
Audit Report

Roosevelt Union Free School District

for the Period

July 1, 2003 through April 30, 2005

SD-0205-5

May 18, 2006

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 18, 2006

Mr. Edward McCormick
Board President
Roosevelt Union Free School District
240 Denton Place
Roosevelt, New York 11575

Dear Mr. McCormick:

The following is our final audit report (SD-0205-5) on the Roosevelt Union Free School District for the period July 1, 2003 through April 30, 2005. 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.”

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,

Michael Abbott, CPA

Enclosure

c: Commissioner Mills, T. Savo, K. Ahearn, J. Stevens, C. Szuberla, J. Butterworth, B. Porter, C. Foster (DOB), W. Campbell (OSC), Members of the Roosevelt UFSD Board of Education, R. Ross, Superintendent, J. Mapes, District Superintendent

Executive Summary

Background and Scope of the Audit

The Roosevelt Union Free School District (Roosevelt) is responsible for providing educational services to about 2,800 students in 7 schools. Roosevelt, located in Nassau County, spent about \$47.6 million during the 2003-2004 school year. For the 2002-03 school year, on average, Roosevelt spent \$17,621 per student, about 10.8 percent higher than the Nassau County average of \$15,904 per student.

Since 1995, a series of special legislation was passed in an effort to correct deficiencies in Roosevelt leading to the Legislation in 2002 (Roosevelt Legislation) which granted authority to the Commissioner to remove the Board, appoint an interim Board, expand the oversight role for the Commissioner, reauthorize the bond issues for the 1996 deficit of \$1.6 million, authorize issuance of \$6 million in serial bonds for the 2002 deficit, increase building aid reimbursement to 98 percent, and authorize up to \$6 million in a new categorical aid program. Technical changes were further made to the Roosevelt Legislation relating to the oversight of Roosevelt, the development of a new five-year financial stabilization plan, changes to the five-year educational improvement plan, appointment of a fiscal administrator, and provision of funds for school facilities. Despite the legislation and attention, Roosevelt's student performance on the State assessments remains cause for concern.

The Office of Audit Services reviewed selected management practices, records, and documentation for the period July 1, 2003 through April 30, 2005. The objective of the audit was to assess the adequacy of Roosevelt's internal controls, which are designed to help ensure its goals and objectives are accomplished; laws, regulations, and good business practices are complied with; assets are safeguarded; and accurate and reliable data are maintained.

Audit Results

The audit found that Roosevelt has many of the necessary internal controls in place, but identified improvement opportunities in several areas. A primary concern is the need to improve fiscal monitoring and reporting. Some key improvement opportunities and recommendations are as follows:

- The Board did not routinely receive the required information to effectively monitor the financial condition of the district. For example, the Board did not receive budget status reports for all funds. These reports would have shown that at one point during the 2004-05 school year, 50 accounts totaling more than \$2.4 million were overspent or over encumbered, even though Roosevelt's total budget was not exceeded. The Board needs to increase and strengthen its fiscal oversight of Roosevelt by requiring financial reports be submitted to the Board and reviewed regularly, by carefully monitoring Roosevelt's budget to prevent overspending, and by establishing necessary policies and procedures.
- The treasurer did not perform most of the duties and responsibilities of his position; instead, some of the duties were assigned to other individuals. In addition, certain essential reports (treasurer's cash reports) were incomplete and unreconciled. This provides little assurance the balances are correct and all funds are accounted for. Prior

audits by the Department and the District's independent auditor also resulted in several similar findings related to the treasurer's duties and responsibilities, but they have not been addressed by Roosevelt.

- Roosevelt has three building projects where aid of more than \$120,000 will be delayed by more than two years because of the District's failure to file the required reports in a timely manner. Roosevelt needs to develop a system to ensure it files the required reports timely to obtain its aid at the earliest possible date.
- Roosevelt has not complied with the Legislation requiring the District to submit any contracts or obligations of \$25,000 or more to the Department for prior approval for at least the last two years. As a result, Roosevelt has been bypassing the Department's approval process, and entering into contracts and obligations without proper authority.
- Roosevelt incurred certain expenditures which were unreasonable, unnecessary, or inadequately documented. For example, Roosevelt incurred \$6,010 for a five-day conference in Argentina followed by an 8-day cruise to Antarctica that was never attended. The audit also found \$997 in credit card charges that were not adequately documented.
- Roosevelt was deficient in its submission of various facilities reports such as the Annual Visual Inspection report, the Asbestos Hazard Emergency Response Act triennial report, and the Annual Certificates of Occupancy. These reports help ensure a safe and healthy environment for the students and employees of the District.
- Roosevelt's School Lunch Fund ended the 2003-04 school year with a deficit of \$302,200. Roosevelt's independent auditor cited the loss of reimbursement aid as a primary reason for the deficit. The audit found other factors contributing to the deficit including unreported food sales, and loss of \$7,000 in funds due to undocumented administrative expenditures. Roosevelt must actively pursue school lunch applications and direct certification letters for students eligible for the free and reduced-price meal programs, accurately record and account for food service revenue using working cash registers, and document all program and administrative costs.
- The audit also found improvement opportunities related to policies and procedures, use of authorized bank accounts, outstanding accounts receivables, time and attendance records, hiring procedures, and others.

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

Comments of Roosevelt Officials

Roosevelt officials' comments were considered in preparing this report. They agreed with all 62 of the recommendations. The response further indicated that actions have been taken to implement 33 recommendations and partially implement an additional 6 recommendations. The Board and Management will continue to work on implementation of the remaining 23 recommendations. The full text of the response is included as Appendix B.

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Introduction

Background

The Roosevelt Union Free School District (Roosevelt) is responsible for providing educational services to about 2,800 students in 7 schools. Roosevelt, located in Nassau County, spent about \$47.6 million during the 2003-2004 school year. In the 2002-03 school year, the District spent about \$43.6 million or an average of \$17,621 per student, about 10.8 percent higher than the Nassau County average of \$15,904 per student.

Special legislation was passed numerous times in an effort to correct deficiencies in Roosevelt. In 1995, legislation established a District Review Panel to develop a recovery plan to address the academic and financial failings of the District, including the creation of a five-year corrective action plan to be implemented by the Board. This law also authorized the Commissioner to remove the existing Board if it failed to satisfactorily implement such plan. The Board was removed in January 1996 and a new Board was elected in May 1996. Legislation enacted in May 1996 authorized Roosevelt to issue serial bonds to finance the 1996 \$1.6 million deficit and provided for payment of State aid on an accelerated schedule.

The elected Board did not successfully implement the corrective action plan and Legislation (Roosevelt Legislation) was passed in 2002 granting authority to the Commissioner to remove the Board, appoint an interim Board, expand the oversight role for the Commissioner, and reauthorize the bond issues for the 1996 deficit of \$1.6 million. It also authorized issuance of \$6 million in serial bonds for the 2002 deficit, increased building aid reimbursement to 98 percent and authorized up to \$6 million in a new categorical aid program. Technical changes were further made to the Roosevelt Legislation relating to the oversight of Roosevelt, the development of a new five-year financial stabilization plan, changes to the five-year educational improvement plan, appointment of a fiscal administrator, and provision of funds for school facilities.

Student performance at the elementary level from 2001-02 through 2003-04 for both the English Language Arts (ELA)

and mathematics assessments met or exceeded the State averages. For example, 69 percent of Roosevelt's students met or exceeded the standards compared to the State average of 63 percent for the 2003-04 ELA. However, student performance for 2001-02 through 2003-04 for the ELA and mathematics assessments at the middle school and high school level remains cause for concern. In 2003-04, only 16 percent of all students met or exceeded the standards on the grade 8 ELA assessment compared to the State average of 47 percent. Similarly, only 20 percent met or exceeded the standards on the grade 8 mathematics assessment compared to the State average of 58 percent.

Roosevelt was included in the list of Districts in Need of Improvement under Title I, based on the performance in the 2003-04 school year, for both secondary level ELA and mathematics. Title I Schools In Need of Improvement are schools receiving Title I funds that did not make Adequate Yearly Progress (AYP) for two consecutive years in the same subject and grade. Roosevelt did not achieve AYP in 2004-05 for both subjects and therefore, will remain on the list.

Roosevelt's high school graduation rate for all students who entered grade 9 in the fall of 1998 is 45 percent compared to the statewide average of 77 percent. Performing similarly, 51 percent of all students who entered grade 9 in the fall of 1999 graduated compared to 76 percent statewide. Furthermore, the Roosevelt (Jr-Sr) High School has been a State-designated School Under Registration Review (SURR) since 1990.

Additional information about Roosevelt's financial condition and student performance can be obtained from the following sources:

- *The New York State School Report Card* (Report Card) published March 2005 and available online at <http://www.emsc.nysed.gov/repcrd2004/home.shtml>; and
- *A Report to the Governor and the Legislature on the Educational Status of the State's Schools* (Chapter 655 Report) published July 2004 and available online at <http://www.emsc.nysed.gov/irts/655report/2004/home.html>.

Auditor's Note:

The Interim Superintendent referred to in this report has been appointed the permanent Superintendent of Schools as of July 1, 2005.

Objectives, Scope, and Methodology

The Office of Audit Services (OAS) audited selected management practices, records, and documentation for the period July 1, 2003 through April 30, 2005. The audit used a questionnaire to focus on seven key areas: governance and planning, accounting and reporting, revenue and cash management, purchasing and expenditures, facilities and equipment, student services, and student-related data. The questionnaire contains information on key controls in each of the areas and also includes the specific criteria or the standards used in assessing Roosevelt's operations. A copy of the questionnaire is available on the OAS website at <http://www.oms.nysed.gov/oas/Resources/Resources.htm>.

The objective of the audit was to assess the adequacy of Roosevelt's internal controls, which are designed to help ensure:

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

To accomplish the objective, we reviewed applicable laws, regulations, policies, and procedures; interviewed Roosevelt management and staff using our questionnaire; examined records and supporting documentation; sampled a limited number of transactions on a non-statistical basis; and reviewed Roosevelt'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 procedures considered necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that the audit

provides a reasonable basis for our findings, conclusions, and recommendations.

Audit Results

The audit found that Roosevelt has many of the necessary internal controls in place, but identified improvement opportunities in several areas. Of primary concern is the need for the Board to improve its fiscal oversight and to ensure that various fiscal reports are complete, accurate, and timely.

The improvement opportunities are addressed in more detail in the following sections of the report. The Board should give careful consideration to the recommendations to improve the operation and management of Roosevelt.

Comments of District Officials

Roosevelt officials' comments were considered in preparing this report. They agreed with all 62 of the recommendations. The response further indicated that actions have been taken to implement 33 recommendations and partially implement an additional 6 recommendations. The Board and Management will continue to work on implementation of the remaining 23 recommendations. Their comments are appended to this report as Appendix B.

GOVERNANCE AND PLANNING

A school board is responsible for the education of the children residing in its district and must provide for the governance and oversight of the district's affairs, personnel, and properties.

The audit determined the Board has addressed many of its governance and planning responsibilities related to the control environment, policies and procedures, staffing, strategic planning, and budget development. However, the Board could make improvements related to its governance responsibility, budget oversight and administration, and policies and procedures.

