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# Audit Report

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Roosevelt Union Free School District

For the Period

July 1, 1998 through June 30, 2000

SD-0200-4

March 8, 2001

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





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

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Daniel Tworek  
Director  
Office of Audit Services  
Tel. (518) 473-4516  
Fax (518) 473-0259  
E-mail: dtworek@mail.nysed.gov

March 8, 2001

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

Dear Mr. Davis:

The following is our final audit report (SD-0200-4) on the Roosevelt Union Free School District for the period July 1, 1998 through June 30, 2000. The audit was conducted pursuant to Education Law Section 305 and the Board of Regents/State Education Department Strategic Plan – Goal #5 which states: “Resources under our care will be used or maintained in the public interest.”

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

Ninety days from the issuance of this report, District officials will be asked to submit a report on actions taken as a result of this audit. This required report will be in the format of a recommendation implementation plan and it must specifically address what actions have been taken on each audit recommendation.

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

Sincerely,

Daniel Tworek

Enclosure

cc: Commissioner Mills, J. Butterworth, R. Cate, S. Holder, J. Kadamus, I. Schwartz, T. Sheldon, C. Szuberla, C. Foster (DOB), H. Hoffman (OSC), Members of the Roosevelt UFSD Board of Education, H. Williams, Superintendent, J. Shiveley, (Nassau BOCES)

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# Executive Summary

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## Background and Scope of the Audit

The Roosevelt Union Free School District (District) served about 3,000 students in six schools and spent about \$34 million during the 1999-2000 school year. The District's average cost per student is \$11,539, or about 10 percent lower than the average for school districts in Nassau County. The District's student performance is considerably lower than the New York State average.

The audit examined selected management practices, records, and documentation for the period July 1, 1998 through June 30, 2000. This was a performance audit and our objectives were: to assess the adequacy of the District's system of management controls; to assess the adequacy and reliability of the policies and procedures for collecting and reporting financial data, including claims for State aid and grants; and to assess the adequacy and reliability of the policies and procedures for collecting and reporting certain student performance data, including the student dropout rate.

## Audit Results

Improvements are needed in the Board's governance and oversight including the control environment, fiscal matters, staffing, written policies and procedures, and District officers. The Board needs to stress the importance of controls and the need for improvement, to better monitor the District's financial condition, hire and retain qualified staff, clearly define roles and responsibilities, and require managers to take action in response to audits and the Corrective Action Plan. Without these actions, the District cannot significantly improve its operations.

Improvements are also needed in management controls related to preparing accurate and timely budget and fiscal reports, keeping the accounting system current, establishing purchasing and payroll procedures, and maintaining an effective inventory system. Without these improvements, the District cannot effectively monitor its financial condition, ensure only necessary goods and services are purchased at the best possible price, and ensure employees get paid the correct amount in a timely manner.

Improvements are needed with the District's systems and activities for collecting and reporting data for State aid and grants. Without these improvements, critical data will continue to be incomplete and inaccurate, and will negatively impact the District. In fact, the District has lost, or is at risk of losing, more than \$2.3 million in State aid and grants. These funds are sorely needed to enhance services to students.

Improvements are also needed in collecting and reporting student performance data. Without these improvements, student performance data will continue to be incomplete and inaccurate. For example, the dropout rate verified by this audit was 16.5 percent or almost 3 times the 5.7 percent rate initially calculated for the District.

The District faces tremendous challenges – below average student performance, the need to improve governance and management controls, significant administrator and teacher turnover, inadequate systems and processes to claim State aid and grant funds, and a 16.5 percent dropout rate. At this juncture, the District needs to seize the opportunity to make changes to improve operations and affect student performance. The District can make the necessary changes with assistance from the State Review Panel (SRP), the Department, the BOCES, the community, and educational and fiscal consultants. The Department is committed to assisting the District with the reorganized SRP and the Roosevelt Task Force. The BOCES is available to assist the District via the Regional School Support Center team. However, it is the Board's responsibility to implement the recommendations included in this report and hold the Superintendent and District management accountable for results.

## **Comments of District Officials**

District officials' comments about the findings were considered in preparing this report and are included as Appendix B. In response to the audit, District officials generally agreed with the audit recommendations and stated efforts have been made to address the audit concerns.

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# Introduction

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## Background

The Roosevelt Union Free District (District) is responsible for providing educational services to about 3,000 students in six schools. The District, located in Nassau County on Long Island, spent about \$34 million during the 1999-2000 school year. The New York State School Report Card for the 1998-99 school year shows student performance in many categories is significantly below the State average.

- Only 37 percent of District students (91 students) met the State standards for the Grade 4 English Language Arts Examination compared to the Statewide average of 48 percent.
- Only 3 percent of District students (4 students) met the State standards for the Grade 8 Mathematics Examination compared to the Statewide average of 38 percent.
- Only 3 percent of District students (4 students) graduated with a Regents Diploma compared to the Statewide average of 45 percent.

Below average student performance has been achieved even though the District spent \$11,539 per student to provide educational services. This amount is 10 percent less than the average amount spent by school districts in Nassau County.

Prior audits and reviews over the past decade by the State Education Department (Department), the Office of the State Comptroller, the District's independent auditors, educational consultants and others have identified the need for additional management controls and improvements in District operations. In July 1995, State legislation required the District to develop a Corrective Action Plan (CAP) to address student achievement and performance, the maintenance of school facilities, fiscal and administrative practices, accountability and internal controls. It also required the establishment of a State Review Panel (SRP) to oversee the actions of the District in implementing the goals of the CAP.

The Department established the Roosevelt Task Force in 1996 to help the District address its needs for improvement.

However, despite these efforts, improvements have been minimal, at best. In November 2000, the Department's Commissioner provided the District with specific student performance targets. Failure to meet these targets by June 30, 2001 will result in further action by the Commissioner including the possible closing of one or more of the District's schools.

