdrawn accounts

Per the District's Business Procedures Manual, no extraclassroom activity fund account may be overdrawn. The audit found that the District has inadequate controls in place to ensure accounts are not overdrawn until year-end adjusting entries are made.

Recommendations

15. Make all appointments, authorizations, and designations at the annual organizational meeting requiring action at that time.
16. Include in the official Board minutes the times of convening and adjournment; members present and absent; others present; and any late arrivals or early departures by Board members.
17. Include in the official Board minutes the adjournment time of the executive session and the time of return to regular session. Adjourn the regular meeting directly after returning from the executive session.
18. Include in the official Board minutes the reason for any adjournments to executive session with enough detail to ensure the District is in compliance with Section 105 of the Public Officers Law.
19. Administer the oath of faithful performance in office as required and ensure the board clerk records the administration of the oath in the minutes.
20. Require the District's clerk or clerk pro-tem to always sign the minutes to signify their official standing.

21. Review all existing policies, and add, change or delete policies as appropriate. Ensure all policies comply with laws, regulations and Department guidelines.
22. Record in the official minutes the submission and approval of any financial reports such as the budget status reports, file these reports in a separate file, and codify them appropriately.
23. Require budget status reports to be rendered to the Board at least quarterly (and monthly in the event that budget transfers have been made since the last report) for each fund, including the revenue and appropriation accounts required in the annual State budget form.
24. Require complete cash reports to be rendered to the Board on a monthly basis.
25. Require fund balance projections to be prepared on a regular basis, beginning no later than January of each year.
26. Mass encumber all personal service expenditures at the beginning of the fiscal year. Encumber all other obligations once they become known.
27. Control and monitor appropriations to avoid overspending.
28. Consider preparing a long-range financial plan for operating expenses in addition to the long-range capital improvement plan currently prepared.
29. Revise the official Board policy for the purchasing function to include all elements as required by the General Municipal Law.
30. Designate the official purchasing agent at the annual organizational meeting.
31. Adopt official Board policy for the operation of petty cash funds. Ensure that policy is in compliance with the Regulations.
32. Discontinue the use of all small purchase funds and ensure all outstanding small purchase funds are returned to the District.

33. Appoint an internal claims auditor to audit and approve all claims for payment other than contracted wages and debt service.
34. Designate a District official to certify the payrolls and ensure all payrolls are certified as required.
35. Consider separating the responsibility for preparing the payroll from the responsibility for distributing the payroll checks.
36. Adopt official Board policy for the extraclassroom activity fund, including policy for the safeguarding, accounting and audit of all moneys received and policy for the method of disposing of funds of defunct organizations.
37. Appoint and bond a central treasurer or central treasurers for the extraclassroom activity fund.
38. Require the central treasurer to report to the Board, at least quarterly, on the receipts and expenditures of the extraclassroom activity fund.
39. Account for only extraclassroom activities in the extraclassroom activity fund.
40. Review the operation of the extraclassroom activity fund at the elementary school level and, if not adhering to the Regulations, discontinue the use of the fund at that level.
41. Limit the use of the extraclassroom activity fund to only qualifying student activities. Ensure all District funds are returned to the central office. Ensure all scholarship and memorial funds are transferred to the District's Trust and Agency Fund.

Comments of District Officials

In their response to the audit, District officials generally agree with the audit recommendations 15 through 41. In many cases, the District has already implemented, has begun the process to implement, or has set a timeline for implementation of the audit recommendations.

As part of its response to the audit, the District included copies of Board resolutions passed at the January 2, 2002 biennial organizational meeting. The resolutions directly address several of the concerns raised in this section of the report.

Auditor's Note

In regard to recommendation 37, the District appointed a Central Treasurer of the Extraclassroom Activity Funds (resolution no. 2001-02: 519). However, the District appointed its Director of Internal Audit / Internal Claims Auditor to this position. Because the Internal Audit Office is responsible for auditing the Extraclassroom Activity Funds, the Director of that office should not also be the Central Treasurer of the Funds.

According to resolution no. 2001-02: 524, included as part of the District's response to the audit, the Board appropriated and designated \$15,000 per year for three years for a scholarship fund. According to the resolution, this amount represented the disclaimed salary of a Board member. However, a school district may not create a scholarship fund with district funds. Such an action would be contrary to the New York State Constitution, which prohibits gifts or loans of public money or property for the benefit of individuals or private entities. Although the Board member's disclaimer of his salary is laudable, it does not negate this prohibition.

Exhibit 1

**Rochester City School District
Dropout Rates per BEDS Data
7/1/1999 – 6/30/2000**

School	Dropouts	Gr. 9 - 12 Enrollment	Dropout Rate
60 Charlotte MS	0	-	n/a
61 East HS	95	2,025	4.7%
62 Benjamin Franklin HS**	81	973	8.3%
63 Thomas Jefferson MS	0	-	n/a
64 James Madison MS	0	-	n/a
65 John Marshall Center for Learning	44	1,033	4.3%
66 Monroe MS	0	-	n/a
67 Joseph Wilson Magnet School	35	1,040	3.4%
69 School Without Walls	5	191	2.6%
70 Edison Tech & Occ. Ed. Ctr	129	1,695	7.6%
71 Nathaniel Rochester School	0	-	n/a
72 Frederick Douglass MS	0	-	n/a
74 School of the Arts	1	574	0.2%
75 Dr. Freddie Thomas Learning Ctr*	0	-	n/a
77 SHAPE	3	50	6.0%
80 (<i>not an actual school</i>)	n/a	n/a	n/a
87 Alt. Ed. Ctr. at Josh Lofton*	8	213	3.8%
90 Temporary Tutoring Ctr.	n/a	n/a	n/a
92 Temporary Tutoring Ctr.	29	160	18.1%
93 Young Mothers Program	2	45	4.4%
Total	432	7,999	5.4%

key: * SURR

** formerly SURR

Source: BEDS data as submitted by the District to the Department 3/19/01.

Exhibit 2

**Rochester City School District
Dropout Rates per SIS Data
7/1/1999 – 6/30/2000**

School	Left Codes (1999-2000)						All codes	Fall 1999	1999-2000	
	Dropped 9	No Show 10	Max Age 22	Unknown 23	nds some NS	Expelled X1		Grades 9-12 Enrollment	Dropout Rates Code 9	All codes
60 Charlotte MS	0	0	0	2	0	0	2	-	0.0%	0.0%
61 East HS	145	96	0	1	10	5	257	2,025	7.2%	12.7%
62 Benjamin Franklin HS**	55	31	0	77	12	4	179	973	5.7%	18.4%
63 Thomas Jefferson MS	0	1	0	1	0	0	2	-	0.0%	0.0%
64 James Madison MS	0	1	0	0	0	0	1	-	0.0%	0.0%
65 John Marshall Center for Learning	6	16	0	50	0	4	76	1,033	0.6%	7.4%
66 Monroe MS	0	0	0	1	0	0	1	-	0.0%	0.0%
67 Joseph Wilson Magnet School	0	0	0	56	0	0	56	1,040	0.0%	5.4%
69 School without Walls	6	0	0	0	0	0	6	191	3.1%	3.1%
70 Edison Tech & Occ Education Center	136	0	0	27	10	8	181	1,695	8.0%	10.7%
71 Nathaniel Rochester School	0	0	0	1	0	0	1	-	0.0%	0.0%
72 Frederick Douglass MS	0	0	0	2	0	0	2	-	0.0%	0.0%
74 School of the Arts	4	3	0	0	0	0	7	574	0.7%	1.2%
75 Dr. Freddie Thomas Learning Center*	0	0	0	0	0	0	0	-	0.0%	0.0%
77 SHAPE	3	3	0	11	0	0	17	50	6.0%	34.0%
80 <i>(not an actual school)</i>	1	0	0	6	0	0	7	n/a	n/a	n/a
87 Alt. Ed. Ctr. at Josh Lofton*	9	15	2	6	0	4	36	213	4.2%	16.9%
90 Temporary Tutoring Center	7	0	0	0	0	0	7	n/a	n/a	n/a
92 Temporary Tutoring Center	31	0	0	4	0	1	36	160	19.4%	22.5%
93 Young Mothers Program	4	2	0	2	0	0	8	45	8.9%	17.8%
Total	407	168	2	247	32	26	882	7,999	5.1%	11.0%

key: * SURR

** formerly a SURR

Source: Left Code Data as provided by the District for audit purposes (for 1999-2000).