Governance Responsibility

Board members have a governance role as overseers of the district's management to ensure that assets are used properly, laws and regulations are followed, and the public interest is best served.

The Board is responsible for the overall direction, operation, assets, and fiscal well-being of its district. As such, the Board has the authority and duty to adopt whatever policies, rules, and bylaws are necessary to meet its statutory responsibilities and secure the best educational results for its students.

The audit determined the Board could make improvements related to its actions as a full board, the Superintendent's time and attendance, segregation of key duties, and the establishment of an audit committee.

Acting as a Full Board

For a resolution or motion to be considered an official action of the board, school board members must approve such action by a majority vote at an official meeting.

The Interim Superintendent's contract for 2004-05 did not provide for certain benefits. However, the Board president directed the benefits clerk to provide the full fringe benefit package to the Interim Superintendent retroactive to his start date of July 1, 2004. Even though this action required an addendum to the contract, it was not discussed at a Board

meeting or approved by the entire Board. When brought to the attention of the Board, it retroactively approved the provision of these fringe benefits for the Interim Superintendent at its June 23, 2005 meeting.

Superintendent Time and Attendance

All employees of a school district, including the superintendent, must account for their time and attendance using official school district records. These records support the appropriateness of the salaries and other amounts paid to employees. While the superintendent and other administrators are not expected to punch a time clock each day, the board needs to develop a process to track and account for attendance and leave use for the superintendent.

The audit determined that Roosevelt does not have a procedure for the approval and tracking of time and attendance for the Superintendent. This condition was evident for both the Interim Superintendent and the previous Superintendent. Accurate tracking of attendance is especially important since the Interim Superintendent's contract provided that he be paid on a per diem basis and he is not entitled to accrue sick or vacation leave.

Some contracts provide that unused sick and vacation leave may be converted to cash. For example, the former Superintendent was paid about \$94,000 for unused sick and vacation leave. In addition, three different documents showed his attendance and use of leave accruals with different ending balances. Based on available documentation, the audit estimated that the final payout for the former Superintendent's unused vacation and sick leave was about \$5,000 more than he was entitled to receive by his contracts.

Segregation of Key Duties

A board has the duty and responsibility to appoint certain key positions including the business official, treasurer, and purchasing agent. These individuals should be qualified for the positions and provide for adequate segregation of duties.

The Office of the State Comptroller's (OSC) *Standards for Internal Control in New York State Government* defines segregation of duties as the division of key tasks and responsibilities among various employees and units of an organization to prevent one individual from controlling all

key aspects of any transaction or event. By separating key tasks and responsibilities, a board can reduce the risk of error, waste, or wrongful acts occurring or going undetected.

The Board appointed the business official as purchasing agent and deputy treasurer. As such, this one individual could approve purchases, approve payments, and sign checks, bypassing supervisory review. For example, the business official signed a cost estimate for geotechnical engineering services, approved the purchase order for \$125,250 for the service, and signed two checks to the vendor for the service. This violation of segregation of duties could lead to the inappropriate use of Roosevelt's funds.

As a result of the Department's concern that the appointment of one individual to these positions did not provide for adequate segregation of duties, the Board appointed a new purchasing agent and did not reappoint the business official as deputy treasurer at the July 7, 2005 reorganization meeting.

Audit Committee

To assist with its fiduciary responsibility and to advise the full board on the fiscal governance of a district, some boards have established an audit committee made up of board members and others with expertise in fiscal affairs. In addition, recent legislation designed to bolster school district accountability requires the creation of audit committees in school districts no later than January 1, 2006.

The Board has not established an audit committee to act on audit recommendations and assist the Board in carrying out its fiscal oversight responsibilities. The Board failed to address many audit recommendations from previous Department and OSC audits and previous independent auditor management letters. In a written response to this finding, the Interim Superintendent indicated an audit committee was currently under consideration by the Board, and would be appointed at the reorganization meeting in July 2005. However, no audit committee was appointed at this meeting.

Recommendations

1. Ensure all official actions of the Board are approved by a majority vote of the entire Board at an official meeting.
2. Develop a process to track and account for attendance and leave use for the Superintendent.
3. Exercise care in making appointments to ensure adequate segregation of duties.
4. Establish an audit committee to assist the Board in carrying out fiscal oversight responsibilities.

Comments of Roosevelt Officials

Roosevelt officials agreed with and implemented recommendations one through four.

Budget Oversight and Administration

A school board has a fiduciary responsibility for the assets, finances, and investments of the district and to exercise due diligence, care, and caution in its dealings. A board must ensure that financial resources are being used efficiently and effectively toward meeting the district's goals, and that its assets are properly safeguarded. Laws and regulations have been enacted to aid the board in this responsibility.

In order for the Board to keep informed of the financial condition of the District, Part 170.2(p) of the Regulations of the Commissioner (Regulations) requires the treasurer to provide a quarterly budget status report (monthly when transfers are made) for all funds. Section 1718 of the Education Law and Part 170.2(k) of the Regulations require a board to ensure that appropriations are available before expenditures or encumbrances are made. In addition, the Regulations allow for the chief school officer to make budget transfers within limits established by the board. Any amount in excess of the limit requires board approval.

Timely budgetary transfers enable districts to prevent overspending appropriations beyond the amount authorized and avoid negative balance accounts. Without this control, districts are at risk of overspending their budgets. OSC has

interpreted this law to apply to specific appropriation lines as opposed to higher levels of appropriations, such as the total budget or functional area. This interpretation is also consistent with Department guidance.

The Board did not routinely receive the required information to effectively monitor the financial condition of Roosevelt or approve budgetary transfers before they were entered into the accounting records. While budget status reports were prepared, they were not provided to the Board. Our review of Roosevelt's budget status reports showed numerous accounts with negative balances resulting from routinely incurring obligations without available funds in specific appropriation lines and not making budget transfers in a timely manner. For example, the budget status report for March 2005 showed 50 negative balance accounts (overspent or over encumbered) totaling more than \$2.4 million, while leaving an available total budget balance of \$255,358. This finding was reported to Roosevelt Officials and improvements were made. The May 2005 budget status report showed Roosevelt had only 7 negative balance accounts totaling \$38,344, while not overspending the total budget.

Recommendations

5. Require the treasurer to provide budget status reports to the Board at least quarterly (and monthly in the event that budget transfers were made since the last report) for each fund including revenue and appropriation accounts.
6. Ensure appropriations are available before encumbrances or payments are made, expenditures are within the revised budgeted amounts, and the necessary transfers are made.
7. Consistent with law, regulations, and Board policy, establish procedures that prohibit incurring an expenditure or issuing a purchase order if it will result in overspending any budget account.
8. Actively monitor the budget by regularly comparing budgeted revenues and expenditures to actual revenues and expenditures to avoid overspending the budget.

9. Ensure budget transfers are approved and made timely during the year to prevent overspending any budget account.

Comments of Roosevelt Officials

Roosevelt officials agreed with recommendations five through nine. The response indicated, however, that the district may not have the capacity to fully implement recommendation six.

Auditor's Note

To date, Roosevelt has not implemented recommendations five through nine. Roosevelt officials indicated they do not have the manpower to implement recommendation six. This recommendation stems from a legal requirement that the board keep obligations within available appropriations and is consistent with OSC guidance. The primary concern is that if individual accounts are not controlled, it is very difficult to keep the total budget in control. Part of the difficulty may be due to inadequate budget preparation.

Review of Roosevelt's budget status report dated March 29, 2006, during our follow-up visit, showed Roosevelt had 111 overspent or over encumbered individual accounts and 18 negative balance functions. This review confirmed that appropriations are not always available before encumbrances or payments are made, expenditures are not within budgeted amounts, and transfers are not made timely.

Roosevelt has numerous options to implement each recommendation fully. Controls built into the accounting system, following purchasing and payment procedures, and regular monitoring of appropriation status reports by the Board and the business official can minimize or eliminate overspending individual budget accounts in all funds.

Policies and Procedures

Sections 1709(2) and 2503(2) of the Education Law require boards of education to establish policies concerning district operations. Policies should be developed for budgeting, purchasing, accounting and auditing, travel, transportation, school lunch, operations and maintenance, OSHA, toxic substances, energy conservation, and disaster preparedness. Written policies and procedures help ensure employees understand their responsibilities, help hold staff accountable, and also aid training during staff turnover. Copies should be distributed to district officials and staff and should be reviewed annually and updated, as necessary, to reflect the intended objectives of the district. The audit identified opportunities for Roosevelt to improve its policies and procedures in certain areas including budgeting, data review, facilities, and purchasing.

Budgeting Policies

Budgeting policies should address budgetary objectives including funding priorities, maintenance of reserves and fund balance, incurrence of short-term and long-term debt, and replacement of fixed assets. Budgeting policies enable a district to comply with laws, regulations, guidelines, and decisions of the board, and should reflect current practices in the field. Formal budgetary objectives inform both administrators and the community about what the Board determines are its most important goals.

While Roosevelt has no formal budgeting policies dealing with budgetary objectives, the Interim Superintendent provided a list of “budget drivers” which are expense categories dominating the District’s budget. He also stated that a policy on budget planning and other budgetary policies are in draft form and will be presented to the Board for approval.

Data Review Procedures

Roosevelt currently has no written procedures in place to document the process for reviewing information to be submitted to the Department. To help ensure the information is reasonable and accurate, written procedures should provide for an independent review of data before submission. The Interim Superintendent indicated that written procedures for this area are being developed.

Facilities Policies and Procedures

Roosevelt does not have operations and maintenance policies with accompanying procedures or a regular maintenance schedule for its major systems, such as heating, ventilation, and air conditioning. These documents are necessary to ensure that staff are aware of the Board's priorities and the responsibilities and expectations of the operations and maintenance program. The Facilities Director indicated that regular maintenance activities were not scheduled, but there were plans to begin these activities in the summer of 2005.

As new buildings and renovations are completed, it is more critical for Roosevelt to have comprehensive operations and maintenance policies and procedures to properly maintain its facilities.

Purchasing Procedures

Roosevelt does not have written procedures for its purchasing and payment process. Procedures should identify the steps in processing a purchase requisition, issuing a purchase order, verifying receipt of goods or services, approving claims for payment, and paying for goods or services in a timely manner. Each step must be documented.

Recommendations

10. Develop formal budgeting policies dealing with budgetary objectives to address such areas as funding priorities, maintenance of reserves and fund balance, incurrence of short-term and long-term debt, and replacement of fixed assets.
11. Develop written procedures to implement an independent review of information prior to submission to the Department.
12. Develop operations and maintenance policies and procedures for facilities to clarify priorities, responsibilities, and expectations.
13. Schedule regular maintenance activities on major systems, such as heating, ventilation, and air-conditioning, as needed.

14. Develop written procedures for the purchasing and payment process.

Comments of Roosevelt Officials

Roosevelt officials agreed with recommendations 10 through 14 and are in the process of implementing these recommendations.

ACCOUNTING AND REPORTING

Districts must have adequate accounting and reporting systems in place to ensure that accurate, timely, and complete financial records are maintained and disclosed in periodic reports to the board, the public, and the State. Roosevelt has many of the necessary accounting and reporting controls. However, Roosevelt can make some improvements related to its financial accounting and reporting, State aid, and grants.