## **Scope, Objective and Methodology**

The selection of this District for audit is made pursuant to the Board of Regents Strategic Plan - Goal 5 which states "Resources under our care will be used or maintained in the public interest." It concentrates Department resources on educational "programs with low performance or poor fiscal practices." This audit is part of an overall Department effort to help the District improve its operations. The audit focused on management controls and reviewed practices, records, and documentation for the period July 1, 1998 through June 30, 2000. This was a performance audit which focused on the following objectives:

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

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

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other audit procedures

considered necessary in the circumstances. An audit also includes assessing the estimates, judgements and decisions made by management. We believe that the audit provides a reasonable basis for our findings, conclusions and recommendations.

## **Audit Results**

This report highlights the need for significant improvements with the District's governance and management controls (pages 4-22), data for State aid and grants (pages 23-41), and data reported on student performance (pages 42-45).

## **Comments of District Officials**

District officials' comments about the findings were considered in preparing this report and are included as Appendix B. In response to the audit, District officials generally agreed with the audit recommendations and stated efforts have been made to address the audit concerns.

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# IMPROVEMENTS ARE NEEDED IN GOVERNANCE AND MANAGEMENT CONTROLS IN THE DISTRICT

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

*Government Auditing Standards, 1994 Revision*

A school board is responsible for the governance and oversight of school district affairs, personnel, and properties. The school board should establish policies and should delegate the administration of the school district to the superintendent and senior managers who should operate the school district within the established policies. The superintendent and senior managers should then be held accountable for results.

Part of the superintendent's and senior management's responsibilities include establishing, implementing, and maintaining an effective management control system. The controls should be designed to help ensure management's objectives are met, reported data are valid and reliable, assets are safeguarded, and laws are complied with. The controls include the policies and procedures put in place by management to provide oversight, supervision, accountability, and on-going monitoring of a school district's operations. The audit determined the Board's governance and management controls need significant improvements.

## **Board Governance and Oversight**

A school board is responsible for ensuring that the school district meets all legal requirements, operates in accordance with its mission, and uses its assets appropriately. A school board is also responsible for hiring the superintendent and has ultimate responsibility for the fiscal health and stability of the school district. The audit identified opportunities for the Board to improve its governance and oversight related to the control environment, fiscal oversight, staffing, written policies and procedures, and school district officers.

## *Control Environment*

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

A board can set the overall tone by establishing policies for improvement, communicating them to school district managers, and holding the managers accountable for the results. However, the Board has not always done this. The Board could improve the control environment by stressing the importance of controls and the need for improvement, clearly defining roles and responsibilities, and requiring managers take action in response to audits and the CAP.

The District's mission is to provide "... enriching skills to cultivate students to reach their highest possibilities...." However, the Board has not stressed the importance and need for controls and improvements in student achievement. For example, Board minutes showed almost no discussion of student performance or strategies to improve student performance. Furthermore, the Board and Superintendent have not routinely met with the SRP to discuss improvements in District operations.

A school board needs to clearly define roles and responsibilities in a school district. Once a board establishes policies, it should delegate the responsibility for implementing the policy to the superintendent and managers. The Board can set the proper tone by holding the superintendent and managers accountable, and removing themselves from managing the daily affairs of the school district. Failure to do so may detract from the policy-making role of a board. The audit found the Board is involved in many of the day-to-day activities of the District. For example, the Board directed the Superintendent to hire a local architectural firm at a cost of \$350,000, rather than one of the firms recommended by the Superintendent. The Board authorized that firm to initiate work without a contract,

and also proposed and authorized a partial payment of \$68,000 even though there were some concerns with the work completed.

Prior audits by the Department and the District's independent auditor have recommended numerous improvements with the District's financial controls. Similarly, the District's CAP contains specific actions to improve District operations. However, the Board has not required managers to implement or adequately address the actions specified in the CAP or the recommendations in the audits. For example, the District has not reduced the number of student suspensions as specified in the CAP. Similarly, the District has not closed out inactive accounts for extraclassroom activity funds or improved controls over these funds as recommended in reports by the Department and the independent auditors. A requirement by the Board to take action on these items may help set the tone that improvements are necessary and managers are being held responsible for making changes.

### *Fiscal Oversight*

A school board has the ultimate responsibility for the fiscal health and stability of the school district. It must present the budget to the voters for approval and use the budget for the control and orderly expenditure of school district funds. As such, the school board should monitor expenditures on an on-going basis and ensure expenditures do not exceed the approved budget. A school board should also ensure the school district has a long-term plan for capital projects and operating expenses. However, the audit determined the Board needs to improve its fiscal oversight.

A school board needs accurate and timely reports to monitor the financial condition of the school district and to make any corrections to the budget plan in a timely manner. However, the audit determined the Board did not routinely receive the required information including monthly budget status reports, cash reports, bank account reconciliations, or the report on the Extraclassroom Activity Fund. Without this information, the Board cannot effectively monitor the financial condition of the District.

In addition, the Board did not approve, in a timely manner, budget transfers to correct overspent accounts. When the Interim Business Manager encumbered salaries, fringe benefits

and other obligations, many accounts had a negative balance and were overspent. However, the Board did not approve the necessary budget transfers until two months later. Failure to make the transfers in a timely manner made it difficult to monitor the financial condition of the District.

A school board should require the school district to have a long-term financial plan (budget) for both capital projects and operating expenses. The plans would facilitate the budget process and help the school district prepare for its future needs. The District does not have a long-term capital projects plan. It has a five-year financial stabilization plan to address operating expenses, but the plan does not address several key items and includes questionable assumptions. It does not include adequate provisions for expenses for the students attending the charter school or for the phase-out of the \$4 million State advance starting on June 30, 2001. In addition, the assumption related to the ability to raise tax revenue may not be realistic.

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

The Board should consider establishing an audit committee to help address the need for fiscal oversight. Its responsibilities and membership should be spelled out in a charter and committee members should be adequately trained and understand their responsibilities.