Rochester City School District
Contributors to the Report

- Rosemary Ellis Johnson, CPA, Manager
- Maria Castro, Associate Auditor
- William Mapes, Senior Auditor
- Michael Summa, Senior Auditor

Rochester City School District

Superintendent of Schools
Clifford B. Janey



Rochester Free Academy

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APR 23 2002
OFFICE OF
AUDIT SERVICES

April 26, 2002

Mr. Daniel Tworek
Director
Office of Audit Services
The State Education Department
The University of the State of New York
Albany, New York 12234

Dear Mr. Tworek:

In response to the State Education Department's draft report (SD-0900-2) relating to the audit of the Rochester City School District (RCSD), I have reviewed the draft report and commented on the results and recommendations made in the report. My response will address the areas cited in the same order as the draft audit report.

Employment Preparation Program (EPE)

Contact Hours for Ineligible Programs and Activities

Audit Recommendation: *"Ensure that only contact hours for eligible programs and activities approved by the Department are claimed for EPE aid."*

District Response:

The District agrees with the audit recommendation. The District feels that administrative guidance was lacking from SED to properly assist the District in documenting contact hours. A substantial portion of the questioned revenue arose from District's actions taken in reliance upon the State Education Department's representations. The District's adult education programming has simply out-paced the State Education Department's rules and regulations.

The State Education Department representatives have praised the District for its ambitious programming and have nominated the District for national awards. Furthermore, the SED has approved the Districts' EPE annual plan each year.

Since the audit, the district has followed the SED auditors' verbal recommendations for maintaining student records and teacher registers. As a result, Chapter I, Family Math & Family Reading (Community and Parent Involvement), Learnfare and SETRC classes are not claimed for contact hours as of 7/1/00. All other Community and Parent Involvement classes are not claimed for contact hours as of 7/1/01.

Since the Employment Preparation Education (EPE) legislation was first initiated in 1984, the State Education Department (SED) has stated that a complete set of regulations would be developed and disseminated to the field. On September 25, 2001, the Draft EPE Manual was finally distributed. In July 2001, the Management Advisory Group of NY, Inc. found that "Although the SED OWPCE does invite phone calls from the districts if they have questions, a review of other district's audits demonstrated that confusion in interpreting the rules was wide spread".

Contact Hours for Non-Instructional Time

Audit Recommendation: *"Ensure that contact hours claimed for traditional EPE programs are for instruction or are instruction-related as approved by the Department."*

District Response: The District agrees with the audit recommendation. The District is not claiming contact hours for recruitment type activities as of 7/1/00. In addition, as of 7/1/00 only hours documented for counseling related to intake, assessment, and the preparation and review of the IEEPP are being counted for contact hours.

Contact hours for the time students spend taking the General Equivalency Diploma (GED) exam are not counted as of 7/1/00. However, SED provided the District with guidelines and procedures for generating and expending EPE aid with conflicting information. This information stated that students who have taken the GED test are eligible to generate EPE aid until they have been notified if they passed the test.

Contact hours for all programs are documented on a monthly basis and reviewed by the Supervising Director of Workforce Preparation.

Contact Hours for Ineligible Students

Audit Recommendation: *“Improve procedures to ensure that contact hours are only claimed for students without a high school diploma/GED and 21 years of age or older.”*

District Response: The District agrees with the audit recommendation. On 9/4/01 new Intake forms were introduced. The new forms require age, high school diploma/GED status and TABE/NYPLACE test scores. Teachers also maintain separate registers for over/under 21 years of age and for those students EPE eligible with a diploma.

Inadequate Systems and Processes

Audit Recommendation: *“Implement controls to ensure that contact hours are sufficiently documented, accurately tabulated and reported.”*

District Response: The District agrees with the audit recommendation. On 9/4/01 new sign-in/out sheets were implemented for each class. Teachers calculate contact hours from these attendance sheets. These contact hours are then transferred to the teacher register. Program Administrators and data clerks check registers monthly for accuracy. Monthly site visits have been initiated jointly by the Department of Workforce Preparation and the District’s Internal Audit Department to ensure compliance with EPE regulations.

Audit Recommendation: *“Ensure that original and adequate attendance records are physically retained. Ensure that student folders are properly maintained and contain the required information for all eligible students.”*

District Response: The District agrees with the audit recommendation. Records including teacher registers and student folders are maintained at the individual adult education learning centers. As of July 2001, offsite records are maintained in a records room at one of the adult education learning centers. Students’ folders are moved to the records room at the end of the year.

All adult education staff were in-serviced on 9/4/01 regarding the minimum requirements for individual student

folders. New intake and update forms were implemented to meet the National Reporting System (NRS) data requirements.

Audit Recommendation: *“Establish procedures to ensure uniform calculation of contact hours for all sites.”*

District Response: The District agrees with the audit recommendation. Procedures have been implemented to calculate contact hours consistent across the District. All administrative staff have been instructed in the reporting of contact hours on a standardized monthly form. In addition, administrative staff are required to maintain Program Information Forms, summary sheets for those with and without a high school diploma by program area—traditional, non-traditional, occupational and work experience. These summary sheets are maintained by teacher/class with contact hours documented on the teacher registers for all EPE sites.

Audit Recommendation: *“Provide adequate guidance and supervision, including written procedures, to staff involved in EPE activities.”*

District Response: The District agrees with the audit recommendation. On August 20, 2001 all adult education administrators attended an EPE in-service training session on written procedures for administering EPE programs. Each member received a Department of Workforce Preparation Administrative Handbook for 2001-2002. This Handbook included both State Education Department and District policies and procedures. A copy of the EPE application was reviewed with staff.

On September 4, 2001 all adult education teachers and administrators were provided record keeping training. The in-service included the National Reporting System highlighting the purpose, features and measures. The in-service focused on teacher data collection responsibilities. In addition, written procedures were provided on the method of calculating contact hours.

On September 25, 2001 the State Education Department draft EPE Manual was distributed to all District EPE administrators. This manual was reviewed by each administrator. In addition, two District staff members attended the State Education Department teleconference on November 7, 2001 to provide input and recommendations in the implementation of the revised EPE Manual.

Audit Recommendation: *“Ensure that programs are conducted in compliance with the Regulations and Statements of General Assurances of the Comprehensive Plan of Services.”*

District Response: The District agrees with the audit recommendation. The Supervising Director of Workforce Preparation in cooperation with the EPE administrative staff will ensure program compliance.