Financial Accounting and Reporting

Part 170.2 of the Regulations requires boards to appoint certain officials including a district treasurer and outlines the responsibilities of the position including reporting to the board. Part 170.3 of the Regulations establishes the requirements for the Extraclassroom Activity (ECA) Funds. The audit found that some of the treasurer's duties and responsibilities were assigned to other individuals, treasurer's cash reports were not complete, and ECA Funds reports were not provided to the Board.

Treasurer's Duties and Responsibilities

Annually, the board appoints a treasurer who reports directly to the board. The treasurer is the chief accounting officer with the duty to maintain detailed accounting records showing the status of each appropriation; maintain bank statements; prepare and present monthly reconciliation reports for each fund with reconciliations to the bank statements; prepare and present budget status reports, at least quarterly, for each fund for revenue and appropriation accounts; prepare, for publication during July or August, the annual financial report; maintain separate bank accounts as required; record budgetary transfers; and maintain a short-term note ledger and a bond register. The treasurer is also responsible for making investments, if authorized by the board, and assisting in the preparation of the annual budget. In addition, the treasurer helps keep the board apprised of the financial condition of the district throughout the year through regular reports. The audit identified some concerns related to the treasurer's responsibilities and reports.

Roosevelt's treasurer did not serve as the chief accounting officer and did not maintain any accounting records. He did not work full-time, was not normally available during regular business hours, was not assigned many of the responsibilities of a treasurer, and did not submit timely reports to the Board. He did not fulfill any responsibilities for the receipt of funds or the investment of monies. His activities were limited to signing available checks, reconciling check warrants to bank statements, and acting as a courier by bringing deposits to the bank. Since he only worked at Roosevelt a few times during a month, cash receipts were not deposited timely. For example, 13 of 18 cash receipts sampled were deposited 3 to 19 days after the date of the receipt.

The very limited hours the treasurer spent in Roosevelt made him unavailable to sign checks most of the time. In a sample of 12 checks written from the Capital Fund, only 1 check was signed by the treasurer. The business official signed the remaining 11. In cases when the treasurer is not available, the Board designated the business official as deputy treasurer and a Board member as assistant deputy treasurer (not a valid position) with check signing authority. As noted previously, the Board did not reappoint the business official as deputy treasurer. Moreover, at the September 22, 2005 Board meeting, a new full-time treasurer was appointed.

Treasurer's Reports

Section 2122(6) of the Education Law requires the district treasurer to report to the board a detailed statement of moneys received and disbursed. Regulations require the treasurer to submit treasurer's reports (all funds' cash positions) and budget status reports to the district's board. Regulations also require the treasurer's report show the cash balance on hand at the beginning of the month, receipts by source, total disbursements during the month, the cash balance on hand at the end of the month, and reconciliation with bank statements.

The bank reconciliation establishes the district's actual cash balance as of a given date, identifies any bank statement or district errors, and any adjustments needed to be made by a district in its accounting records, such as interest earned, old checks, bank charges, etc. Monthly reconciliations of the

bank accounts on a timely basis by someone independent of the handling or recording of cash receipts and disbursements are also an essential control over cash.

The treasurer did not submit complete and accurate treasurer's reports to the Board. In addition, Roosevelt was not able to provide the audit with all the treasurer's reports in a timely manner and in fact, did not have reports for July 2003, January 2004, and December 2004. Further, the treasurer's report did not follow the form prescribed by the Regulations. Without such complete and accurate reports, the Board cannot meet its oversight responsibilities.

The audit also determined the treasurer did not fully reconcile the bank accounts to the accounting records (general ledger). Rather, the bank statements were only reconciled to the check warrants. The treasurer stated that Roosevelt's accountant or business official further reconciles bank balances to the accounting records. In addition to the lack of assurance that cash balances are accurate, control is compromised when the accountant completes the bank reconciliation and also maintains the accounting records. This condition has been previously reported by the Department and by Roosevelt's independent auditor for at least the last three years, and is yet to be addressed.

Checks over a year old (stale checks) were also not addressed in bank reconciliations. Some items have been listed for more than a year with no action taken to investigate their validity.

The audit was unable to verify the accuracy of the amounts in the cash reports because:

- Supporting documentation was not maintained to show that bank balances reconciled to the accounting records (trial balance or general ledger);
- Bank statements were not always attached to the reconciliation for verification of the balances;
- Outstanding checks lists were not provided for all accounts and all months;
- Treasurer's cash reports refer to bank accounts using account names or numbers that do not match any of the account numbers used in Roosevelt's accounting records; and
- Not all bank accounts were reconciled every month.

Extraclassroom Activity Funds Report

An ECA Fund is used to account for the monies received from the conduct, operation, or maintenance of any extracurricular student activity. Part 172 of the Regulations requires boards to establish policies and to appoint a central treasurer for the ECA Funds. The central treasurer is required to maintain a record of receipts and expenditures of the fund, and to submit that record to the board on at least a quarterly basis.

The central treasurer of the ECA Funds does not reconcile the account balances or submit any reports to the Board to help meet its oversight responsibilities. Without accurate and timely reports, the Board cannot make informed decisions.

Recommendations

15. Establish a full-time treasurer's position and re-align the duties and responsibilities to the position.
16. Require the treasurer to submit monthly Treasurer's Reports in the format prescribed by the Regulations for all accounts and for all funds.
17. Require the treasurer to keep a file of all reports submitted to the Board and make it available for review.
18. Require accurate and complete bank reconciliations, which must include a full reconciliation to the general ledger.
19. Institute a process to address stale checks.
20. Ensure timely deposit of cash receipts.
21. Require the central treasurer of the ECA Funds to properly reconcile the account and to submit the required reports to the Board.

Comments of Roosevelt Officials

Roosevelt officials agreed with and implemented recommendations 15 through 20. They agreed with recommendation 21 and will implement it as soon as practicable.

State Aid and Grants

Districts are entitled to a variety of State aids, which are a major source of funding for public education for most districts. Each of the aids requires the submission of certain forms by a due date. In addition, some State and federal grants are allocated to all districts that meet certain criteria and make their applications within certain timeframes. Other grants are competitive and awarded based on the evaluation of criteria submitted with the application.

The audit determined Roosevelt did not submit required forms in a timely manner resulting in delayed building aid payments for 3 projects. Roosevelt also did not comply with certain requirements related to Individuals with Disabilities Education Act (IDEA) funds.

Building Aid

Building aid is paid to school districts for eligible expenses incurred in the purchase, construction, alteration, and lease of school buildings. To claim the aid, school districts must submit various forms and documents to the Department for approval at different times, from the initiation of the project through its completion. If the required documents are not received in a timely manner, aid may be lost or delayed. The form SA-139, Request for Building Project Data, should be filed as soon as a project's general construction contract is signed. No aid payments can be calculated or generated without the financing and cost information on this form.

Roosevelt has three building projects where aid will be delayed because of its failure to file the required SA-139 reports in a timely manner. The following chart shows the projects' significant dates and delays:

Project Name	Project Number	Date Contract Signed	Date SA-139 submitted	School year aid would have been received if submitted on time	Aid Amount Delayed	School Year First Aid Payment will be received
Districtwide: Summer Work	7999-003	8/11/02	1/4/05	2003-04 2004-05	\$ 26,399 \$ 52,798	2005-06
WR: Asbestos Floor Tile Abatement	0006-011	8/6/02	2/15/05	2003-04 2004-05 2005-06	\$ 7,035 \$ 14,069 \$ 14,069	2006-07
Jr/Sr HS: Window Repairs and Elevator Work	0005-010	12/11/03	2/15/05	2004-05 2005-06	\$ 2,663 \$ 5,326	2006-07

The SA-139s for all three projects were submitted to the Department at the urging of the Department's Facilities Planning Office staff. Nevertheless, Roosevelt needs to develop a system to ensure it files the required reports timely to obtain its aid at the earliest possible date.

IDEA Grant

IDEA provides billions of dollars in federal funding to assist states and local communities in providing educational opportunities for students with disabilities participating in approved special education programs (ASEPs). Roosevelt received \$634,000 in 2003-04 and \$711,000 in 2004-05 in IDEA funds. Generally, use of these funds must comply with the provisions of IDEA and claims are limited to allowable costs only.

Chapter 6 of the New York Laws of 2000, as amended by Chapter 254, requires school districts to distribute IDEA funds in a timely manner to ASEPs that are providing services to students from the districts. This requirement is reiterated in the contract Roosevelt has with its ASEPs. The audit determined Roosevelt could make improvements in distributing payments, monitoring ASEPs, and claiming only allowable costs.

Payment Distribution

Districts are required to distribute funds to the ASEPs within 30 days of receipt of the funds from the Department.

Roosevelt did not comply with this requirement to distribute funds within 30 days of receipt. The first IDEA grant payment to Roosevelt for school year 2003-04 was made on November 16, 2003. However, Roosevelt did not make its payments to the ASEPs until July 28, 2004.

ASEP Monitoring

Roosevelt did not monitor the ASEPs' use of funds to ensure compliance with IDEA provisions. Generally, each ASEP submits two reports to Roosevelt: one indicating the names and count of students attending the ASEP and the second showing how the ASEPs spent their IDEA funds (expenditure report). Roosevelt reviews the student count to ensure there is no duplication of students' names, but only does a cursory review of the expenditure report. Consequently, Roosevelt cannot be assured that ASEPs used their funds appropriately in accordance with the provisions of IDEA. The audit also noted that Roosevelt does not provide any training on the appropriateness of expenditures or use of the grant funds.

Unallowable Costs

Fiscal Guidelines for Federal and State Aided Grants defines allowable costs as necessary and reasonable for proper and efficient operation of the program. The audit found Roosevelt charged inappropriate expenditures to its IDEA grant. For example, a \$200 payment for admission to a circus and \$241 for related transportation were charged to the IDEA grant during 2003-04. These costs are unallowable since they are not related to the education program.

Recommendations

22. Ensure all required reports are submitted to the Department within the required time frame to avoid loss or delay of Building Aid.
23. Distribute IDEA funds to ASEPs within 30 days of receipt of its allocation from the Department.
24. Monitor the ASEPs' use of funds to ensure compliance with IDEA and Education Laws, and guidelines.

25. Ensure expenditures of IDEA funds are used only for necessary and reasonable expenses of the program.

Comments of Roosevelt Officials

Roosevelt officials agreed with and implemented recommendations 22 through 25.

Auditor's Note

While the Board concurs with recommendation 22, Roosevelt was unable to submit its audited financial statements to the Department by the due date of October 30, 2005. The late submission resulted in a stop payment of all State aid to Roosevelt until the statements were received on February 28, 2006.

REVENUE AND CASH MANAGEMENT

Districts collect and invest millions of dollars in revenue each year. Districts must have adequate controls in place to ensure funds are collected and deposited, accounted for accurately, and safeguarded. Roosevelt generally complied with revenue and cash management requirements. However, it could improve controls over its bank accounts, preparing cash flow projections, tracking and collecting accounts receivable, and safeguarding its financial stationery.