## *Staffing*

A school board needs to establish policies and a work environment that is conducive to attracting and retaining qualified individuals including a superintendent, managers, and teachers. These positions should be filled with qualified permanent staff to help ensure the school district meets its goals and objectives and to help establish stability, consistency, and continuity in school district operations. Without this,

students are less likely to be able "to meet high standards for academic performance and personal behavior and demonstrate the knowledge and skills required by a dynamic world (Regents Goal #1). "<sup>1</sup>

However, the District has had difficulty in attracting and retaining qualified individuals, which has made it difficult for the Board to establish the continuity of programs and staffing. In the past five years, the District has had five superintendents, seven business managers and four treasurers. In addition, teacher turnover for the 1997-98 school year was 20 percent or twice the Nassau County average. The high turnover rate may be indicative of a management operating style that does not promote staff retention.

### *Written Policies and Procedures*

Education law requires a school board to establish policies concerning school district operations. Policies and procedures should be developed for budgeting, purchasing, accounting and auditing, travel, transportation, school lunch, operation and maintenance, safety, toxic substances, energy conservation, and disaster preparedness. Copies of policies and procedures should be readily available and distributed to school district officials and staff.

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

The Board has a policy manual containing most required policies, although it needs to establish an investment policy. The District did not, however, have written procedures for many functions including cash, accounts receivable, purchasing, accounts payable, travel and conferences, special education student tracking and reporting, attendance and enrollment reporting, and personnel transactions. Without them, Board members, managers and staff do not know what is expected of them and the District may not be able to hold staff

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<sup>1</sup> New York State Board of Regents and Its State Education Department - Leadership and Learning for the Best Educated People in the World (January 2000). Page 7

fully accountable. For example, the District does not have written procedures for the use of District owned vehicles. When a Board member requested the use of a vehicle, the District Clerk did not have written procedures to help assess the appropriateness of the request or the level of documentation required ensuring the use was for District-related business.

In addition, because the District has so few written procedures, it may be at substantial risk when key employees leave. This is especially critical because of the inability of the District to retain qualified and experienced staff.

### *District Officers*

A school board is required to appoint a treasurer for the school district and may, at its discretion, appoint an internal claims auditor. These are key positions in the school district in that the treasurer is the chief accounting officer and the custodian of all moneys belonging to the school district, and the internal claims auditor is responsible for approving all payments by the school district. However, the audit determined that the positions in the District were not being effectively utilized and were not in compliance with various sections of Education Law.

The prior two treasurers did not have adequate experience or training in accounting and treasurer responsibilities. The treasurers did prepare budget status reports for the General Fund, but they did not prepare the budget status reports for the other funds, cash reports or bank reconciliations as required by the Commissioner's Regulations. Also, the treasurers did not ensure all excess cash was invested or use investment plans to maximize interest income.

In October 2000, after the last treasurer left the position, the District assigned the treasurer responsibility to a Board member until such time as a treasurer is hired. This arrangement is in violation of Section 2103 of education law and is a conflict of interest in that this individual is responsible for providing reports to the Board and also for voting on acceptance of the reports.

An internal claims auditor is responsible for auditing all claims of the school district and, where appropriate, approving payment. The auditor should verify the claim is a valid and legal obligation of the school district, adequately documented,

mathematically correct, charged to an appropriate account, approved by school district managers, etc. The use of an internal claims auditor can save time for the school board, help ensure prompt payment of bills, and allow the school district to take advantage of any discount offered for prompt payment.

However, the audit found that although the District had an Internal Claims Auditor, it by-passed him in numerous instances and made payments to vendors prior to his approval. In addition, payments frequently were made even though all the necessary documentation to support the claims was not available. For example, the District paid a vendor \$3,224 for computer services even though the Internal Claims Auditor did not approve the expense and documentation was not available to show the services were actually provided.

The Internal Claims Auditor also approved numerous hand-drawn checks for payment. However, adequate documentation was not always available to support the payments. For example, the auditor approved a hand drawn check for \$5,625 for travelers' checks, meals, admissions and other items for a field trip even though the claim was supported with only \$2,600 in receipts. Other checks, drawn for admission tickets to museums and lodging in advance of the trip, were not supported with confirmations of the visits or actual hotel bills upon completion of the same trip. In addition, claims did not include lists of students and chaperones for the trip.

The areas discussed in this section of the report represent an opportunity for the Board to improve its governance and oversight. To do this, the Board needs to establish a training program for its members to help clarify the roles and responsibilities of the Board.

## **Recommendations**

1. Develop an implementation plan to address the recommendations in this report.
2. Improve the control environment by stressing the importance of controls and the need for improvements.
3. Develop a schedule for the Board, Superintendent, and the State Review Panel to meet at least monthly to address significant concerns of the District including student performance.

4. Clarify the roles and responsibilities of each Board member, Superintendent, administrator, and individual employees.
5. Ensure Board members receive training on the roles and responsibilities of their positions.
6. Require managers to implement and adequately address the actions specified in the CAP and the recommendations made in previous Department audits and management letters from the District's independent auditor.
7. Ensure Board members routinely receive and review fiscal reports, including budget status reports, cash reports, and bank reconciliations, to monitor the District's financial condition.
8. Approve budget transfers in a timely manner.
9. Establish a long-term financial plan for both operating expenses and capital items.
10. Consider establishing an audit committee to assist with fiscal oversight responsibility.
11. Concentrate efforts on attracting and retaining effective and qualified administrators and officers to establish stability, consistency, and continuity in the District's operations.
12. Review the Board Policy Manual to ensure the District has complete and updated policies and procedures. Establish policies as needed in areas such as the use of school district vehicles.
13. Develop and implement written procedures for many functions including cash, accounts receivable, purchasing, accounts payable, travel and conferences, and personnel transactions.
14. Ensure the treasurer has sufficient training to perform the duties identified for that position, including cash management.
15. Ensure that the Internal Claims Auditor follows a set of established procedures in carrying out his responsibilities.

16. Institute a policy that no payments are made without approval by the Internal Claims Auditor thus ensuring that proper documentation is maintained.
17. Ensure that hand-drawn checks are only issued in an emergency and only when duly authorized with all of the necessary documentation to support such expenditures.