Transportation Aid

Board Policy

Audit Recommendation: *“Obtain Board approval for an official transportation policy for the District”.*

District Response: The District disagrees with the audit recommendation, but does wish to call to the attention of the auditors that the Office of Legal Counsel, in coordination with the Policy Committee of the Board of Education and with the Superintendent of Schools has been engaged in a process of reviewing and updating a number of District policies and regulations. During 2001, those efforts included the adoption of a Code of Conduct, the updating of Ethics and Student Internet Use Policies, and a complete overhaul of the District’s community use regulation. As of the date of this letter, the Office of Legal Counsel and the District Transportation Department have partially completed an update of transportation practices and procedures, and will submit its final draft for the consideration of the Superintendent and the Policy Committee of the Board of Education.

Non-Allowable Pupil Decimal

Audit Recommendation: *“Recalculate and accurately report non-allowable pupils on the Non-Allowable Pupil Worksheet submitted to the Department. Identify and consider students transported for safety reasons.”*

District Response: The District agrees with the audit recommendation. The District does transport a small number of non-allowable pupils living less than 1.5 miles from the school they attend. These non-allowable students are transported due to a safety concern. The transportation department is currently tracking non-allowable students. These pupils

will be reflected on the next Non-Allowable Pupil Worksheet to be completed in the Spring.

Expenditures - Monitors and Aides

Audit Recommendation: *“Report all eligible costs for Transportation aid.”*

District Response: The District agrees with the audit recommendation. The District has segregated the salaries and benefits of the special education and regular education bus monitors and aides. Management Advisory Group has revised its claims with SED on behalf of the District. These revisions to the ST-3 and Form F include salaries and benefits of required monitors and aides (ST-3) as well as the salaries and benefits of aides on buses transporting non-disabled students (deduction on Form F).

Dropout Statistics

The District objects to the estimate of student dropout rates made by the State Education Department in the following statement of the Executive Summary: *“As a result, the actual dropout rate may be as much as twice the rate reported.”* While the dropout rate, as calculated by the auditors, is not meant to be an exact accounting of the actual dropout rate for the District, the estimate may be too high. The State Education Department produced these estimated numbers through a limited sampling of student records and the extrapolation of sampling results upon reported data. The District believes that it would be unreasonable to assume that all of the actual student records, when actually surveyed by the auditor, would perform in the same way as the very small sample that was checked. The extrapolation of figures from the limited samples taken would all need to work against the District for the dropout rate to be “twice the reported rate”. Since this is unlikely, the District can agree that the dropout rate may be more than is reported, how much more is purely a matter of conjecture. Therefore, the phrase “twice the reported rate” should be removed.

BACKGROUND

The Rochester City School District reports student performance data which are used to produce various reports on student outcomes. The District makes every attempt to ensure the accuracy of the data but acknowledges that, over time, interpretation of various District guidelines may differ from one school to another. The differing interpretation of District policy has led to limited discrepancies in data collection at the school level and resulted in inaccurate reporting of dropout statistics. It is important to note, however, that the District believes the inaccuracies in reporting to be smaller than the State Education Department has estimated in this report.

Dropout Definition

The Rochester City School District reports student dropouts in accordance with New York Education Law §3202 (1-a) which states:

“No pupil over the compulsory attendance age in his or her school district shall be dropped from enrollment unless he or she has been absent twenty consecutive school days and the following procedure is complied with: The principal or superintendent shall schedule and notify, in writing and at the last known address, both the student and the person in parental relation to the student of an informal conference. At the conference the principal or superintendent shall determine both the reasons for the pupil’s absence and whether reasonable changes in the pupil’s educational program would encourage and facilitate his or her re-entry or continuance of study. The pupil and the person in parental relation shall be informed orally and in writing of the pupil’s right to re-enroll at any time in the public school maintained in the district where he or she resides, if otherwise qualified under this section. If the pupil and the person in parental relationship fail, after reasonable notice, to attend the informal conference, the pupil may be dropped from enrollment provided that he or she and the person in parental relation are notified in writing of the right to re-enter at any time, if otherwise qualified under this section.”

The State Education Department defines a school dropout as a student of any age, beginning in grade seven, who meet specific requirements. The State Education Department states that:

- Dropouts will be students in grades 7 or higher, regardless of age.
- Any student who has been absent for 20 or more consecutive, unexcused days at the end of the school year must be reported as a dropout.
- Principals must report, as dropouts, all students on their attendance register who did not attend or left school during the reporting period with only the following exceptions:
 - The student entered another educational program leading to a high school diploma.
 - The student entered another educational program leading to a high school equivalency diploma.
 - The student left to a home schooling program.
 - The student enrolls in a BOCES or Division for Youth program.
 - The student is placed in an alternative setting by family court.
 - The student left the United States.
 - The student dies.

The Rochester City School District (RCSD) has concern over the definition used by the State Education Department for the Dropout Report and its variance from the definition provided in the NYS Education Laws. The discrepancy between legal and State Education Departmental expectations has left areas open to interpretation and this, we

believe, has led to the present confusion. The RCSD would like to state that it has followed the definition of a dropout as provided in Education Law and recognizes that there is a process that must be adhered to by law for a student to be officially dropped from school enrollment and counted as a school dropout.

Of particular concern to the District are those students who, for whatever reason, fail to attend school during the final twenty instructional days of the school year. A student absent for the last 20 consecutive days of school would be required by the guidelines of the State Education Department to be counted as a school dropout. Since the State Education Department Dropout Report is due by July 16 of each year, there exists no time to seek out the whereabouts of the student or to verify that the student is not just missing school for a legitimate reason. It is the position of the State Education Department that such a student be reported as a dropout. This is to be accomplished without the benefit of an informal conference with the student or the person in parental relation as required by NYS Education Law. In fact, under this procedure, students may be reported as school dropouts without the knowledge of the student or the person in parental relation. Additionally, if the student does report to school after being listed on this report as a dropout, the student's record may not be adjusted to reflect his/her return to school. The State Education Department states simply that the student need not be counted as a school dropout twice.

Student Information System

The Student Information System (SIS) provides the basis for much of the District reporting. The accuracy of the SIS data begins at the building level by District staff trained to enter the appropriate student information and provided with specific access to the system for that purpose. System "Left Codes" are used to identify the reason for the exiting of every student throughout the school year. These codes were supplied to every school and interpretation of the codes was reviewed with the appropriate school staff prior to the State Education Department's audit and as a part of regular District procedures. District policy was adhered to in regard to these codes but, over time, interpretation became varied between schools. The result of the varied interpretation led some schools to hold a slightly different understanding of the conditions for use of a specific left code and the documentation requirements of the school for the use of that code. Over time, the staff of one school was holding a different standard for use and documentation of a specific "Left Code" than another.

The audit brought this discrepancy between the expectation of and the actual practice of District schools to light and as a result, the District has refined both its list of "Left Codes" and the requirements of documentation necessary for their use. Appendix A contains the revised list of District "Left Codes" and the documentation that is required for the use of each code. The revised "Left Codes" adhere to the State Education Department's definition of a school dropout even though the District continues to question the validity of the definition.

Dropout Estimates

Through extrapolation, the State Education Department auditors ‘estimated’ dropout statistics for the District after rejecting some percentage of sample cases based on issues of documentation. In many cases, school staff filed the documentation in the student cumulative record for the use of a specific “Left Code” but this documentation was not adequate for State Education Department auditors. Since the State Education Department auditors required more than the documentation provided by school staff regarding the location of a student, the use of several “Left Codes” was not allowed by the State Education Department while the student was actually accounted for and believed not to be a school dropout. Other cases involved the auditor’s rejection of students who were known and noted internally as serviced by the District yet “appropriate” documentation was not placed in the student record. School staff in fact, accounted for many of these students eventually counted by the State Education Department as school dropouts but the required documentation was not on file in the student record.