Bank Accounts

Unapproved Bank Accounts

Part 170.2(c) of the Regulations states that a board of education shall have the power and duty to designate one or more banks for the deposit of all district monies. This helps ensure only authorized bank accounts are used. However, the Board has not authorized all banks and bank accounts currently being used by Roosevelt. At the July 1, 2004 reorganization meeting, the Board authorized 5 banks to be the depository of 16 various types of accounts. Although Roosevelt is using five banks, they are not the same five banks authorized by the Board.

Excessive Number of Accounts

OSC's *Financial Management Guide for Local Governments* (Guide) recommends that a minimum number of bank accounts should be maintained consistent with legal and accounting requirements. Numerous bank accounts complicate effective cash management. Minimizing the number of bank accounts aids in ascertaining cash balances for operating and investing, and promotes efficiency in maintaining and tracking the accounts.

Roosevelt has maintained an excessive number of accounts. For example, Roosevelt had at least 18 open bank accounts since July 2003. Many of the accounts have no activity or minimal balances and should be closed. For example, one account had no activity and had a \$1.86 balance since January 2005.

Cash Flow Projections

Cash flow projections facilitate prudent and effective investment of funds and borrowing. Districts should prepare cash flow projections and update them as necessary to anticipate “cash flow” for the fiscal year to determine if they can meet their cash needs during the year. The development of a cash management program is predicated on accumulation of timely and accurate information.

A cash flow projection should start in July with the beginning total cash position of the district. To the beginning balance, the estimated monthly expenditures and revenues should be subtracted or added to arrive at an estimated cash position each month. Estimates should be based on historical data and adjusted each month using actual results.

Roosevelt did not maintain updated cash flow projections. On numerous occasions, the audit requested a cash flow statement from the treasurer; however, none was provided until several months after the request. The Interim Superintendent indicated cash flow statements will be prepared and the Board will receive reports quarterly.

Accounts Receivable

Good business practice requires that districts establish policies and procedures to pursue overdue accounts receivable. The process should include sending out monthly billings indicating the amount owed and the last payment amount, using an accounts receivable aging report to identify the degree of lateness of debtors, and following up with debtors who are significantly late with their payments.

Roosevelt does not have an accounts receivable process that addresses timely billings, overdue notices, accounts receivable aging reports, follow-up with delinquent debtors, or supervisory review of billings and reconciliation to the general ledger. This process is especially important given the amount of Roosevelt’s accounts receivable. After repeated requests, the auditors were provided with an accounts receivable aging schedule showing an outstanding balance of \$1.2 million as of June 30, 2005, consisting primarily of billings to the New York City Department of Education (DOE).

In his response to these findings, the Interim Superintendent indicated that billings to the DOE are prepared at the end of each school year and payment is received within two weeks. However, documents provided show that billings to the DOE are sent out a year or more after the end of the school year in which the service was provided. In addition, some payments were received a year after the invoice date or two years after service was provided. No evidence of follow-up was found for the current outstanding accounts receivable balance.

Control of Financial Stationery

Check stock (inventory of blank checks) should be available only to authorized individuals and should be kept in a safe place, such as a locked vault. Roosevelt's check stock is stored in an unsecured area, increasing the risk of loss or misuse of funds.

Recommendations

26. Use only banks and bank accounts authorized by the Board.
27. Limit authorized bank accounts to the minimum number needed to conduct business. Close any unapproved bank accounts or accounts that have no activity.
28. Require the treasurer or other responsible official to prepare a cash flow projection at the beginning of the year and update it monthly.
29. Institute an accounts receivable process that includes monthly billings, overdue notices, review of accounts receivable aging reports, and documented follow-up with delinquent debtors.
30. Institute supervisory review of billings and reconcile to the general ledger amount.
31. Provide secure storage for check stock and financial stationery.

Comments of Roosevelt Officials

Roosevelt officials agreed with recommendations 26 through 31.

Auditor's Note

Roosevelt has partially implemented recommendations 26 and 27 by identifying certain accounts to be closed, but has not yet closed them. Recommendation 29 is also partially implemented since billings are processed regularly, but follow-up procedures have not been established. Roosevelt's response indicates recommendations 28 and 30 will be implemented.

PURCHASING AND EXPENDITURES

Districts expend a major portion of their budget on salaries and fringe benefits. Districts need to ensure they hire qualified personnel and only pay authorized amounts for salaries and fringe benefits. In addition, districts purchase products and services each year. State law and board policy regulate these purchases. Roosevelt should ensure that purchases are made in compliance with the law and its policy, and result in securing goods and services in the right quantity, at the right time, and for the right price. Roosevelt has opportunities for improving controls in the areas of compliance with the Roosevelt Legislation, purchasing procedures and payment practices, and payroll and personnel.

Non-Compliance with the Roosevelt Legislation

Section 4(4) of the Roosevelt Legislation requires that Roosevelt submit all contracts and other obligations with a projected cost of \$25,000 or more to the Department for approval prior to entering into the contract or incurring the obligation.

Roosevelt has not complied with this requirement and has not submitted any contracts or obligations to the Department for prior approval for at least the last two years. Rather, Roosevelt submits copies of the check warrants, showing the check number, date, vendor name, purchase order number, and amount paid after the transactions are completed and payments are made. In effect, Roosevelt is bypassing the Department's approval process, and is entering into contracts and obligations without proper authority.

Recommendation

32. Comply with the Roosevelt Legislation, by submitting to the Department for approval, any contracts and other obligations having a projected cost of \$25,000 or more prior to entering into the contract or incurring the obligation.

Comments of District Officials

Roosevelt officials agreed with recommendation 32.

Auditor's Note

This recommendation has not been implemented. Department Officials have requested detailed documentation for several obligations greater than \$25,000, but have not received documentation to allow for prior approval. Roosevelt must take a proactive position to implement this recommendation in compliance with the Roosevelt Legislation. Controls over purchasing can identify potential contracts or other obligations that must be approved by the Department prior to entering into the contract or incurring the obligation.

Purchasing Procedures and Payment Practices

School districts should ensure that all disbursements are for district-related business and provide a benefit or add value to the district and its students. The board should issue policies and procedures for purchasing and payments including reimbursement of expenses incurred by board members and employees in their official capacity. The policies and procedures should identify types of expenses which will be reimbursed, the documentation necessary to support the reimbursement, and any reasonable dollar or time limits which the board may wish to set. The guiding principles should be that all expenses are reasonable, necessary, directly related to district operations, and adequately documented. Roosevelt needs to improve controls over expenditures related to these principles and certain procedural issues.

Reasonableness, Necessity, and Appropriateness of Certain Expenditures

The audit reviewed a sample of 24 General Fund payments totaling \$112,265 and 25 Capital Fund payments totaling \$2,877,561. Based on the sample, the audit determined Roosevelt incurred certain expenses which are unreasonable, unnecessary, and inappropriate, in the following areas: a vehicle purchase, travel and conference expenses, personal expenses, and certain equipment purchases.

Vehicle Purchase

Roosevelt purchased a vehicle for the business official's use for construction projects and paid for it from the proceeds of the bonds in the Capital Fund. Although travel expenditures are a legitimate incidental cost of construction projects, the purchase of a vehicle was not approved by the voters and should not have been purchased with funds from the Capital Fund. The audit also noted that the vehicle was used for personal purposes such as commuting between home and Roosevelt. As a result of the audit, Roosevelt transferred the cost of the vehicle to the General Fund even though the cost of the vehicle was not budgeted.

Travel and Conference Expenses

The former Superintendent attended a staff development conference in South Africa at a cost of \$2,500. The sponsoring organization's website advertised the trip as

“designed to provide meaningful professional development for the participants and to explore a country with a commitment to education for all its citizens to ensure economic and personal growth for all.” The audit questions whether the resources used to pay for the professional conference could have been used more effectively by providing direct services to students.

On September 23, 2004, the Board approved the Interim Superintendent’s January 2005 5-day conference in Argentina and an 8-day cruise to Antarctica for professional development at a cost of \$6,010. The Interim Superintendent received the invitation from the sponsoring organization in May 2004, about two months prior to his employment in Roosevelt. According to documentation provided, the purpose of the trip was “to study the culture and education in Argentina and the geology and biodiversity of the Antarctica and Sub-Antarctica Islands...we will interact with civic, educational, and cultural leaders, and discuss current economic issues impacting learning in South America and the ecology of the Antarctica.” The Interim Superintendent said he eventually cancelled the trip “in light of the potential for opposition within the community.” On March 25, 2005, the business office requested a refund from the sponsoring organization. The Interim Superintendent indicated in writing “efforts to seek a refund have been rejected.”

The audit questions the reasonableness and necessity of such a trip and the late cancellation that cost Roosevelt more than \$6,000.

Personal Expenses

Districts should ensure that claims for payment are in fact district-related, authorized, and incurred in the performance of duties and responsibilities of its officials. All claims should be supported by detailed documentation.

The business official used Roosevelt’s credit card for personal expenses on at least 5 occasions and reimbursed Roosevelt for those purchases totaling \$1,744. He did not provide explanations or receipts to indicate which charges were personal and which were district-related expenses. He was unable to explain a weekend car rental or an airline ticket transaction involving at least one staff member paying the business official for part of the fare. In addition,

documents show it took 126 days for the Business Official to reimburse the District. Roosevelt has been cited in a prior Department Audit Report for inappropriate, personal, or questionable purchases made with Roosevelt's credit card.

Another employee used Roosevelt's postage account for personal use. Records show that the employee has reimbursed Roosevelt for these charges.

Roosevelt's Claims Auditor approved payment of \$150 for funeral flowers for the parent of a long-time employee. This occurred despite the Claims Auditor's note to the business official saying that this was not a Roosevelt expense.

Roosevelt also paid for graduation flowers at a cost of \$413. State Comptroller's Opinion No. 579 provides guidance on use of school district funds for certain expenditures and states that school district funds may not be used for graduation pins or flowers for each student. Since Roosevelt's purchase was mainly for corsages and boutonnieres for students, the District should not have paid for it. Moreover, the payment was made for more than the approved purchase order of \$300 without explanation.

Equipment Purchases

The Interim Superintendent requested, and Roosevelt purchased, an Apple iPod (primarily a music listening device) from a State contract at a cost of \$395. According to the Interim Superintendent, this equipment was being used as a tape recording device. The audit questioned the need to purchase such an item despite the availability of more reasonably priced alternatives.

The Interim Superintendent also requested an Apple Notebook for his use. Roosevelt purchased the item in September 2004 costing \$2,887. The Interim Superintendent was hired on a per diem basis on July 2, 2004 and was not expected to stay in Roosevelt past December 2004. While the need for a laptop computer is not questioned, we question the purchase for an Interim Superintendent who was only expected to be in the District for six months or less and the purchase of an operating system that is not the standard for Roosevelt.

The examples of unreasonable, unnecessary, and inappropriate expenses incurred or approved by Roosevelt's senior managers do not establish the proper tone at the top. Senior managers need to clearly set the tone for ethical behavior in Roosevelt.

Inadequate Documentation

School districts are responsible for protecting their limited resources and must ensure that payments are for valid and legal purposes; obligations are incurred by authorized officials; goods are actually received or services rendered; obligations do not exceed appropriations; and claims are in proper form, mathematically correct, meet legal requirements, do not include sales tax, include applicable discounts, and are in agreement with the purchase order. To determine if these requirements are met, school districts should maintain complete and accurate documentation to support all payments. Roosevelt has opportunities to improve documentation for purchase orders and credit card use.