## **Comments of District Officials**

District officials agreed with audit recommendations 1 through 17 and stated efforts have been made to address the audit concerns.

## **Management Controls Over Financial Operations**

A school district must implement controls over financial operations to help ensure: assets are safeguarded against loss from theft or unauthorized use; compliance with laws, regulations, and policies; the reliability and integrity of reports and data; and operational efficiency, economy and effectiveness. These controls may include preparing accurate and timely budget and fiscal reports, keeping the accounting system current, establishing purchasing and payroll procedures, and maintaining an effective inventory system. The audit determined the District needs to improve its management controls related to budgeting and expenditures; purchasing, accounts payable, and inventory; accounting and financial reporting; and payroll.

### *Budgeting and Expenditures*

One of the primary purposes of budgeting is to provide control over the revenues and expenditures of an organization. A school district must present to its voters a proposed budget. Once the school board adopts the budget, it should be the basis for the control and orderly expenditure of funds. In order to adequately control expenditures, a school district should use realistic amounts for budgeting revenue and expenditures, encumber all known obligations, limit encumbrances and expenditures to available funds, provide budget status reports to managers, and routinely review reports for any signs of overspending the budget. The audit found several examples

where the District could improve its processes for budgeting and expenditures.

The review of the District's proposed budget for 2000-01 by the Office of the State Comptroller and the audit team determined certain accounts might be over or understated. The District budgeted Medicaid revenue at \$750,000. However, based on Medicaid revenue and billings for the prior year, the amount may be materially overstated. Similarly, budgeted interest income of \$160,000 may be overstated given the District earned \$102,000 in the prior year.

The District budgeted \$415,324 for an estimated 49 students to attend a new charter school within the District. However, the actual liability is significantly higher since the charter school recently informed the District that 123 of its students actually attend the school. Similarly, the budgeted amounts for teacher assistants and teacher aides, legal expenses and security services may be significantly understated. Unless expenditures are carefully monitored and controlled, the District may incur a deficit. The District needs to carefully review its revenue and expenditures, and adjust the budget accordingly.

The District did not encumber all known obligations such as salaries, fringe benefits, contracts, and utilities as soon as the amounts could be determined. For example, the District did not encumber \$100,000 for the cost of sending three special education students to other public school districts. Encumbering helps ensure the budget is not overspent, aids in identifying accounts from which unencumbered amounts can be transferred and also helps in forecasting the year-end fund balance.

The District did not accurately account for encumbrances or routinely review encumbrances to ensure validity. The District's Interim Business Manager identified and cancelled \$320,000 in encumbrances on the accounting records that were no longer valid. In effect, the District had \$320,000 more in available funds than reflected on the accounting records. Conversely, the District did not encumber amounts for all items ordered. In fact, encumbrances were understated by more than \$821,000 as of April 17, 2000 and accounting entries had to be made at that time to correct the situation. Without an accurate record of encumbrances, the District does not know its true financial condition.

Education law prohibits a school district from incurring a liability in excess of the amount appropriated by the school district. However, the District permitted managers to encumber and spend in excess of available funds for individual account codes on a routine basis. The audit determined there were 141 negative account balances as of April 18, 2000. In addition, the audit found numerous examples where the District did not plan or budget for certain expenditures. These include \$241,000 for unreimbursed grant related expenses, \$68,000 for an architect's fee, and \$36,000 for a weight room. Incurring unplanned and unbudgeted expenditures may result in overspending the budget and, at a minimum, require budget transfers.

The District did not routinely provide budget status reports to the managers responsible for the accounts for each school and office. Without these reports, the managers do not know the status of their accounts including the amount of available funds. Also, the Business Manager did not routinely review the budget status reports for any negative balances or overspent accounts.

During the course of our fieldwork, the then Interim Business Manager made numerous improvements. For example, he implemented controls in the accounting system to prevent processing transactions that would result in overspending an account. Transfers to budget lines were made to correct prior overspent accounts and give a more accurate picture of the available funds. Budget reports were being used to more closely monitor spending. However, it appears these controls were deliberately overridden at some point and the budget status report for June 30, 2000 shows a significant number of overspent accounts.

### *Purchasing, Accounts Payable, and Inventory*

The District's purchasing process should ensure maximum value is received for each dollar spent on equipment, supplies and contracted services. Strong controls are necessary to ensure purchases result in securing goods and services in the right quantity and quality, at the right time, and for the right price, and to ensure that purchases are made in compliance with the law and school district policy. All purchases should be necessary, reasonable, and adequately documented. Payments for these goods and services should be made on a timely basis to maintain a good credit standing. Once the

assets are purchased, they should be adequately controlled to prevent loss. The audit found the District needs to improve its controls over purchasing, accounts payable and inventory.

School districts should adhere to their purchasing policies and procedures under the direction of a purchasing agent. The District did not always follow its own policies including those requiring the use of purchase requisitions and purchase orders, and the encumbrance of funds. As a result, the District could be committed to expenditures that are not necessary, reasonable, or within the District's budget.

Signed contracts detailing the specific services to be provided, the dates of service and the cost should support purchases of consultant services. The District did not always use contracts for consultant services. For example, the District paid a security and counseling consultant \$120,000, an education program consultant \$100,000, and a technology consultant \$88,000, without the use of any contract. As a result, the District may not receive the expected services and would have little recourse with the consultants.

Section 103 of the General Municipal Law (GML) requires certain purchases to be competitively bid. The audit found the District awarded a contract for the installation of computer lines for \$28,540 without the benefit of the required competitive bidding. As a result, the District is not in compliance with the GML and has less assurance that it received the best price for the service. In addition, this payment was for a capital project that was not approved by the District voters.

The audit found the District made questionable purchases from consultants including the purchase of educational program services from a member of its SRP, giving the appearance of a conflict of interest. Also, the District purchased counseling services from a consultant lacking the appropriate qualifications. In yet another case, the District purchased services from a consultant and provided the individual with fringe benefits.