The increased requirement for documentation of student whereabouts represents a change in practice that we were not prepared for and, occasionally, is not within our control. Such is the case when a parent leaves the District with the intention of not informing anyone of the new location except in the vaguest of terms. In that case, the notation of school staff that a parent indicates a move to Florida was made in a good faith effort to account for the whereabouts of the student. Under the regulations of the State Education Department, school notation will no longer be adequate for the use of a specific “Left Code”.

In response to the findings of the State Education Department’s audit, more clearly defined documentation requirements for the use of specific “Left Codes” are now in place and training in the use of the codes is now underway.

Schools or Programs

In the past, the District has reported data from schools (identified as a school with its own BEDS Code) and from District program sites (programs within the RCSD without a specific BEDS Code). The report asks that the RCSD determine whether or not the three programs (The Tutoring Center, Young Mother’s Program, and SHAPE – Senior High Alternative Program of Education) are schools and will be reported as such or are programs with students who will be reported with their ‘home’ school results. The District will report all student data from their home school and will cease to report data from individual District Program sites.

The District will closely monitor School #80, an electronic ‘holding’ location used by the SIS database system, especially as the school year draws to a close, to be certain that all students revert back to the school last attended for purposes of dropout or left codes.

Consistent Use of Drop Codes

The District has revised its list of “Left Codes” and identified a staff member at every site to serve as our SIS Input Champion (see Appendix B). The Input Champion will receive regular training in the operation of the SIS database and will serve as a conduit from the school site to Central Office for policy interpretation and system management. Under the

direction of the SIS Systems Analyst, a series of training sessions will begin in March 2002 and continue on a regular basis to ensure that all staff is proficient and consistent in the use of SIS.

Untimely Reports

The District is committed to on-time reporting to the State Education Department.

The District has been tardy on some reports in the past and this is being addressed. With the appointment of a new Coordinating Director in August 2002, the District is poised for the implementation of creative ideas to enhance our on-time reporting capabilities. The results of such creative approaches led to the implementation of a new procedure for the collection of District BEDS data in October 2001. As a result of enhanced data collection, the District was able to file its BEDS report ahead of the date set last year. While we are not as timely as we would like to be, we are moving in the direction of 'on-time' reporting.

It must be noted, though, that the District is not alone in its failure to consistently file on-time reports with the State Education Department and that the District is not always tardy in its reporting to the State Education Department. At times, the changes in State Education Department regulations or requirements leads to a delay in the ability of the District to comply in a timely manner. Other school districts face similar challenges. For example, the Graduation and Dropout Report, previously required in the fall of each year was moved to a July 16th date in 2001. This unanticipated change led to a delay in the submission of the report and the reprioritization of District reporting tasks. For 2002, the State Education Department has changed the method and date for the Graduation and Dropout Report again, including this as part of new reporting software adoption – STEP. Uncertainty and unanticipated changes in State Education Department regulations, requirements and forms can, at times, lead to delayed reporting.

Decline in Dropout Rate

The District fully complied with the State Education Department definition of a school dropout when reporting our 2000-01 dropout statistics. As a result, our dropout rate did increase but this may not reflect an actual increase in the student dropout rate. The District believes that the application of new definitions and the expectation of new documentation processes led, at least in part, to the rise in numbers. Throughout the 2001-2002 school year, as adjustments are made to our SIS database, as the understanding of State Education Department definitions by members of the professional staff become more clearly understood, and as the implementation of more rigorous documentation requirements for our schools takes effect, we expect to lower the temporary spike that was experienced in dropout numbers.

ACTION ITEMS

It is the intention of the District to enhance the reliability of the SIS database to accurately capture and reflect the valid status of the District. This will be accomplished in the following manner:

1. The District will select a SIS Input Champion to serve as the school's liaison to the MIS State Education Department and the State Education Department of Research, Evaluation and Testing.
2. The District will provide regular training and support for the SIS Input Champion to ensure that State Education Department expectations in regards to student dropouts are both understood and being met.
3. The District will establish new "Left Codes" that comply with the definitions of a student dropout as defined by the State Education Department – this will ensure that all students (starting with the seventh grade, regardless of student's age) who left school prior to graduation for any reason, except death, and did not enter another school or equivalency program will be accounted for.
4. The District will ensure consistent use of the new "Left Codes" by every school through its work with the SIS Input Champions.
5. The District will ensure that proper documentation is on file in the student record for the use of any "Left Code" on SIS.
6. The District will cease to report student data from District Program sites and will report such data at the actual school of last attendance or home school.
7. The District will make every effort to file all State Education Department reports by the required dates.

The State Education Department recommends the following actions be taken:

Audit Recommendation: *“Ensure the number of dropouts reported includes all students (Starting with seventh grade, regardless of student's age) who left school prior to graduation for any reason, except death, and did not enter another school or equivalency program.”*

District Response: The Rochester City School District disagrees with the definition of a school dropout as it is defined for this report but it agrees to comply with the State Education Department recommendation.

Audit Recommendation: *“Ensure that all students who have discontinued their education are reported as dropouts of the actual school where they last attended.”*

District Response: The Rochester City School District agrees to comply with the State Education Department recommendation.

Audit Recommendation: *“Ensure that BEDS report and all other school data reports, including the Graduation and Dropout Report, are submitted to the Department by the required dates.”*

District Response: The Rochester City School District partially agrees with the State Education Department and will make every effort to

comply but would like to state that the State Education Department itself can, at times, delay a timely filing by an unexpected change in regulation, report format or report due date.

Board Governance

Annual Organizational Meeting

Audit Recommendation: *“Make all appointments, authorizations, and designations at the annual organizational meeting requiring action at that time.”*

District Response: The District acknowledges that in the past certain organizational resolutions have been adopted at times other than the biennial meeting, but further asserts that those resolutions were duly adopted at the biennial organization meeting of the Board of Education held on January 2, 2002. The Order of Business for that meeting, and certified copies of the resolutions were furnished to the Office of Audit Services under a letter dated February 11, 2002. Copies are attached and incorporated herein.

Minutes

Audit Recommendation: *“Include in the official Board minutes the times of convening and adjournment; members present and absent; others present; and any late arrivals or early departures by Board members.”*

“Include in the official Board minutes the adjournment time of the executive session and the time of return to regular session. Adjourn the regular meeting directly after returning from the executive session.”

“Include in the official Board minutes the reason for any adjournments to executive session with enough detail to ensure the District is in compliance with Section 105 of the Public Officers Law.”

District Response: The District agrees with the audit recommendation. In January 2002, the format for minutes was revised to provide the Board with a more succinct format that included clear action steps to be taken by Board Members and/or District staff.

As to signing the minutes, beginning in March 2002, the Clerk to the Board of Education will certify the minutes

once they have been approved by the Board. The Board began in January 2002 approving all minutes at the following Regular Business Meeting of the Board. At the January 17, 2002 Board meeting, the minutes for the January 2, 2002 Organizational meeting were approved by the Board. At the February 14, 2002 Board meeting, minutes from the following meetings in January 17, 24, 28, 30, and 31, 2002 were all approved. This will be the practice of the Board. Beginning with the Special Meeting of the Board on February 25, 2002, there was particular note as to the opening and adjournment of executive and public sessions. This will continue to be the Board's policy.