Purchase Orders

As a general rule, documentation for a claim for payment should contain sufficient detail to permit a satisfactory audit by a person who is entirely unfamiliar with the transaction. During the audit of claims, the amount of payment should generally match the amount encumbered in the purchase order. The audit found a purchase order that was issued for \$131,500 and had two checks written against it that totaled \$104,334 more than the original purchase order amount. Documentation was not available to show the reason for the increased costs or approval of the increase. Roosevelt Officials said the vendor being paid was replacing another vendor and the project required additional work, justifying the increase in cost. However, Roosevelt did not document the increased scope of the work or the approval by an authorized individual (the architect, for example) for the payment. As such, Roosevelt cannot be assured the payments are appropriate and the significant increase could have put Roosevelt at risk of overspending its construction project's budget.

Credit Card Use

Roosevelt has one credit card kept in the possession of the business official. Expenses charged to the credit card are

paid based only on the credit card statement. Original receipts are not provided to document the expenses. Without actual receipts, there is less assurance that expenditures are necessary, appropriate, accurate, and directly related to Roosevelt. In addition, the purchasing process is circumvented when credit cards are used. Therefore, care must be taken to ensure that purchases are adequately documented, justified, and authorized.

Our sample tested charges on two months of credit card statements amounting to \$997, which included expenses for two car rentals, three airline tickets, and several meals. No explanations or documentation showed the destination or purpose of the air travel, the circumstances surrounding one weekend car rental, or who the meals were for. Roosevelt has been cited in a March 2001 Department Audit Report for reimbursing travel and conference expenses based on credit card statements rather than actual detailed receipts.

Procedural Issues

Unencumbered Expenditures in the Capital Fund

The purchase order system should be used to effectively control expenditures. As purchase orders are issued, the budget or the appropriated amount is encumbered. This limits the total expenditure to the amount of the appropriation, ensuring that the budget is not exceeded.

Documentation showed Roosevelt did not encumber contracts or use the purchase order system for most of the Capital Fund purchases. For example, in 2003-04, Roosevelt made a partial payment of \$50,039 on a contract that was not encumbered. Without encumbrances, Roosevelt is at risk of creating liabilities in excess of the budgeted amounts.

Use of Confirming Purchase Orders

Confirming purchase orders are generally used for emergency situations and result when purchase orders are prepared and approved after the goods or services have been ordered or received. The use of confirming purchase orders circumvents the purchasing process. As such, their use should be limited to emergencies only.

In a February 1996 Department Audit Report, Roosevelt was instructed to develop a “definition of an emergency and procedures for making emergency purchases, including

limitations on the use of confirming purchase orders and a requirement that the purchasing agent approve all emergency purchases.” However, Roosevelt has not yet limited its use of confirming purchase orders to emergency purchases. For example, the audit found 4 of the 24 General Fund payments sampled were confirming purchase orders. Since these payments were not for emergencies, each of these purchases should have been encumbered before the service was rendered or a check was issued. By not encumbering the funds prior to payment, Roosevelt bypassed the purchasing process, which can lead to the over expenditure of appropriations, or the commitment for purchases that are not reasonable and necessary.

Late Payments From the Capital Fund

It is good business practice to pay bills on time to maintain good credit standing and to avoid unnecessary finance charges and late payment fees. The 2003-04 sample disclosed late payments made from 35 to 835 days after the date the invoice was received. Similarly, the 2004-05 sample showed late payments made between 39 to 552 days. While Roosevelt did not incur finance charges or late fees, late payments may have an effect on Roosevelt’s ability to contract with vendors in the future.

Roosevelt officials state “the time of payment for invoices is impacted by the protocol that has been established.” Roosevelt’s payment protocol requires the approval of the architect, the construction manager, and the Claims Auditor before a check is prepared and signed by the business official. The protocol was only established in the 2004-05 school year; however, no evidence was found that Roosevelt followed the protocol, that necessary approvals were obtained, or that the late payments were justified.

Bidding Practices

Section 103.1 of the General Municipal Law (GML) states “all purchase contracts involving an expenditure of more than \$10,000 shall be awarded ...to the lowest responsible bidder...” According to the Guide, competitive bidding is not required in the case of a sole source vendor. Section 104-b(d) of GML requires adequate documentation of actions taken in connection with the bidding process.

Roosevelt made three payments to vendors for items that should have been, but were not bid or adequately

documented. For example, a purchase of office furniture for \$22,800 was made without competitive bidding. Roosevelt officials said they used a DOE contract. Procurement staff at the DOE stated there are no established procedures for a school district outside of the DOE to use its contract. Roosevelt officials later said the vendor is a sole source and provided a letter from the vendor stating the same. However, we subsequently determined the vendor was not a sole source for these products. As such, Roosevelt should have bid the items.

An August 4, 2004 Board resolution shows the Board awarded a contract to the lowest bidder with school experience for security services for \$37,394. However, Roosevelt has not been able to provide bid documents.

Roosevelt also made a purchase using a Nassau BOCES contract; however, only districts participating in the cooperative bid are authorized to make purchases on successful BOCES bids. A BOCES official confirmed Roosevelt did not participate in the cooperative bid for that year. As such, Roosevelt should not have used the BOCES contract.

Recommendations

33. Ensure that use of capital funds is consistent with the purpose of the bond and the voters' approval.
34. Maximize State aid by ensuring that future charges to the capital fund are aidable.
35. Maximize staff development dollars with cost effective professional development.
36. Strengthen Board policy regarding credit card use and documentation including restricting credit card use to actual and necessary district-related expenditures.
37. Require the Claims Auditor to exercise his authority to reject claims if they are not valid district-related expenses.
38. Ensure equipment purchases are reasonable, necessary, cost effective, and compatible with Roosevelt's current equipment.

39. Require documentation and approval to support significant increases in the cost of goods or services over the amount of the purchase order.
40. Adopt detailed procedures for approval of credit card purchases and require the Claims Auditor to reject the credit card statement as a basis for payment. Require the submission of original receipts including documentation and justification for all purchases. Documentation should include the purpose of meetings and meals, and a list of attendees.
41. Use the purchase order system to ensure Capital Fund appropriations are not exceeded.
42. Develop procedures for the use of confirming purchase orders including a limitation on their use and a requirement that the Purchasing Agent approve all emergency purchases.
43. Ensure timely payments of invoices.
44. Require the payment protocol established for the capital project payments be followed by all parties involved in the approval process.
45. Comply with the law related to competitive bidding and document the reasons certain purchases are not bid as required by law and Board policy.
46. Implement procedures to ensure that bidding requirements are met for all purchases requiring bidding and that adequate bid documentation is maintained.
47. Ensure compliance with the requirement to participate in a BOCES cooperative bid before using a BOCES contract.

Comments of Roosevelt Officials

Roosevelt officials agreed with recommendations 33 through 47.

Auditor's Note

Roosevelt has not fully implemented six of these recommendations. For example, recommendations 36, 37 and 40, even though the Board established a credit card policy, detailed procedures were not included and credit card payments remain undocumented and paid based on credit card statements. Recommendation 41 is not yet implemented since certain Capital Fund accounts are overspent. Recommendation 44 is not fully implemented since certain payments made from the Capital Fund should not have been approved. Recommendation 46 has not been implemented since we could not confirm that adequate bid documentation was maintained because it was not kept in the business office.

Payroll and Personnel

Salaries and fringe benefits make up two of the largest expense categories of a district's budget. As such, the payroll function should be clearly defined through policies and procedures and should be closely supervised. The personnel function should provide assurance that a district is hiring and retaining the most qualified individuals. The payroll function should ensure that employees are being paid accurately based on time worked and according to contract. Roosevelt generally implemented the necessary controls for payroll and personnel, but it could make some improvements by monitoring the system for tracking attendance and leave accruals, formalizing the process for hiring new staff, and ensuring that the necessary steps leading to hiring are taken and documented.

Time and Attendance Tracking

Any factors affecting salaries and benefits, such as time and attendance, should be carefully tracked and monitored through an established procedure or system to account for its reporting, use, and accrual. Although Roosevelt has a system for tracking personnel data, it is not being used to its full capacity nor is the system or its output being monitored.

A report of the earned and used accruals for each employee, generated by the time and attendance tracking system, showed erroneous information. As an example, the system showed that the Interim Superintendent had accumulated 14

days of sick leave as of July 1, 2003 when he only began working in Roosevelt on July 1, 2004 and his current contract does not provide for sick leave. This system, if properly maintained and monitored, could help Roosevelt track leave accruals for all employees.

Hiring Procedures

Good business practice requires that districts have written procedures describing the employment process to ensure consistent and thorough review of the candidates' credentials and adequate documentation to support the hiring.

Although there is a standard procedure being followed for hiring, Roosevelt has no formal written procedures to help ensure continuity of the process during periods of staff turnover or to maintain the integrity of the hiring process. Subsequent to our review, Roosevelt developed a brief, bulleted list of hiring procedures.

Employee Documentation

To ensure a thorough evaluation of the qualifications of prospective employees and ensure the district is hiring the most qualified individuals, districts should document procedures to verify credentials, conduct reference checks, and comply with fingerprinting requirements. A separate personnel file should be maintained for each employee including such items as the method of selection, the authorization to hire, employee evaluation forms, termination or retirement notices, and emergency medical records. Written authorization for hiring, including the approved salary, ensures additions to payroll are based on the decisions of management. In addition, written authorizations should be obtained and maintained before changes in salary, deductions, etc. are made.

A sample of 22 employee files was reviewed for appropriateness of tenure, evidence of credential verification, reference checks, authorization for salary deductions and changes in salary, timeliness of evaluations, and compliance with the requirement for fingerprinting and background checks. The following exceptions were noted:

- 14 of 22 files did not contain evidence of reference checks; and

- 14 of 22 files did not contain written authorization for salary changes (Employee Change of Status Report).

Without evidence of reference checks, there is no assurance that references were checked and the individual hired was the most qualified. Similarly, there is no assurance that employees' salary changes were accurate and authorized.

Recommendations

48. Use the existing time and attendance tracking system to its full capacity by establishing formal procedures for its use, including the necessary steps to review, monitor, and correct attendance and leave accruals recorded for all employees.
49. Develop written hiring procedures, which include identifying the individual responsible for each step.
50. Ensure that documentation of the hiring process and salary changes is maintained in individual employee files.

Comments of Roosevelt Officials

Roosevelt officials agreed with recommendations 48 through 50 and have established formal procedures for its time and attendance tracking system and its hiring practices. Roosevelt is working on implementation of recommendation 50.

FACILITIES AND EQUIPMENT

School districts must provide adequate facilities and equipment for educating their students. In addition, school districts must adhere to requirements related to facilities maintenance and construction, and file the necessary reports. Districts are required to submit various reports to the Department as part of the process to help ensure a safe and healthy environment for the students and employees of the district. The completion and submission of these reports is required and essential. Roosevelt adopted many of the necessary controls and has instituted the required safety drills, but needs to ensure that its facilities meet established safety standards.