Student transportation service contracts may be extended under certain circumstances provided that any increase in cost is reasonable and justified. The audit found the District extended some of its transportation contracts without maintaining any

documentation to show the extensions were reviewed and appropriate.

School districts should monitor the performance of its contractors to ensure the services are received as required by the contract. The audit found that the District did not always properly monitor contractor performance. For example, the District did not adequately monitor student transportation contract performance including the investigation of complaints and compliance with driver and student safety requirements. In another case, the District did not monitor the performance on a contract to develop and maintain an official District WEB site. Our review of the WEB site at the time of this audit found that the site had not been recently updated and contained numerous typographical errors. In addition, it was not properly linked with the BOCES.

In addition, the audit found the District made purchases that resulted in payments for other questionable expenses including sales tax, flowers, and movie expenses. Still other expenses were not adequately documented. For example, the District reimbursed travel and conference expenses based on credit card statements rather than specific hotel bills and restaurant receipts.

The District does not have written procedures for accounts payable. By June 30, 2000, the District had unpaid invoices in excess of \$2.6 million with no procedures in place to determine the accuracy or validity of the bills. The audit did not review the bills in detail, but determined many of them were for goods and services already received, and there was no documentation available for many others.

The District was unable to process its unpaid bills in a timely manner. At year-end, all outstanding bills were entered onto the accounting system as encumbrances rather than expenses. The District's financial statements represent these liabilities as a reserve for encumbrances (fund equity) instead of an accounts payable (liability). As a result, expenditures are underreported by \$2,667,849 and year-end fund balance is overstated by the same amount.

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

ownership and identification labels, and periodically conducting physical inventories.

The District's financial statement shows it owns over \$14.8 million in assets including furniture, fixtures and vehicles. Nevertheless, the District did not establish the necessary controls for the assets. It did not maintain an up-to-date inventory of its assets, tag assets with ownership decals, periodically conduct physical inspections or assign responsibility for the inventory to an individual. As a result, the District's assets are at an increased risk of unauthorized use or loss.

### *Accounting and Financial Reports*

An accounting system should provide for timely, accurate and meaningful reports. These reports are necessary to monitor the financial condition of a school district. However, the audit determined the District needs to keep its accounting system up-to-date, ensure expenses are coded to the proper account, and maintain a process to account for and follow up on accounts receivable.

The District did not keep its general ledger accounts (Cash, Expenditures, Revenue, Due to and Due from Accounts) up-to-date and also did not balance the accounts on a monthly basis. Failure to maintain the general ledger accounts on a current basis increases the chance of errors occurring and not being detected. It also makes it very difficult to accurately close out the accounting records at year-end. This may have resulted, in part, due to a new accounting system (July 1, 1999) and the need to train staff in the new system.

The District did not have a procedure to verify salaries are charged to the correct account. At year-end, employee salary codes are automatically rolled over on the accounting system to the new school year. No one in the District reviews the accuracy of the coding to ensure employee salaries are being properly charged. This has resulted in overspent accounts and staff being charged to inappropriate accounts in the General Fund and Special Aid Fund.

The accounts receivable process may include sending overdue notices, preparing an account receivable aging report, and contacting the delinquent payee. However, the District did not have an effective process in place to help ensure all account

receivables are billed and collected. The District did not bill for foster care tuition for the 1998-99 school year until almost one year after the services were provided. For the billings that were done, the District did not routinely send out overdue notices, prepare an aging report, maintain the records in an orderly manner, or contact the delinquent payees. The inadequate procedures may, in part, account for the fact that the District only collected \$55,000 in foster care tuition even though it billed more than \$350,000 in billings for the 1997-98 school year.

The District is required to prepare various financial reports. However, as previously reported, certain key reports were not prepared or provided to the Board. In addition to those mandated reports, the District should prepare an accurate cash flow statement to help project any excess funds for investment or any shortfalls where borrowing may be required. The District's cash flow statements were neither accurate nor timely. For example, they did not include any amounts due to or from other funds. The audit also noted that the bank reconciliation reports were not reviewed by a supervisor or someone independent of the process. Such a review is a basic control that can help ensure the accuracy of the account balances, both in the accounting records and at the banking institutions.

The District is also required to have an audit of its financial statements by an independent auditor and submit the report to the Department by October 1 of each year. The audit was completed, but the District did not submit the report to the Department until November 9, 2000. In addition, the Board has not yet accepted the audit report as required by regulation.

### *Payroll*

The District spent more than \$22 million on salaries and fringe benefits for its employees during 1999-2000. Given the amount spent on salaries and fringe benefits, the District should have adequate controls for personnel and payroll. The audit found several opportunities for the District to improve its policies and procedures in this area.

In order to add or delete an individual to the payroll, the Board must approve the change and the Personnel Office must notify the Payroll Office of the change. However, the audit determined that some employees were added to the payroll

before the Board approved the appointments. In other cases, new employees were put on the payroll based on Board minutes only rather than a written authorization from the Personnel Office.

In addition, the Personnel Office did not always inform the Payroll Office of changes in salary, withholding taxes and fringe benefits in a timely manner. These weaknesses may have resulted in part from a lack of written procedures for the hiring process. Without clearly defined roles and responsibilities, and effective communication between the Personnel Office and the Payroll Office, there is an increased risk that employees may not get paid the correct amount or in a timely manner.

Controls over payroll can be strengthened by requiring the Business Office or the Internal Auditor to periodically account for and distribute checks to employees (payout), and by reviewing the payroll register for accuracy prior to distributing the paychecks. However, the District did not periodically conduct payouts or routinely review payroll registers for accuracy.

The use of overtime should be carefully monitored to ensure that it's not more cost effective to hire additional staff, rather than pay overtime. Certain offices in the District including the Special Education Office, the Payroll Office and the Accounts Payable Unit routinely incurred overtime expenses. However, the District did not analyze the amount spent on overtime to determine if the overtime was reasonable and necessary or if hiring additional staff would be justified.