Audit Recommendation: *“Administer the oath of faithful performance in office as required and ensure the board clerk records the administration of the oath in the minutes.”*

District Response: The District acknowledges that, historically, some members of the Board of Education have taken their oaths of office at ceremonies other than the biennial reorganization meeting, but further asserts that all oaths of officers and Board members beginning a term were administered at the biennial organization meeting of January 2, 2002 and oath cards were signed and tendered to the Clerk of the Board, as reflected in the minutes of the meeting. Oaths of Office cards are on file with the Rochester City Clerk for the members and officers of the Board of Education, the Superintendent of Schools and the Secretary/Clerk of the Board of Education.

Audit Recommendation: *“Require the District’s clerk or clerk pro-tem to always sign the minutes to signify their official standing.”*

District Response: The District agrees with the audit recommendation. This has become current Board practice as of March 2002.

Board Policy

Audit Recommendation: *“Review all existing policies, and add, change or delete policies as appropriate. Ensure all policies are in compliance with laws, regulations and Department guidelines.”*

District Response: The District agrees with the audit recommendation. The Board of Education will charge the Board's Policy committee with addressing this recommendation. The ten (10) business management areas outlined in this audit in

which the Board has not established formal policy will be submitted to the Board's Policy committee for follow-up.

Those ten areas were:

- Budgeting
- Accounting and Auditing
- Transportation
- School Lunch
- Operations and Maintenance
- OSHA
- Toxic Substances
- Energy Conservation
- Disaster Preparedness
- Purchasing Policy (missing some required elements)

Audit Recommendation: *“Record in the official minutes the submission and approval of any financial reports such as the budget status report, file these reports in a separate file, and codify them appropriately.”*

District Response: The District agrees with the audit recommendation. The Clerk to the Board of Education will address the concerns raised in this recommendation.

Financial Controls

Audit Recommendation: *“Require budget status reports to be rendered to the Board at least quarterly (and monthly in the event that budget transfers have been made since the last report) for each fund, including the revenue and appropriation accounts required in the annual State budget form.”*

District Response: The District agrees with the audit recommendation. As stated in the audit report, the District did provide the Board with reports covering only the general fund. New reports will be developed and remitted to the Board for all funds as required by the state.

Audit Recommendation: *“Require complete cash reports to be rendered to the Board on a monthly basis.”*

District Response: The District agrees with the audit recommendation.

Audit Recommendation: *“Require fund balance projections to be prepared to the Board on a monthly basis.”*

District Response: The District agrees with the audit recommendation. The District has implemented monthly projections for this fiscal year.

Audit Recommendation: *“Mass encumber all personal service expenditures at the beginning of the fiscal year. Encumber all other obligations once they become known.”*

District Response: The District agrees with the audit recommendation. The District will make a major effort to encumber all obligations once they become known.

Audit Recommendation: *“Appropriations should be controlled and monitored to avoid overspending.”*

District Response: The District agrees with the audit recommendation. The District will make a major effort to control and monitor all expenditures to avoid overspending.

Audit Recommendation: *“Consider preparing a long-range financial plan for operating expenses in addition to the long-range capital improvement plan currently prepared.”*

District Response: The District agrees with the audit recommendation. The District currently has a five-year capital improvement plan and a long-range plan for operating expenditures is under consideration.

Audit Recommendation: *“Revise the official Board policy for the purchasing function to include all elements as required by the General Municipal Law.”*

District Response: The District agrees with the audit recommendation. The Chair of the Board’s Policy Committee and the District’s Chief Counsel have conferred regarding the development of a draft to incorporate into Board Policy format the various components of the District’s purchasing procedures, and that work is presently underway.

Audit Recommendation: *“Designate the official purchasing agent at the annual organizational meeting.”*

District Response: The District agrees with the audit recommendation. On Wednesday, January 2, 2002 Board Resolution No. 2001-2002:516 was passed, which designated the Purchasing Agent.

Audit Recommendation: *“Adopt official Board policy for the operation of petty cash funds. Ensure that policy is in compliance with Regulations.”*

District Response: The District agrees with the audit recommendation. Although the District has administrative procedures covering petty cash, it will be revised and sent to the Board for approval as an official policy.

Audit Recommendation: *“Discontinue the use of all small purchase funds and ensure all outstanding small purchase funds are returned to the District.”*

District Response: The District agrees with the audit recommendation. The District will discontinue the use of small purchase funds at the beginning of the 2002-03 fiscal year and schools will be required to use the normal purchasing function.

Audit Recommendation: *“Appoint an internal claims auditor to audit and approve all claims for payment other than contracted wages and debt service.”*

District Response: The District agrees with the audit recommendation. On Wednesday, January 2, 2002 Board Resolution No. 2001-2002:517 was passed, which designated a Claim Auditor.

Audit Recommendation: *“Designate a District official to certify the payrolls and ensure all payrolls are certified as required”.*

District Response: The District agrees with the audit recommendation. On Wednesday, January 2, 2002 Board Resolution No. 2001-2002:518 was passed, which designated a District official to certify payrolls.

Audit Recommendation: *“Consider separating the responsibility for preparing the payroll from the responsibility for distributing the payroll checks.”*

District Response: The District agrees with the audit recommendation. In March of 2002 the District implemented a new procedure where all payroll checks are mailed to the employees homes.

Audit Recommendation: *“Adopt official Board policy for the extraclassroom activity fund, including policy for the safeguarding, accounting and audit of all moneys received and policy for the method of disposing of funds of defunct organizations.”*

District Response: The District agrees with the audit recommendation. Although the District has administrative procedures covering extraclassroom activity funds, it will be revised and sent to the Board for approval as an official policy.

Audit Recommendation: *“Appoint and bond a central treasurer or central treasurers for the extraclassroom activity fund.”*

District Response: The District agrees with the audit recommendation. On Wednesday, January 2, 2002 Board Resolution No. 2001-2002:519 was passed, which designated a Treasurer for extraclassroom activity funds.

Audit Recommendation: *“Require the central treasurer to report to the Board, at least quarterly, on the receipts and expenditures of the extraclassroom activity fund.”*

District Response: The District agrees with the audit recommendation. Beginning with the 2002-03 fiscal year, the District will put procedures in place to allow for the reporting of extraclassroom activity funds to the Board.

Audit Recommendation: *“Account for only extraclassroom activities in the extraclassroom activity fund.”*

District Response: The District agrees with the audit recommendation. We have started the process to identify all activities that need to be removed from the extraclassroom activity fund and to account for them according to Section 1709 (12) of the Education Law.

Audit Recommendation: *“Review the operations of the extraclassroom activity fund at the elementary school level and, if not adhering to the Regulations, discontinue the use of the fund at that level.”*

District Response: The District agrees with the audit recommendation. The District will be implementing procedures in the 2002-2003 fiscal year that will ensure that we are adhering to the state Regulations.

Audit Recommendation: *“Limit the use of the extraclassroom activity fund to only qualifying student activities. Ensure District funds are returned to central office. Ensure all scholarship and memorial funds are transferred to the District’s Trust and Agency Fund.”*

District Response: The District agrees with the audit recommendation. We have started the process to identify all activities that need to be removed from the extraclassroom activity fund and to account for them according to Section 1709 (12) of the Education Law.

I appreciate your attention to the above addressed areas.

Sincerely,

A handwritten signature in black ink, appearing to read "Clifford B. Janey". The signature is cursive and somewhat stylized, with the first name being the most prominent.