Roosevelt has been deficient in submitting various facilities reports to the Department. The Annual Visual Inspection report has not been submitted for school years 2001-02, 2002-03, and 2004-05 for each building. The Asbestos Hazard Emergency Response Act triennial report for 2004 has not been submitted. In addition, although Roosevelt has current Annual Certificates of Occupancy, in 2003-04, most certificates had expired for about four months before Roosevelt obtained new ones. In 2004-05, some facilities' certificates expired for only a week, except for Washington-Rose, which expired for a month, before new certificates were obtained.

Failure to submit required reports and failure to maintain current certificates of occupancy could potentially have a negative impact on the health and well-being of Roosevelt's students.

Recommendations

51. Complete and submit all required facilities reports to the Department timely.
52. Maintain current certificates of occupancy for each school building.

Comments of Roosevelt Officials

Roosevelt officials agreed with recommendations 51 and 52 and have implemented both.

STUDENT SERVICES

School districts provide various services for their students including student transportation, food service, and textbooks. Roosevelt generally complied with laws, regulations, and good business practices related to these services. However, Roosevelt could make some improvements related to its food service and textbooks.

Food Service

Schools participating in the federally assisted National School Lunch Program, School Breakfast Program, or Special Free Milk Program can provide nutritious meals for free or at reduced prices to eligible children. Eligibility is based on an application submitted by the parents or guardian of the students. Information in the application, such as income level, can qualify a student for free or reduced-price meals. Families who receive food stamps or Temporary Assistance to Needy Families receive a direct certification letter from the Office of Temporary and Disability Assistance which automatically qualifies the child for free meals. In order to be reimbursed for certain meals, districts must claim reimbursement based on the number of meals served to eligible children and submit the information to the Department on the required form.

Roosevelt's School Lunch Fund ended the 2003-04 school year with a deficit of \$302,200. To help address the deficit, Roosevelt should make improvements in the eligibility determination process, in accurately recording sales, and in documenting costs and monitoring the food service operation.

Eligibility Determination for Free and Reduced-Price Meals

To maximize reimbursement aid, districts need to report all students eligible for free and reduced-priced meals. To do this, districts need to have procedures in place to ensure that parents complete and submit the applications and that follow-up is done on any unsubmitted applications. Roosevelt's independent auditor cited the loss of aid as the reason for the deficit in the School Lunch Fund. Since parents did not complete and submit applications for free or

reduced-price meals, Roosevelt was unable to claim aid for those meals, even though they were provided free of charge.

Nevertheless, Roosevelt needs to work with the parents to obtain the application and ensure that parents are aware of their responsibility to complete an application and submit it on behalf of their child, or send the child to school with lunch or money to purchase lunch.

While Roosevelt cannot claim reimbursement for free meals to students who have not qualified through the application or direct certification process, it can use its administrative prerogative to complete an application for a child if the family's income is eligible and if Roosevelt can document repeated attempts to obtain the application from the family have been unsuccessful. Roosevelt must consider this option. However, it must be used judiciously and should be used on an individual basis, not to provide eligibility determinations for large numbers of students.

Finally, if Roosevelt opts to feed its children without complete applications at no charge, these meals must be claimed in the paid category on the reimbursement form.

Unrecorded Sales

In order to report accurate revenue, districts need to properly record meal sales. One of the simplest ways to do this is through the use of a cash register. The independent auditor's management letters for 2001-02 and 2002-03 commented on the lack of operable cash registers in the cafeteria and the cashiers not knowing how to use them. During fieldwork, we observed that cashiers did not use a cash register to record sales to adults. As such, adequate accountability over cash receipts has not been established. Roosevelt needs to ensure that all food service revenue is accounted for. Staff from the Department's Child Nutrition Program Administration Office (CN) also expressed similar concerns after reviewing Roosevelt's Summer Food Service Program.

Documentation and Monitoring

A 2004 review of the Federal Summer Food Service Program by the CN resulted in the Department recouping about \$7,000 in aid because of undocumented administrative costs. The CN also commented that

Roosevelt relies heavily on its Food Service Management Company for supervising the school lunch operation while providing minimal oversight for the program. For example, the majority of the correspondence with the CN is done by the Director of the Food Service Management Company instead of a Roosevelt administrator or employee. Roosevelt needs to take a more active role to ensure adequate oversight of the food service program.

Recommendations

53. Actively pursue school lunch applications and direct certification letters for students eligible for the free and reduced-price meal programs.
54. Establish a Board policy and procedures for providing meals to students who do not have a lunch or lunch money, and inform parents of the policy to provide a clear understanding of what will happen in these circumstances.
55. Account for all food service revenue using working cash registers to record each sale.
56. Document all food service program and administrative costs.
57. Increase Roosevelt's monitoring of the School Lunch program to ensure all aspects of the program receive appropriate oversight.

Comments of Roosevelt Officials

Roosevelt officials agreed with recommendations 53 through 57.

Auditor's Note

Roosevelt has implemented recommendations 53, 56 and 57. However, they have not yet implemented recommendations 54 and 55. The Board indicated it would prepare policies and procedures for providing meals to students who do not have lunch or lunch money. In addition, there is inadequate oversight, by Roosevelt staff, that all revenue is properly accounted for.

Textbooks

Section 701 of the Education Law and Section 21.2 of the Regulations require all boards of education to purchase and loan textbooks on an equitable basis to all children residing in the district. Textbook requests should be compared to a textbook inventory to first determine a district's textbook needs. The law specifies a five-year period for retention of a textbook but gives boards authority to override this requirement with a three-fourths vote.

Roosevelt does not maintain a textbook inventory or review the condition of textbooks on a regular basis. Roosevelt also does not have a textbook replacement plan to ensure textbooks are current and available when needed. As a result, there is a concern that the number of textbooks and workbooks is inadequate or that textbooks are obsolete. This is of particular concern given Roosevelt's poor student performance.

The audit noted Roosevelt did not spend its entire textbook budget of \$428,366 for 2004-05. Rather, purchases and encumbrances through May 31 totaled \$250,805, or only 59.5 percent of the original budget. It is not clear if the account was over budgeted or if Roosevelt determined no additional textbooks were needed.

Recommendations

58. Maintain an inventory record for textbooks indicating the subject, title, publisher, age, condition, and location.
59. Conduct a periodic inventory of textbooks to verify the accuracy of the information on the record.
60. Establish a textbook replacement plan to ensure textbooks remain current and available for all Roosevelt students.

Comments of Roosevelt Officials

Roosevelt officials agreed with recommendations 58 through 60 and indicate they have implemented each.

Auditor's Note

Roosevelt has not implemented these recommendations. For example, Roosevelt has not provided evidence that an inventory has been conducted prior to requests for textbook purchases or that Roosevelt has a four-year inventory replacement plan.

STUDENT RELATED DATA

Reliability of Student Performance Data

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

Roosevelt found problems and inaccuracies in its data reporting system. As they were brought to light, Roosevelt began to implement changes in the system and in its organizational structure. However, Roosevelt still faces many challenges in improving the reliability of the data reported to the Department.

In the past, Roosevelt did not accurately account for, track, and report student transfers, dropouts, and cohort counts resulting in inaccurate and missing data. Currently, Roosevelt, along with a consultant, is in the process of streamlining its procedures and reorganizing departments to improve student data reporting. Roosevelt is also in the process of converting its student information system to new software. The elementary schools have already been converted while the Middle and High Schools were expected to be converted by the beginning of the 2005-06 school year. These changes should improve the accuracy of Roosevelt's student data.

Recommendations

61. Ensure staff members are adequately trained to use the new system.
62. Ensure proper monitoring of system output takes place to protect the integrity and accuracy of the student performance data.

Comments of Roosevelt Officials

Roosevelt officials agreed with recommendations 61 and 62 and have provided a written training plan and formal procedures to monitor data.

OTHER ISSUES

Costs of Project GRAD – Information Only

Project GRAD (Graduation Really Achieves Dreams)-Roosevelt is a private, not-for-profit organization that administers a program targeted at improving the academic success of students on all grade levels. Project GRAD-Roosevelt selected a number of curriculum models to be implemented in Roosevelt, the goal of which is to improve academic performance in urban schools. The mission of the program is to ensure a quality public education for all children in economically-disadvantaged communities so that high school graduation rates increase and graduates are prepared to enter and be successful in college. Intensive teacher training and on-going support for program maintenance were provided during program implementation. As part of the audit, the timeline of activities and the expenditures-to-date for this project were summarized. Based on conversations with Roosevelt officials and Project GRAD-Roosevelt officials, the following events occurred as follows:

- December 2002 – Project GRAD-USA, the national organization came to Roosevelt;
- May 2003 – Project GRAD-Roosevelt was established. Program implementation soon began with teacher training and professional development, the procurement of books, materials, and needed supplies;
- February 26, 2004 – Although Project GRAD-Roosevelt had been in Roosevelt for almost a year, the Board officially accepted it as the education reform model;
- January 27, 2005 – the Board rescinded its prior designation of Project GRAD as the official education reform model for Roosevelt at the recommendation of the Interim Superintendent based on the programs not achieving the desired results; and
- January 31, 2005 – The Interim Superintendent wrote a letter to Project GRAD-Roosevelt informing it of the Board's resolution, and terminating Roosevelt's relationship effective February 7, 2005.

The audit reviewed the costs and revenues related to Project GRAD. Project GRAD expenses were reimbursed by Project GRAD-Roosevelt, Project GRAD-USA, federal grants and the remainder by the General Fund. The cost to Roosevelt is highlighted in the chart below.

School Year	Payee	Expenditures	Reimbursement from	District Costs	
			Project GRAD	Federal Grants	General Fund
2002-03	Project GRAD, USA	\$ 107,589.03	\$ 107,589.03		\$ -
2002-03	Project GRAD, Roosevelt	28,768.07	11,114.00		17,654.07
2002-03	Success for All	305,104.79		288,004.79	17,100.00
2003-04	Success for All	307,763.81		301,804.16	5,959.65
2003-04	Project GRAD, Roosevelt	94,392.37	16,297.75		78,094.62
2003-04	Project GRAD, Roosevelt	13,500.00		-	13,500.00
2003-04	Project GRAD, Roosevelt	105,199.36	105,199.36		-
2003-04	Payroll	42,772.90	-	-	42,772.90
2004-05	Success for All	112,279.78		112,279.78	-
2004-05	Professional Development	44,250.75		44,250.75	-
2004-05	Project GRAD, Roosevelt	34,727.51		34,727.51	-
2004-05	Aramark	1,155.30	-	-	1,155.30
Total Expenditures		\$ 1,197,503.67	\$ 240,200.14	\$ 781,066.99	\$ 176,236.54

In addition to the above expenditures, Roosevelt received a letter from Project GRAD-Roosevelt dated May 5, 2005, asking for payment of outstanding invoices amounting to \$352,931 for materials and services provided by affiliates of Project GRAD (Project GRAD-USA and University of Houston) prior to the termination of the program. This amount is yet unpaid and not reflected in the schedule of expenditures.