School districts should provide each employee with a handbook of administrative policies and procedures, and periodic performance evaluations. The handbook would let employees know what is expected of them and the evaluations could provide feedback on how well the employees are doing. The District, however, does not have an employee handbook or provide periodic evaluations for its employees as required by employee/teacher's contracts.

## **Recommendations**

18. Regularly compare budgeted revenues and expenditures to actual to avoid overspending the budget.

19. Encumber all known obligations of the District, such as salaries and contracts at the beginning of the school year or as they become known.
20. Review encumbrances regularly to ensure their validity and follow up as needed.
21. Regularly provide budget status reports to appropriate administrators and other individuals responsible for controlling appropriations and expenditures in their buildings or programs.
22. Ensure the District uses competitive bidding where appropriate.
23. Ensure all consultant services are supported by signed contracts indicating the detailed services to be provided, dates of service, and costs.
24. Ensure consultants meet the necessary education, training and experience requirements of their positions.
25. Avoid or eliminate conflicts of interest or any appearances of a conflict of interest with members of the State Review Panel and the District.
26. Recover costs to the District for fringe benefits paid to the consultant.
27. Review all transportation contract increase justifications for correctness, appropriateness, and reasonableness.
28. Assign an individual with overall responsibility for record management.
29. Maintain transportation contracts in a secure location.
30. Monitor transportation contractor performance, including complaints.
31. Maintain appropriate records to ensure compliance with safety requirements for drivers and students, and driver training and physical examinations.
32. Improve the District's web site with periodic monitoring and contact with the webmaster.

33. Develop written procedures for inventory control.
34. Establish adequate controls over fixed assets including assigning an individual with overall responsibility for the fixed asset inventory, maintaining detailed records of the assets, and conducting an annual physical inspection of assets.
35. Keep accounting records (journals and ledgers) up to date and balanced monthly.
36. Provide necessary training to Business Office and other staff in the use of the accounting software and the reports it generates.
37. At the beginning of the school year the District should review and verify that employees are being paid out of the proper payroll codes consistent with the new budget and appropriations.
38. Develop a mechanism to follow up on outstanding accounts receivable for foster care tuition.
39. Prepare and review cash flow statements regularly.
40. Prepare monthly bank reconciliations, on a timely basis, and have another responsible individual review them.
41. Submit financial statements to the Department by the October 1 deadline.
42. Establish and implement written procedures defining the hiring process and establishing clear lines of communication between the personnel and payroll functions.
43. Review payroll registers prior to paycheck distribution and consider periodic payroll audits.
44. Strengthen controls over the use of overtime. Review the use of overtime to determine if additional staff should be hired.

45. Develop an employee handbook and discuss expectations for the employees at staff development or Superintendent's conference days.

46. Provide employee evaluations consistent with Board policy and employee contracts.

### **Comments of District Officials**

District officials agreed with audit recommendations 18 through 24 and recommendations 26 through 46, and stated efforts have been made to address the audit concerns. In regard to recommendation 25, District officials indicated that neither the Board nor the superintendent selected the State Review Panel members. Rather, the Department selects the Panel members and it is incumbent upon the Department to guard against conflict of interest relationships.

### **Auditor's Note**

The audit recognizes the concern expressed by the District and acknowledges that it is more of an issue for the Education Department to address than the District.

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# IMPROVEMENTS ARE NEEDED TO ENSURE THE COMPLETE, ACCURATE AND TIMELY SUBMISSION OF DATA RELATED TO STATE AID AND GRANTS

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

The audit determined the District does not have adequate systems and controls in place to reasonably ensure that complete, accurate, and timely data for State aid and grants are obtained, maintained, and fairly disclosed in reports. As a result, the District has lost or is at substantial risk of losing over \$2.3 million in State aid and grants as illustrated on the following table.

Summary of Aids Lost or at Risk

<i>Aid Category</i>	<i>Aid Amount</i>
Growth Aid	\$421,996
Limited English Proficiency Aid (1997-2000 aid years)	251,200
Extraordinary Needs Aid (1997-2000 aid years)	515,052
Building Aid (1999-01aid years)	824,138
Snack Reimbursement	20,000
Grants	<u>306,538</u>
Total	\$2,338,924

*Source: Audit analysis.*

The \$2.3 million total may in fact be higher in that the audit was not able to estimate any amounts for special education, Medicaid claims, or computer aid. Of the more than \$2.3 million in aid, the District was able to recover \$464,877 with the assistance of this audit. Another \$368,116 is still available for Building aid and grants, provided the District takes certain

steps. However, the District has lost the opportunity to recover \$1,505,931 based on current statutory provisions.

While training staff on State aid and grant reporting will improve the process, the District must take additional steps. It needs to reengineer its systems and controls to ensure it routinely claims all the State aid and grant funds it is entitled to receive, based on reliable and valid data. The District needs to develop written policies and procedures for tracking and reporting State aid, ensure staff are adequately trained, provide better oversight with processes, consider using a checklist to ensure all reports are submitted by the due dates, and ensure there is coordination and communication between the Business Office and program offices.

## **State Aid Related Data**

### *Growth Aid*

Growth aid is paid to school districts experiencing increasing enrollment. School districts must file complete and accurate enrollment information on its Basic Educational Data System (BEDS) form to receive the aid. The original data filed by the District showed it was not eligible for Growth aid. However, the audit reviewed, and the District corrected, the data reported which led to the District qualifying for such aid.

The District originally reported the number of students in attendance in the high school rather than the number of students enrolled as required by BEDS. The District revised this information to reflect the number of students enrolled, which resulted in entitlement to \$421,996 of Growth aid. The audit was able to assist the District in securing this aid. This is one of several examples related to data and State aid submissions, which demonstrates the need to improve systems, controls and oversight with the process for claiming State aid.

### *Limited English Proficiency and Extraordinary Needs Aid*

School districts are entitled to receive Limited English Proficiency (LEP) aid for students in approved programs at a school district or a BOCES. School districts must receive prior program approval and report actual expenditures for the previous school year and the number of students receiving LEP services. The audit determined the District did not receive LEP aid for the last three aid years, even though the District had

LEP students and a program for these students. Department officials stated the District did not receive the aid because its LEP program was not approved due to numerous deficiencies in the application. Without an approved LEP program, the District also lost the portion of the Extraordinary Needs aid (EN aid) that is based on the number of LEP students.