Dr. Clifford B. Janey

Appendix A Updated Left Codes

	CODE	COUNTED AS DROPOUT	USE	DESCRIPTION	DOCUMENTATION NEEDED	DOCUMENTATION TYPE
Used to show changes within District	01	N	Change	Student changed school/grades within the district	N	
	03	N	Retention/Demotion	Student is retained or demoted	Y	SCHOOL DOCUMENTATION
	19	N	Declassified	Student is declassified	Y	CSE DOCUMENTATION
	05	N	Left	Student left to attend non-public school in district	Y	TRANSCRIPT REQUEST
Used by Schools to show reasons students no longer enrolled in DISTRICT	21	Y	Incarcerated	Student is incarcerated; <u>not</u> receiving instructional services	N	
	06	N	Left	Student left to attend public school out of district	Y	TRANSCRIPT REQUEST
	07	N	Left	Student left to attend non-public school out of district	Y	TRANSCRIPT REQUEST
	F9	N	Under Age	Student who is picked up on a school register, but is too young (Under the age of 5 years old by December 1) and is dropped by the school.	Y	DOCUMENTATION OF AGE
	08	N	Graduated	Student graduates - FOR HIGH SCHOOL USE ONLY	Y	SCHOOL DOCUMENTATION
	S1	N	Left	Student left for a Mental Institution (Rochester Psychiatric Center, Monroe Developmental, etc)	Y	EVIDENCE THAT STUDENT IS RECEIVING INSTRUCTIONAL SERVICES
	S2	N	Left	Student left to Jail, Reform School, Industry, etc. and <u>is</u> receiving instructional services	Y	
	S3	N	Left	Student left to Youth Home (Student resides full-time; i.e. Hillside, St. Joseph's Villa, etc.)	Y	
	S4	N	Left	Student left to attend out of district State Facility/OMH	Y	
	17	N	Graduated	Student graduates with a GED	Y	PROOF OF ENROLLMENT
	18	N	Deceased	Student is deceased	Y	OBITUARY
	G1	N	Left	Student left to GED Program within the district	Y	PROOF OF ENROLLMENT
	G2	N	Left	Student left to GED Program outside the district	Y	PROOF OF ENROLLMENT
	20	N	Exempt	Student is unable to receive instruction due to a critical illness; or is severely physically or mentally disabled	Y	EVIDENCE STUDENT IS UNABLE TO RECEIVE INSTRUCTION
	09	Y	Dropout	Student who drops out of school and is over the compulsory age	Y	DOCUMENTATION OF LEGAL DROP PROCESS
	10	N	No Show	Student is to come from an <u>out of</u> district school and does not show as expected	N	
	NO	Y	No Show	Student is to come from another <u>in</u> district school and does not show as expected	Y	YOUR NOTIFICATION TO SENDING SCHOOL
	22	Y	Over Age	Student who exceeds the maximum age	Y	DOCUMENTATION OF AGE
	23	Y	Unknown	Student leaves for an unknown destination	Y	DOCUMENTATION OF SEARCH
	X1	Y	Expelled	Student is expelled	Y	SCHOOL DOCUMENTATION
XG	N	Expelled	Student is expelled but attending an out of RCSD GED prog	Y	PROOF OF ENROLLMENT	
NS	Y	Needs Something	Student needs something to graduate - FOR HIGH SCHOOL USE ONLY	Y	SCHOOL DOCUMENTATION	
Not to be used by Schools	04		Change	Change in Special Education Services - NOT FOR SCHOOL USE - CSE USE ONLY		
	02		End of Year	Ending School Year Code - NOT FOR SCHOOL USE - MIS USE ONLY		

Appendix B District Input Champions

INPUT CHAMPION AND COHORT CHAMPION 2001-2002				
SCHOOL	INPUT CHAMPION	COHORT CHAMPION	When/Who	
	1	Mary Rivera		2/13/02 AML
	2	Judy Bullock		2/13/02 AML
	3	Sara Carrasquillo		2/13/02 AML
	4	Sandra Luke		2/13/02 AML
	5	Nancy Fedele		call 2/12 AML
	6	Kathi Johnson		2/12/02 GL
	7	Tina Diaz		2/12/02 MJW
	8	Veldra Simmons		2/12/02 JS
	9	Sandy Hernandez		call 2/12 AML
	12	Jill Miller		2/11/02 BDY
	14	Claudia Hozman		2/11/02 SK
	15	Debbie Muoio		call 2/12 AML
	16	Cristal Williams		call 2/12 AML
	17	Carmen Montes		2/13/02 RS
FLC HART STREET	18	David Bouie		2/13/02 AML
	19	Irene Hurd		2/11/02 TC
	20	Adrienne Dahl		2/11/02 LJ
	22	Kathy Volke		2/12/02 TW
	23	Gail Waner		2/13/02 AML
	25	Amy Deutscher		2/11/02 PW
	28	Veronica Numetko and Penny Britton		2/8/02 SC
	29	Marcia Povio		2/11/02 VM
	30	Deb Berardi		2/11/02 SG
	33	Teresa Torres		2/12/02 LE
	34	Noreen McGrath		2/8/02CM
	35	Kim Winters		2/11/02 RK
	36	Mrs. Coniglio		2/11/02 PM
	37	Marsha Morales-Phillips		2/13/02 PF
	39	Marge Wood		2/12/02 PF
FLORENCE BROWN PRE-K	40	Susan Buffam		2/12/02 TJ
	41	Neddie Ariano		2/11/02 LM
	42	Michele Diekuoss and Donna Godfrey		2/11/02 RD
	43	Barbara Uthman		2/13/02 AML
	44	Sue Carter		2/11/02 WG
	45	Jean Puidokas		2/8/02 VG
	46	Vickie Dames		2/11/02 MMJ
FLC - WESTSIDE ADULT	47	Lisa Billett		2/13/02 AML
FLC JEFFERSON AVE	49	Mariah Brown		2/13/02 AML
	50	Elaine Giuliano		2/11/02 EV
PRESCHOOL-PARENT PROG	51	Anne Doolin		2/11/02 MT
	52	Lisa Knowles		2/12/02 DR
FRANKLIN MONTESSORI	53	Arline Burke		2/13/02 GG
	54	JoAn Owens		2/11/02 LHR
	57	Pauline Giordano and Cecelia Hajecki		2/12/02 WL
	58	Kathy Crosson		2/11/02 BM
CHARLOTTE	60	Debbie Ryder and Patty Pierce		2/13/02 AML
EAST	61	Barbara Anschutz and K. Giallombardo	D. Branca	2/13/02 AML
FRANKLIN HIGH	62	Mary Jo Cook	Mary Jo Cook	2/6/02 KD
JEFFERSON	63	Nikki Lore		2/13/02 AML
MADISON	64	Nancy Caccamise		2/13/02 AML
MARSHALL	65	Don Snyder	Michael Robinson	2/13/02 MSC
MONROE	66	Dave Ostanski		2/7/02 DO
WILSON	67	Linda Thines	Mary Piccinino	2/11/02 SJ
SWW	69	Michelle Gionnone	Michelle Gionnone	2/5/02 DD
EDISON	70	Philomena Mascadri	Toni Cavallaro	2/11/02 CS
NRCS	71	Sara Carrasquillo		2/11/02 CH
DOUGLASS	72	Diane Wilson		2/13/02 MSC
SOTA	74	Susan Marriott	Kelly Nicastro	2/6/02 DB
FTLC	75	Nilsa-Ojeda Burgos		2/12/02 DA
FRANKLIN ACADEMIES	76	Jeanne Marino		2/13/02 AML
TUTORING CENTER 90, 91, 92		Tim Downs	Tim Downs	2/5/02 CP



Rochester Free Academy

Rochester City School District

Superintendent of Schools
Clifford B. Janey

*file
copy*

February 11, 2002

Mr. Daniel Tworek
Director, Office of Audit Services
New York State Department of Education
Albany, New York 12234

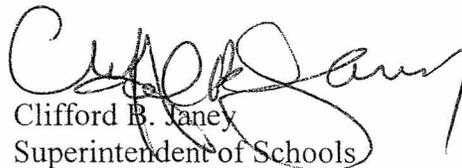
Dear Mr. Tworek:

Among the matters which were discussed in the revised preliminary audit findings for the Rochester City School District, were a number of items relating to the acknowledgment of receipts of oaths of offices for new officers and incoming board members at the start of a term; and for the organizational aspects of the district' biennial organization meeting.