Contributors to the Report
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Edward McCormick, Chairman
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Carl DeHaney, Jr.
Glenn Simmons
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Ronald O. Ross
Superintendent of Schools

April 25, 2006

Ms. Nancy Taylor
State Education Department
University of the State of New York
Room 524EB
Albany, New York 12234

Re: Response to Draft Audit Findings Dated February 10, 2006

Dear Ms. Taylor:

The District and Board are in receipt of Draft Audit Report dated February 10, 2006, issued by your office. I have enclosed substantive responses to the statements and recommendations made in the draft audit. These are in addition to our prior comments and the materials previously provided to you.

The Roosevelt Union Free School District intends to implement all appropriate recommendations and looks forward to a cooperative relationship with your office in ensuring that the Roosevelt Union Free School District operates in an efficient, effective and appropriate manner. Please refer to the enclosed materials in finalizing your audit report.

Very truly yours,

Edward McCormick

Edward McCormick
Chairman, Board of Education
Roosevelt Union Free School District

Enclosures

D#481359v2

ROOSEVELT UNION FREE SCHOOL DISTRICT
Administrative Offices 240 Denton Place
Roosevelt, NY 11575

RESPONSES TO RECOMMENDATIONS FROM

DRAFT AUDIT REPORT
The State Education Department of New York

For the Period of

July 1, 2003 – April 30, 2005

SD-0205-5

February 10, 2006

**RESPONSES TO RECOMMENDATIONS FROM
DRAFT AUDIT REPORT**

Recommendation 1: Ensure all official actions of the Board are approved by a majority vote of the entire Board at an official meeting.

Response: We concur. This happens in all cases unless otherwise delegated by the Board.

Recommendation 2: Develop a process to track and account for attendance and leave use for the Superintendent.

Response: The Superintendent's Secretary keeps a record of the Superintendent's absences and the information is submitted to the Personnel Department. The Board is notified of the Superintendent's planned absences.

Recommendation 3: Exercise care in making appointments to ensure adequate segregation of duties.

Response: The Board concurs with this concept and has appointed a Purchasing Agent, Treasurer, Claims Auditor and External Claims Auditor. These positions were appointed by the Board annually for the last two (2) years.

Recommendation 4: Establish an audit committee to assist the Board in carrying out fiscal oversight responsibilities.

Response: We agree. The Board of education has already approved an audit committee in conformity with the Comptroller's legislation for fiscal accountability. We have a committee consisting of the entire Board and will expand by the next reorganization meeting.

Recommendation 5: Require the Treasurer to provide budget status reports to the Board at least quarterly (and monthly in the event that budget transfers were made since the last report) for each fund including revenue and appropriation accounts.

Response: We concur. This activity will be executed by the Assistant Superintendent for Business and will be noted accordingly in the minutes.

Recommendation 6: Ensure appropriations are available before encumbrances or payments are made, expenditures are within the revised budgeted amounts, and the necessary transfers are made.

Response: We agree. However, we are not sure that we have the manpower to fully implement this recommendation. We manage the budget through line item transfers and the board and management approve the budget transfers monthly.

Recommendation 7: Consistent with law, regulations, and Board policy, establish procedures that prohibit incurring an expenditure or issuing a purchase order if it will result in overspending any budget account.

Response: We concur. The purchase order system will not exceed appropriated balances.

Recommendation 8: Actively monitor the budget by regularly comparing budgeted revenues and expenditures to actual revenues and expenditures to avoid overspending the budget.

Response: We agree. The Board of Education reviews budget revenue and expenditure reports every month.

Recommendation 9: Ensure budget transfers are approved and made timely during the year to prevent overspending any budget account.

Response: We agree.

Recommendation 10: Develop formal budgeting policies dealing with budgetary objectives to address such areas as funding priorities, maintenance of reserves and fund balance, incurrence of short-term and long-term debt, and replacement of fixed assets.

Response: We follow all of the regulatory rules as it relates to budget funding reserves.

Recommendation 11: Develop written procedures to implement an independent review of information prior to submission to the Department.

Response: We concur. For sensitive reporting, each department will ensure that it has a way to verify the data for accuracy.

Recommendation 12: Develop operations and maintenance policies and procedures for facilities to clarify priorities, responsibilities, and expectations.

Response: The District is in the second year of its 5 Year Capital Improvement Plan which was approved by the voters in 2004 to reconstruct and replace all district-wide schools. Management will develop and implement district-wide maintenance policies and cleaning procedures in each of the new buildings so as to clarify priorities, responsibilities and expectations.

Recommendation 13: Schedule regular maintenance activities on major systems, such as heating, ventilation, and air-conditioning, as needed.

Response: Management will develop and implement district-wide maintenance policies and cleaning procedures in each of the new buildings so as to clarify priorities, responsibilities and expectations.

Recommendation 14: Develop written procedures for the purchasing and payment process.

Response: We concur. We will update our desk procedures and policies to reflect the new requisition forms.

Recommendation 15: Establish a full-time Treasurer's position and re-align the duties and responsibilities to the position.

Response: We concur. The Board of Education and management have already implemented these recommendations.

Recommendation 16: Require the treasurer to submit monthly Treasurer's Reports in the format prescribed by the Regulations for all accounts and for all funds.

Response: We concur. The Board of Education and management have already implemented these recommendations.

Recommendation 17: Require the Treasurer to keep a file of all reports submitted to the Board and make it available for review.

Response: We concur. The Board of Education and management have already implemented these recommendations.

Recommendation 18: Require accurate and complete bank reconciliations, which must include a full reconciliation to the general ledger.

Response: We concur. The Board of Education and management have already implemented these recommendations.

Recommendation 19: Institute a process to address stale checks.

Response: We concur. The Board of Education and management have already implemented these recommendations.

Recommendation 20: Ensure timely deposit of cash receipts.

Response: We concur. The Board of Education and management have already implemented these recommendations.

Recommendation 21: Require the Central Treasurer of the Extra-classroom Activity Funds to properly reconcile the account and to submit the required reports to the Board.

Response: We concur. The Extra-classroom Activity Funds will be added to the monthly Treasurer's report.

Recommendation 22: Ensure all required reports are submitted to the Department within the required time frame to avoid loss or delay of Building Aid.

Response: We concur.

Recommendation 23: Distribute IDEA funds to ASEP's within 30 days of receipt of its allocation from the Department.

Response: We concur. While this was an issue in prior years we have established procedures to ensure that we will now pay within thirty (30) days of receipt of funding.

- The Department of Pupil Personnel Services (PPS) generates the contracts.
- The contracts are sent to the ASEPs' for signature and are returned to the District.
- Pupil Personnel submits the signed contracts to the Board of Education for signature.
- The signed contracts are submitted to Business Office; Purchase Orders are generated and the checks are sent to the ASEPs'

We will make every effort to adhere to the thirty (30) day rule given all of the procedural steps we must follow. The Assistant Director of Billing and Operations will follow oversee the process to ensure that payment is rendered in a timely fashion.

Recommendation 24: Monitor the ASEPs' use of funds to ensure compliance with IDEA and Education Laws, and guidelines.

Response: We concur and we have established procedures to ensure compliance with IDEA and Education Laws and guidelines.

Recommendation 25: Ensure expenditures of IDEA funds are used only for necessary and reasonable expenses of the program.

Response: We concur and will ensure that all expenditures are within the guidelines of the program.

Recommendation 26: Use only banks and bank accounts authorized by the Board.

Response: We agree. The bank accounts in question have been identified. We have limited the number of authorized accounts to the number that will make our operations efficient. Inactive accounts will be closed as well as null accounts.

Recommendation 27: Limit authorized bank accounts to the minimum number needed to conduct business. Close any unapproved bank accounts or accounts that have no activity.

Response: We agree. The bank accounts in question have been identified. We have limited the number of authorized accounts to the number that will make our operations efficient. Inactive accounts will be closed as well as null accounts.

Recommendation 28: Require the treasurer or other responsible official to prepare a cash flow projection at the beginning of the year and update it monthly.

Response: We agree. Cash flows projections were prepared as needed. Given the limited staff we have, we will agree to do that on a quarterly basis.

Recommendation 29: Institute an accounts receivable process that includes monthly billings, overdue notices, review of accounts receivable aging reports, and documented follow-up with delinquent debtors;

Recommendation 30: Institute supervisory review of billings and reconcile to the general ledger.

Response: We agree. The Treasurer will prepare the invoices and it will be signed by the Assistant Superintendent for Business for mailing on monthly basis. The accounts receivable clerk will be given a copy of the invoices in order to track their payments. Receivables will be aged and the Assistant Superintendent for Business will be notified of unpaid invoices in forty-five (45) days.

Recommendation 31: Provide secure storage for check stock and financial stationery.

Response: We agree. Check stock is kept in the District's vault. Unused checks are secured in storage in the Business Office under lock and key. The Treasure/Accounts Payable Clerk keeps a log of the check run on a daily basis

Recommendation 32: Comply with the Roosevelt Legislation, by submitting to the Department for approval, any contracts and other obligations having a projected cost of \$25,000 or more prior to entering into the contract or incurring the obligation.

Response: We concur.

Recommendation 33: Ensure that use of capital funds is consistent with the purpose of the bond and the voters' approval.

Response: We concur, and it is part of our review process.

Recommendation 34: Maximize State aid by ensuring that future charges to the capital fund are aidable.

Response: We concur, and it is part of our review process.

Recommendation 35: Maximize staff development dollars with cost effective professional development.

Response: We concur and it is part of our management process.

Recommendation 36: Strengthen Board policy regarding credit card use and documentation including restricting credit card use to actual and necessary district-related expenditures.

Response: We concur. The District has a credit card policy in place.

Recommendation 37: Require the Claims Auditor to exercise his authority to reject claims if they are not valid district-related expenses.

Response: We concur. The Claims Auditor has the authority to reject invalid district related expenses and has been instructed to exercise this authority.

Recommendation 38: Ensure equipment purchases are reasonable, necessary, cost effective, and compatible with Roosevelt’s current equipment.

Response: We agree. All our equipment purchases are compatible.

Recommendation 39: Require documentation and approval to support significant increase in the cost of goods or services over the amount of the purchase order.

Response: The Board concurs with this conceptually. This is not a common occurrence. However, management reviews changes whenever it occurs and discusses it with the Board of Education when warranted.

Recommendation 40: Adopt detailed procedures for approval of credit card purchases and require the Claims Auditor to reject the credit card statement as a basis for payment. Require the submission of original receipts including documentation and justification for all purchases. Documentation should include the purpose of meetings and meals, and a list of attendees.

Response: We agree. We have already implemented this process.

Recommendation 41: Use the purchase order system to ensure Capital Fund appropriations are not exceeded;

Recommendation 42: Develop procedures for the use of confirming purchase orders including a limitation on their use and a requirement that the Purchasing Agent approve all emergency purchases;

Recommendation 43: Ensure timely payments of invoices.

Response: We concur. We make payments against preset contractual amounts approved by the Board of Education. These payments are supported by spreadsheets detailing each transaction. Management makes every effort to pay in a timely manner.

Recommendation 44: Require the payment protocol established for the Capital Project payments be followed by all parties involved in the approval process;

Recommendation 45: Comply with the law related to competitive bidding and document the reasons certain purchases are not bid as required by law and Board policy;

Recommendation 46: Implement procedures to ensure that bidding requirements are met for all purchases requiring bidding and that adequate bid documentation is maintained.