With assistance provided by the audit, the Superintendent followed up on this matter and was able to obtain approval for the program. As a result, the District became eligible for LEP aid for services provided in 1999-2000, as well as additional EN aid, which will be payable in the 2000-01 aid year. The District did however, lose about \$251,200 in LEP aid and \$515,052 in EN aid for the last three aid years. In order to avoid loss of future aid, the District must adhere to the requirements of the LEP program and related aid provisions.

The LEP coordinator manually tabulates the counts of LEP students submitted by teachers to determine the number of students to report to the Department. This process could be accomplished more effectively and efficiently if the District used a computerized database system to track the progress for the LEP students within a year and from year to year. The District needs to consider using technology to track this information. Computerization may streamline the process and provide greater accuracy.

### *Building Aid*

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

The audit determined the District did not adequately monitor its capital construction projects, maintain documentation for projects in an orderly manner, or submit accurate, complete, and timely information, as required. This resulted in the District losing or being at risk of losing \$824,138 in Building aid. The District did not adequately monitor the recent Washington Rose Elementary School capital construction projects and did not file the necessary paperwork in a timely

manner, thereby losing \$203,116 in Building aid. The District may be able to recoup some of the lost aid if it files the necessary documentation by June 30, 2001. The audit provided the District's Business Manager with a list of information on all the outstanding building projects for review and follow up. However, the weaknesses in the process resulted in the Department's identification of \$621,022 in adjustments or overpayments in Building aid that cannot be recovered according to existing statutory provisions.

### *Reimbursement of Costs of Snacks*

School districts may claim reimbursement of certain costs incurred in providing snacks to students in its after-school programs. School districts must meet certain requirements for reimbursement and file the necessary information with the Department. However, the District has not filed the necessary information or requested any funds. A Department task force representative stated the District may request reimbursement retroactively and has provided information to the District on the procedures to access these funds. District Officials have not yet submitted the required information. The District's independent auditor estimated the District lost about \$20,000 for a seven-month period for which the Lunch Director provided the required information to the Business Office, but the Business Office did not submit it to the Department.

### *Special Education - Medicaid Claims*

Federal law authorizes Medicaid reimbursement for certain services provided to eligible students, ages 3 through 21, who receive special education services. School districts claim reimbursement for eligible expenditures through one of the BOCES Regional Information Centers. School districts must maintain the following two primary documents to bill Medicaid: related service attendance forms documenting the dates the services were actually delivered; and quarterly reports documenting student progress. The District has billed more than \$1.4 million for Medicaid eligible students in the prior year. If all submitted claims are paid, the District should receive a net 25 percent of its billings or about \$350,000.

The audit determined the District may not have billed for all the Medicaid that it is eligible to receive. A review of a related service report (by service, student, and provider) by a Department representative showed gaps in billings for

numerous students receiving services from District providers. The District did not routinely follow up on the gaps in the billings to ensure all services provided were in fact billed. The District should strengthen controls over the provision of service from District providers (mainly speech) to obtain all necessary documentation to ensure all services are billed. The audit did not estimate the potential loss of Medicaid payments to the District.

### *Instructional Computer Technology Aid*

School districts may claim Instructional Computer Technology aid (Computer aid) for the purchase, lease purchase and /or installation of instructional computer equipment that is not eligible for Building aid or any other technology aids. In order to claim aid for eligible expenses, school districts must develop and maintain a technology plan for the use of the instructional computer equipment. The plan should address equipment acquisition, necessary and appropriate staff development, and the integration of computer technology programs at all grade levels. Aid received must be used in a manner that is consistent with the District's long-term facilities plan and with building-level, district-wide instructional and technology plans.

The District has not claimed any Computer aid, prepared an acceptable plan, or met the other requirements for the aid. Although the District's plan addresses equipment acquisition, it fails to address staff development and integration of computer technology programs at all grade levels. As such, the plan needs to be modified to meet the requirements. The Department's Task Force for Roosevelt has been working with the District over the past three years to prepare an acceptable technology plan. However, the District has not taken the initiative to modify its plan to meet the requirements for aid. Given time constraints, the audit could not estimate the potential loss of Computer aid since the District did not report any expenditures that would generate this aid. The District needs to monitor those expenditures that could generate this aid to ensure they are reported properly for aid purposes.

### *Public Excess Cost Aid*

School districts are entitled to receive Public Excess Cost aid for students with disabilities based on student enrollments and levels of service. The levels of service or percentages of time students receive special education services are used to assign

students to weighting categories that are meant to provide State aid based on the additional relative cost of providing services. The audit found the District may not have accurately calculated and reported its full time equivalent (FTE) enrollment by weighting category and also did not provide any documentation to support the reported FTE students claimed for Public Excess Cost aid.

The District uses software (the Part 200 System) developed by the BOCES to identify students with disability classifications for Public Excess Cost aid reporting. The system provides the necessary reporting for State aid by calculating the FTE and the percentage of time students receive special education services so they can be placed in each weighting category based on the level of service. District officials stated they do not believe the system accurately calculated the required information and therefore, they recalculated amounts manually. BOCES officials indicated to us that the system does accurately calculate the amounts and the exceptions noted by the District were due to District data entry errors. The District needs to work with the BOCES to resolve any exceptions with the system. If the exceptions can be resolved, it will eliminate the need for the District to manually calculate the amounts.

In addition, the audit noted the District did not maintain a list of students claimed for each reported weighting category. Without this information, the audit could not verify the accuracy of the reported data. At a minimum, the District should maintain a list of students for each weighting category including the students' names, full time equivalent enrollment calculations, and dates of service.

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

School districts are entitled to receive HCA for students with disabilities when the cost for a student exceeds a specified amount. School districts must file a Department form and report the actual cost and FTE enrollment for each qualifying student. The audit found the District did not report complete and accurate data to the Department and may not be receiving all the HCA to which it is entitled because of the following conditions.