Addressing those concerns, I am pleased to enclose a copy of the order of business for the biennial organizational meeting of the Rochester City School District held on January 2, 2002, together with certified copies of each of the ten resolutions adopted at that meeting, relative to organizational business. Please note that the resolution relating to the designation of a depository applies to the School Activity Funds account only, because under the system applicable to us, our other deposits are maintained by the City of Rochester, which designates its depositories and maintains accounts.

The members of the Board of Education beginning terms, and the newly elected officers were sworn in at the organizational meeting, and receipt of their oath of office forms was acknowledged in the minutes of the meeting, and subsequently appropriate filings were made.

Sincerely,


Clifford B. Janey
Superintendent of Schools

Enclosure

CBJ/aml

ROCHESTER CITY SCHOOL DISTRICT
BOARD OF EDUCATION
BIENNIAL ORGANIZATION MEETING

Wednesday, January 2, 2002
7:00 P.M..

ORDER OF BUSINESS

- I. Call to Order; Moment of Silence; Pledge of Allegiance to the Flag

- II. Oaths of Office of Newly Elected Commissioners
 1. Administration of Oaths of Office
 2. Acknowledgement of Receipt of Oath of Office Forms

- II. Election of Officers
 1. Explanation of Process
 2. Nominations for President
 3. Closing of Nominations for President
 4. Discussion, and Call for Motion for Election of President
 5. Nominations for Vice-President
 6. Closing of Nominations for Vice-President
 7. Discussion, and Call for Motion for Election of Vice-President
 8. Administration of Oath of Office to President and Vice-President
 9. Remarks of Incoming Officers
 10. Tender the Chair to the President of the Board of Education

- III. Resolutions
 - No. 515 Designation of Secretary/Clerk of the Board of Education
 - No. 516 Designation of Purchasing Agent
 - No. 517 Designation of Claims Auditor
 - No. 518 Designation of Certifier of Payrolls
 - No. 519 Designation of Treasurer of Extracurricular Activity Fund and Authorization for Bond and for Reporting on Fund
 - No. 520 Authorization for Fund Transfers
 - No. 521 Authorization for Blanket Bond for Officers and Employees
 - No. 522 Designation of Depository
 - No. 523 Designation of Official Newspapers
 - No. 524 Acknowledging Disclaimer of Salary of Commissioner Brown And Appropriating Disclaimed Salary to Scholarship Fund

- IV. Other Business.

- V. Motion to Adjourn Biennial Reorganization Meeting
Next Meeting Thursday, January 17, 2002, 7:00 PM at the Central Administrative Offices.



Rochester City School District

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BOARD SECRETARY'S OFFICE
BOARD OF EDUCATION
ROCHESTER, N. Y. 14608

Board of Education

President

Joanne Giuffrida

Vice President

Shirley Thompson

Members

James R. Bowers

Robert E. Brown

Dwight E. Cook

Darryl W. Porter

Bolgen Vargas

Superintendent of Schools

Clifford B. Janey

Resolution No. 2001-2002: 515

Designating Secretary/Clerk of the Board of Education

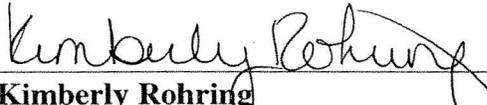
By Member of the Board Bowers

Resolved, that Kimberly Rohring be and hereby is appointed as Secretary/Clerk of the Board of Education, to serve during the pleasure of the Board and until a successor is appointed and has qualified.

Seconded by Member of the Board Porter

Adopted by acclamation

ATTEST


Kimberly Rohring
Secretary/Clerk of the Board of Education



Rochester City School District

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BOARD SECRETARY'S OFFICE
BOARD OF EDUCATION
ROCHESTER, N. Y. 14603

Board of Education

President

Joanne Giuffrida

Vice President

Shirley Thompson

Members

James R. Bowers

Robert E. Brown

Dwight E. Cook

Darryl W. Porter

Bolgen Vargas

Resolution No. 2001-2002: 516

Designating Purchasing Agent

By Member of the Board Bowers

Resolved, that David M. Pena, concomitant with and distinct from his Article IV District appointment as Director of Procurement & Supply under Education Law §2554(2), be and hereby is appointed as Purchasing Agent, to serve during the pleasure of the Board and until a successor is appointed and has qualified.

Superintendent of Schools

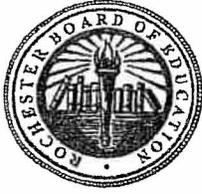
Clifford B. Janey

Seconded by Member of the Board Porter

Adopted by acclamation

ATTEST

Kimberly Rohring
Secretary/Clerk of the Board of Education



Rochester City School District

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BOARD OF EDUCATION
ROCHESTER, N. Y. 14603

Board of Education

Resolution No. 2001-2002: 517
Designating Claims Auditor

President
Joanne Giuffrida

Vice President
Shirley Thompson

Members
James R. Bowers
Robert E. Brown
Dwight E. Cook
Darryl W. Porter
Bolgen Vargas

Superintendent of Schools
Clifford B. Janey

By Member of the Board Bowers

Resolved, that Cheryl Ferguson, concomitant with and distinct from her Article IV District appointment as Director of Internal Audit & State Aid, under Education Law §2554(2), be and hereby is appointed pursuant to Education Law §2554 (2-a) as claims auditor for the Board of Education, to serve during the pleasure of the Board and until a successor is appointed and has qualified, for the purposes of exercising, directly and through assistants designated for the purpose, the powers and duties of the Board of Education with respect to auditing accounts, charges, claims or demands against the Rochester City School District, as specified in the aforementioned statute.

Seconded by Member of the Board Porter

Adopted by acclamation

ATTEST

Kimberly Rohring
Secretary/Clerk of the Board of Education



Rochester City School District

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BOARD OF EDUCATION
ROCHESTER, N. Y. 14603

Board of Education

President
Joanne Giuffrida

Vice President
Shirley Thompson

Members
James R. Bowers
Robert E. Brown
Dwight E. Cook
Darryl W. Porter
Bolgen Vargas

Superintendent of Schools
Clifford B. Janey

Resolution No. 2001-2002: 518
Authorizing Certification of Payrolls

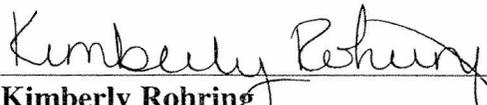
By Member of the Board Bowers

Resolved, that Henry Marini, concomitant with and distinct from his Article IV District appointment as Acting Chief Financial Officer under Education Law §2554(2), be and hereby is appointed to certify payrolls of the Rochester City School District directly and through assistants designated for the purpose, and for that purpose shall serve during the pleasure of the Board and until a successor is appointed and has qualified.