Response: We agree. The District has implemented and complied with the appropriate requirements of the law and is in compliance with payment protocols and daily operational requirements.

Recommendation 47: Ensure compliance with the requirement to participate in a BOCES cooperative bid before using a BOCES contract.

Response: We agree.

Recommendation 48: Use the existing time and attendance tracking system to its full capacity by establishing formal procedures for its use, including the necessary steps to review, monitor, and correct attendance and leave accruals recorded for all employees

Response: The District is developing procedures to improve the accuracy in tracking attendance and leave accruals through the use of the data management system.

FORMAL PROCEDURES for ATTENDANCE TRACKING SYSTEM

- A. The present attendance tracking system is operating under practices and instructions that have been taught on a one on one basis to each occupant of the attendance desk.
- B. There has been some variation down through the years according to existing bargaining unit contracts which authorize the number of sick, personal, vacation, family and bereavement days an employee may retain in their leave bank. This is further delineated by classification a clerical, a custodian, teacher, administrator or a paraprofessional.

REVIEWING, MONITORING AND CORRECTING ATTENDANCE AND LEAVE ACCRUALS OF ALL EMPLOYEES

A. Steps for reviewing attendance and leave accrual.

1. Initially, as early as 8:30 am a daily call-in absence report is e-mailed to the Human Resources and Professional Development Office.
 - (a) This report is data-entried.
2. A second report is normally received by e-mailed/fax, interoffice mail - directly from each school and these absences are then checked against the earlier 8:30 am attendance report.
3. A third signed absence report form (from the *individual*) - containing the attendance information for that date is submitted to the Human Resources/Professional Development Office

B. Steps in monitoring and correcting attendance of all employees

- Yearly issuing each employee a statement showing the total number unused sick leave he/she has accumulated through June 30 of the preceding school year. At this time every employee is encouraged to ask questions pertaining to their attendance
- Daily random reviewing – double checking attendance when an employee visits the Human Resource office.

- At the end of the school year the *Perfect Attendance Bonus* and *Good Attendance Bonus Report* is submitted.
 - (1) The secretary of each school in the district sends the Human Resource Department their school's list of teachers eligible for the bonus. This list is signed by the building principal.
 - (2) The Human Resources office runs a report of the keyed-data from the Financial Manager System. Both records are compared and if any discrepancies are noted, communication between the Human Resource office, the school and the individual who is in question is facilitated.

The above steps delineate the Roosevelt UFSD Human Resource office's procedural system that tracks all entries that are made on a daily basis. *Routine data entry, back-up reports, yearly attendance balance reports, daily random reviewing* and ultimately the annual *Attendance Bonus Report* are all key aspects of the accurate tracking of attendance and leave accruals for the District.

Recommendation 49: Develop written hiring procedures, which include identifying the individual responsible for each step.

Response: The Personnel Department is in the process of developing a written policy manual that will outline the procedures and policies for hiring of new employees.

Recommendation 50: Ensure that documentation of the hiring process and salary changes is maintained in individual employee files.

Response: The Personnel Department is in the process of reviewing all employee records and files to ensure that hiring procedures and salary adjustments are properly reflected on Board agendas and that the records are kept and maintained in the Personnel Office and the Business Office.

Recommendation 51: Complete and submit all required facilities reports to the Department timely.

Response: The AHERA report for 2004 was submitted to the Department of Facilities Planning and we have a copy on file.

Recommendation 52: Maintain current certificates of occupancy for each school building.

Response: All 2005 – 2006 Certificate of Occupancies (CO’s) are current and were submitted to the Project Coordinator – Department of Facilities Planning.

Recommendation 53: Actively pursue school lunch applications and direct certification letters for students eligible for the free and reduced-price meal programs.

Response: We concur.

NAME	CURRENT ENROLLMENT	APPROVED		SERVED			TOTAL
		FREE	REDUCED	FREE	REDUCED	FULL PRICE	
<u>BREAKFAST MAR 2006</u>							
CENT	417	267	80	2,702	185	213	3,100
HD	245	154	31	2,177	66	58	2,301
HS/MS	1090	404	33	3,496	77	171	3,744
PRE-K	140	78	21	1,551	392	568	2,511
UB	400	306	33	1,831	129	232	2,192
WR	475	330	51	3,604	170	120	3,894
	2,767	1,539	249	15,361	1,019	1,362	17,742
<u>LUNCH MAR 2006</u>							
CENT	417	267	80	5,660	976	793	7,429
HD	245	154	31	2,879	558	851	4,288
HS/MS	1090	404	33	8,011	647	1,552	10,210
PRE-K	140	78	21	1,551	392	568	2,511
UB	400	306	33	5,785	306	1,006	7,097
WR	475	330	51	6,353	425	534	7,312
	2,767	1,539	249	30,239	3,304	5,304	38,847

Recommendation 54: Establish a Board policy and procedures for providing meals to students who do not have a lunch or lunch money, and inform parents of the policy to provide a clear understanding of what will happen in these circumstances.

Response: We agree. The Board of Education will comply.

Recommendation 55: Account for all food service revenue using working cash registers to record each sale.

Response: We concur. The District makes every effort to account for all food service revenue. We purchased brand new cash registers in 2004 – 2005 and 2005 – 2006.

Recommendation 56: Document all food service program and administrative costs.

Response: We concur. We have and will continue to do this on a monthly basis. The documentation is processed on a monthly basis and our Treasurer sends the information to SED for reimbursement.

Recommendation 57: Increase Roosevelt’s monitoring of the School Lunch program to ensure all aspects of the program receive appropriate oversight.

Response: We concur. We have asked our Deputy Superintendent to oversee the program to ensure greater economic and program viability. We will have the Food Service Program Manager report to the Board of Education on an annual basis and will review with the Deputy Superintendent monthly.

Recommendation 58:

Maintain an inventory record for textbooks indicating the subject, title, publisher, age, condition, and location.

Response: An inventory of current textbooks is being conducted - to continue through Summer 2006. It will be electronically managed and updated yearly.

Recommendation 59:

Conduct a periodic inventory of textbooks to verify the accuracy of the information on the record.

Response:

The district requires that building administrators conduct an inventory of the textbooks that they already have in their buildings prior submitting requests for textbooks for the next school year.

Recommendation 60: Establish a textbook replacement plan to ensure textbooks remain current and available for all Roosevelt students.

Response: The district is on a four (4) year cycle to replace textbooks and all are in conjunction with the budget.

Recommendation 61:

Ensure staff members are adequately trained to use the new system.

Response: Staff members receive Professional Development training in the use of the student management system targeted for their specific function. This is ongoing throughout the school year as the district utilizes personnel from the Data/Technology Department and external trainers to provide this training.

1. Training Schedule

Training is provided by PowerSchool, external consultants and internal staff. In addition throughout the school year there have been informal training sessions with Registration, Guidance, Principals and others on an as needed basis provided by internal staff. Below is a training plan for the 05-06 school year.

Course	Description	Who Should Attend	Dates	Number of Participants
Attendance	PowerSchool users responsible for maintaining attendance will benefit by learning how their school's Attendance setup affects Attendance Recording and Reports. Participants focus on taking attendance, searching attendance, and generating and interpreting Attendance Reports in PowerSchool.	Attendance Office School Secretaries	10/20 10/25	21
Basic Training	PowerSchool's Basic Training class is targeted towards schools and districts who have been fully implemented. This class is ideal for any new staff members who need to learn to use PowerSchool. In this course, participants will learn the basics, from searching for students and groups of students to running basic reports and the End of Term process.	Principals APs Secretaries Guidance Counselors	10/20 10/25	14
Counselor Skills	Participants will be able to use advanced searching to find eligibility lists and honor rolls. In addition, they will learn how to set up graduation requirements, the cumulative information	Guidance Counselors School to Career Advisors Schedulers	TBA	

	<p>student page, test scores, and the use of a transcript object from object reports. This session also reviews multiple codes that can be used in reports and searching.</p>			
PowerGrade & Power Teacher	<p>In this session, participants learn to set up PowerGrade, take attendance, create a seating chart, and add assignments and scores. They also learn to create custom grade scales, work with the class roster, submit lunch counts and student log entries, enter comments for parents, and print reports. In addition, participants learn to use PowerSchool Teacher to take attendance and submit lunch counts and student log entries, as well as access other student information via the Internet.</p>	Teachers	1/4 -1/6	99
Office Functions	<p>PowerSchool users responsible for running a school's front office will benefit from this course by learning a variety of advanced office functions. Explore the topics of Attendance, Advanced Searches, Form Letters/Mailing Labels and the Honor Roll.</p>	Secretaries Central Office Nurses	10/20 10/25 3/21	17
Scheduling	<p>PowerSchool users responsible for managing student schedules on a daily basis will benefit by learning how to maximize the walk-in scheduling capabilities of PowerSchool. Learn to manually schedule students into classes. This session also covers how to set up</p>	Guidance; School to Career Advisors Scheduler	3/27 – 3/31	1

	walk-in scheduler parameters, constraints, and course relationships.			
Yearly Process	This session provides participants with an outline and tools required to complete the end-of-year process in PowerSchool and prepare for the upcoming school year.	PowerSchool Administrators	TBA	
Parental Access	This session demonstrates the benefits of the parent portal in PowerSchool and provides parents with usernames and passwords.	Parents	11/16 2/15	9 11

2. System Accuracy, Users and Controls

Provide the steps to ensure the output from the system is accurate.

- All supporting documentation for a student is maintained in a student's file.
- Upon registration – a student is not registered unless all supporting documentation is provided.
- Enrollment reports are generated on a quarterly basis and are reviewed by building Principals to determine accuracy.
- All changes to a student's record must be backed up by supporting documentation or sign off from an Administrator.

Primary users and Purpose

Primary User	Purpose
Census/Registration	Enroll new Students Withdraw Students Generate reports
Attendance	Take attendance Withdraw students Generate reports
Building Principals	View Student information Generate reports Determine Classroom placement
Secretaries	Daily maintenance of student records Generate reports
Special Ed	View and enter Special Ed information Generate reports
LEP (ESL)	View and enter LEP (ESL) information Generate reports
Nurses	Enter and maintain student's health records Generate reports
Central Administration	View student records Generate reports
Guidance Counselors	View student information Determine placement Generate reports

System Controls

- PowerSchool allows a system administrator to create user groups and modify each group's access.
- Currently there are three designated System Administrators.
- Groups and access are determined by job function.
- All users have a username and password. Passwords do not expire and can be changed by the user.

Student System modifications:

1. User submits a request via email using "Student System Modification Form" to the system administrator.
2. Request is reviewed.
3. Request is processed and the user is notified via email.

Modifications include: student deletions, change of student ID number and change of course number.

Recommendation 62:

Ensure proper monitoring of system output takes place to protect the integrity and accuracy of the student performance data.

Response: The implementation of a data verification process involves a sign-off at each level by individuals responsible for each group of data elements, up to the Superintendent. The Data Coordinator has established a data review team that works directly with the Coordinator to ensure the accuracy of the data. Proper procedures and regulations have been instituted to ensure that an ongoing review and maintenance of the data is entered and verified by the data review team.