Seconded by Member of the Board Porter

Adopted by acclamation

ATTEST


Kimberly Rohring
Secretary/Clerk of the Board of Education



Rochester City School District

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BOARD OF EDUCATION
ROCHESTER, N. Y. 14608

Board of Education

President
Joanne Giuffrida

Vice President
Shirley Thompson

Members
James R. Bowers
Robert E. Brown
Dwight E. Cook
Darryl W. Porter
Bolgen Vargas

Superintendent of Schools
Clifford B. Janey

Resolution No. 2001-2002: 519

**Designating Treasurer of the Extracurricular Activity Fund
And Providing for Bonding of the Treasurer and Reports to the Board**

By Member of the Board Bowers

Resolved, that Cheryl Ferguson, concomitant with and distinct from her Article IV District appointment as Director of Internal Audit & State Aid under Education Law §2554(2), be and hereby is appointed, pursuant to 8 NYCRR § 172.4 as treasurer of extracurricular activity funds, to serve during the pleasure of the Board and until a successor is appointed and has qualified; and it is

Further Resolved, that the Chief Financial Officer be and hereby is authorized to obtain a bond to cover the treasurer of the extracurricular activity fund, in an amount not less than the average cash balance of the fund; or to arrange for the inclusion of the treasurer of the fund in any blanket bond covering District officers and employees required by law to be bonded; and it is

Further Resolved, that the extracurricular activity fund shall be included in the annual independent audit conducted of the finances of the Rochester City School District.

Seconded by Member of the Board Porter

Adopted by acclamation

ATTEST

Kimberly Rohring
Secretary/Clerk of the Board of Education



Rochester City School District

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BOARD OF EDUCATION
ROCHESTER, N. Y. 14608

Board of Education

President

Joanne Giuffrida

Vice President

Shirley Thompson

Members

James R. Bowers

Robert E. Brown

Dwight E. Cook

Darryl W. Porter

Bolgen Vargas

Superintendent of Schools

Clifford B. Janey

Resolution No. 2001-2002: 520

Authorizing Budget Transfers

By Member of the Board Bowers

Resolved, that the Superintendent of Schools, directly or through his designee, be and hereby is authorized pursuant to 8 NYCRR § 170.2 (subdivisions "l" "o" and "p") to make transfers between and within the amount of the total annual appropriations for teachers' salaries and ordinary contingent expenses without express prior authorization of the Board of Education, as long as there is no increase in the total approved budget; provided, however, that net budget transfers shall be reported, by budget code, in the monthly financial report provided to the Board of Education.

Seconded by Member of the Board Porter

Adopted by acclamation

ATTEST

Kimberly Rohring
Secretary/Clerk of the Board of Education



Rochester City School District

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BOARD OF EDUCATION
ROCHESTER, N. Y. 14603

Board of Education

Resolution No. 2000-2001: 521

Authorization to Procure Blanket Bond for Required Officers & Employees

President

Joanne Giuffrida

By Member of the Board Bowers

Vice President

Shirley Thompson

Resolved, pursuant to the authority contained in Education Law §2584, that the Chief Financial Officer be and hereby is authorized and directed to procure and maintain a blanket bond, covering all District officials and employees required by law to be bonded, in an amount which, based upon the financial activities of the District for which each such official or employee is responsible, is in his professional judgment sufficient to cover reasonably foreseeable contingencies, but in no case for less than the amount required by New York State law or regulation.

Members

James R. Bowers

Robert E. Brown

Dwight E. Cook

Darryl W. Porter

Bolgen Vargas

Superintendent of Schools

Clifford B. Janey

Seconded by Member of the Board Porter

Adopted by acclamation

ATTEST

Kimberly Rohring

Secretary/Clerk of the Board of Education



Rochester City School District

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BOARD OF EDUCATION
ROCHESTER, N.Y. 14608

Board of Education

Resolution No. 2001-2002: 522

Designation of Depository

President

Joanne Giuffrida

Vice President

Shirley Thompson

By Member of the Board Bowers

Members

James R. Bowers

Robert E. Brown

Dwight E. Cook

Darryl W. Porter

Bolgen Vargas

Whereas, the City of Rochester retains the right and authority to designate depositories for Rochester City School District funds, other than the school activity funds, and to open, maintain, and discontinue accounts in such depositories; and

Whereas, General Municipal Law §10(2) provides that the resolution providing designation depositories shall specify the maximum amount which may be kept on deposit at any time in each such depository, and further provides that both the designations and the amounts may be changed at any time by further resolution; it is

Superintendent of Schools

Clifford B. Janey

Resolved, that the following institution be and hereby is designated as depository of money received by the Rochester City School District for the school activity funds:

Chase Manhattan Bank

Maximum Authorized Balance:

\$3,000,000

And it is further Resolved, that the Director of Accounting of the District or his designee be and hereby is authorized to execute all documents required by said depository to establish, maintain or discontinue accounts, certificates of deposit or other financial instruments with said depository, and to facilitate deposits, withdrawals or fund transfers appropriate to the conduct of the financial business of the Rochester City School District.

Seconded by Member of the Board Porter

Adopted by acclamation

ATTEST

Kimberly Rohring

Secretary/Clerk of the Board of Education



Rochester City School District

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BOARD SECRETARY'S OFFICE
BOARD OF EDUCATION
ROCHESTER, N. Y. 14608

Board of Education

President

Joanne Giuffrida

Vice President

Shirley Thompson

Members

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Bolgen Vargas

Superintendent of Schools

Clifford B. Janey

Resolution No. 2001-2002: 523

Designating Official Newspaper

By Member of the Board Bowers

Resolved, that The Rochester Democrat and Chronicle, any other newspaper deemed appropriate by the Superintendent of Schools, having a general circulation within the City of Rochester, is hereby designated as official newspaper of the Rochester City School District for publication of all notices and other matters required by law to be published.

Seconded by Member of the Board Porter

Adopted by acclamation

ATTEST

Kimberly Rohring
Secretary/Clerk of the Board of Education



Rochester City School District

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Resolution No. 2001-2002: 524

Appropriating Disclaimed Commissioner's Salary to Scholarship Fund

By Member of the Board Bowers

Whereas, Commissioner Robert E. Brown has disclaimed any salary or other compensation for his service as a member of the Board of Education; and

Whereas, the Board of Education has established a Superintendent's Discretionary Scholarship Fund (the "Fund") to benefit students who excel in academic achievement and who exemplify the values of the Rochester City School District; it is

Resolved, that the Commissioners of the Board of Education of the Rochester City School District appropriate the amount of \$15,000 annually for each of the years 2002-2005, representing the disclaimed salary of Commissioner Robert E. Brown to establish and maintain the Fund; and it is

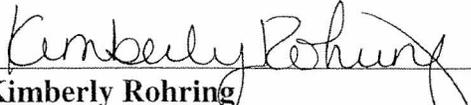
Further resolved, that the Fund shall be segregated from the general assets of the Rochester City School District, and shall be invested as permitted by law; and it is

Further resolved, that the Superintendent of Schools shall have discretion and authority to award all or part of the earnings of the Fund in any year to one or more qualified students.

Seconded by Member of the Board Porter

Adopted by acclamation

ATTEST


Kimberly Rohring
Secretary/Clerk of the Board of Education

**NEW YORK STATE EDUCATION DEPARTMENT
OFFICE OF AUDIT SERVICES
AUDIT REVIEW PROCEEDINGS**

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.