The District has no system in place to identify and track high cost students served in District placements and did not claim any students served in the District for HCA for the 1998-99 or

the 1999-2000 school years. Some of those students may be eligible for aid, especially students with individual aides or homebound students.

The District has no written procedures to calculate the costs of providing services to eligible students and failed to submit, in a timely manner, a required report for verification of students eligible for HCA. The Business Office and the Special Education Office did not effectively communicate and coordinate the filing of this report. This resulted in the elimination of all students for consideration in the HCA calculation.

Finally, the District did not verify the accuracy of costs reported for students served at BOCES for the 1998-99 after Nassau BOCES sent school districts a revised report of final costs in March 2000.

These conditions have resulted in the District reporting inaccurate data for Public Excess Cost aid and HCA students, but the amount of aid for the 1999-2000 school year was probably not affected. The Save Harmless provisions of the State aid formulas guarantee that the District will not receive less aid for the combination of Public Excess Cost aid, HCA, and Declassification Support Services aid than it received for the same combination in the year before. However, lack of adequate systems, processes, and oversight by management could have resulted in incomplete and inaccurate data in prior years when the amount for Save Harmless was established.

### *Employment Preparation Education (EPE) Aid*

School districts are eligible to receive aid for Employment Education Preparation (EPE) programs that provide instruction that leads to a high school or equivalent diplomas for students 21 years of age or older. The Department pays EPE aid based on the number of contact hours that are provided to eligible students. The aid must be spent for EPE related services and be allowable expenses.

Through an interview with the Director of the EPE program, the audit found that the reported EPE contact hours could include hours for ineligible students and some non-allowable expenses since the Director stated that some program hours and costs did not lead to a high school diploma. The audit did not review contact hours or EPE expenses for appropriateness.

However, according to the previous Director of Funded Programs, an internal audit will be conducted to verify their accuracy and appropriateness. The District needs to review documentation to ensure only eligible contact hours and appropriate expenditures are claimed for aid.

The audit found the District does not have a computerized database system to track student attendance and contact hours for the EPE programs. The District should consider using technology to track this information. Computerization may streamline the process and provide greater accuracy.

In addition, teachers may not be qualified to provide services, since EPE teachers do not receive the required 5.5 hours of annual training.

### *Attendance Data and Basic Operating Aid*

Basic Operating aid is available to help fund a portion of a school district's expense for general operation and maintenance. A factor in the calculation and distribution of this aid is student attendance information. Education Law Section 3211 requires school districts to maintain accurate records of students' attendance and absences. School districts summarize and report attendance data to the Department annually on Form A. Attendance data are also used as a measure of student and school performance and are reported in each district's School Report Card.

The audit was unable to reconcile aggregate attendance reported for the 1998-99 school year to the attendance summary. The District reported 164,467 school days on the summary, but only accounted for 162,723 school days, which is a difference of 1,744 school days. District officials could not explain neither the discrepancy nor the method used to arrive at the reported amounts. Without adequate documentation to support attendance data, there is a greater risk that data reported for State aid are incorrect and student performance is also misstated.

In addition, the audit noted the District's attendance system is not fully integrated. The elementary schools are not connected to the District's central computer system and must still report attendance information manually. If the attendance system was fully integrated, data accuracy and reliability would be

improved and the process could be accomplished more efficiently and effectively.

## **Recommendations**

47. Review State aid calculations periodically to ensure the District receives all the aid to which it is entitled. Consider the use of monthly checklists, calendars, or similar tracking systems to help monitor the timeliness of submissions of all District reports and correspondence.
48. Ensure BEDS enrollment data are accurate prior to submission.
49. Ensure programs for Limited English Proficiency students meet the necessary Department requirements.
50. Ensure all previously completed capital construction projects are closed, and final cost reports submitted to the Department, to avoid the loss of Building aid.
51. Meet the requirements and submit the necessary documentation for reimbursement of costs of providing snacks to students in the District's after-school programs.
52. Provide adequate monitoring of the Medicaid billing process to ensure all related services are provided, documentation of the service is maintained, and eligible services are billed.
53. Prepare a Technology Plan that addresses equipment acquisition, necessary and appropriate staff development, and the institution of computer technology programs at all grade levels.
54. Develop written procedures and systems for the orderly collection, calculation, and reporting of data on students with disabilities eligible for Public Excess Cost aid including High Cost aid.
55. Provide direct supervision, training and cross training for staff in the Special Education Office to ensure all activities related to special education students and their funding are accurately carried out in a timely manner.

56. Work with the BOCES to resolve data entry and other problems in the Part 200 software.
57. Claim all eligible students for High Cost Aid including students served in District and homebound programs.
58. Review the costs for students served at BOCES for the 98-99 school year and make any necessary changes.
59. Create a computerized database system to track contact hours for the EPE programs to ensure that EPE contact hours claimed are for EPE-eligible students only.
60. Ensure only appropriate EPE expenditures are claimed for EPE aid.
61. Ensure teachers meet the training requirements to provide EPE services.
62. Retain adequate documentation to support attendance statistics reported to the Department.
63. Integrate the attendance system so that all schools are connected to the District's central computer system.

## **Comments of District Officials**

District officials agreed with audit recommendations 47 through 63 and stated efforts have been made to address the audit concerns.

## **Grant Related Data**

School districts are generally eligible for certain grants from local, state, and federal governments. To access grant funds, school districts must file an application and budget for approval, submit budget amendments as needed, periodically request interim payments, and file a final expenditure report. For the period July 1, 1999 through August 31, 2000 the District was eligible to receive over \$3.6 million in grants, an amount totaling about ten percent of the District's annual budget. The audit determined the District does not have adequate systems, processes and management controls in place to reasonably ensure that complete, accurate, and timely data are submitted to the Department. The audit found numerous

examples of deficiencies, which are described in more detail as follows.

### *Monitoring of Grant Revenues and Expenditures*

The District did not have procedures to monitor the accurate, complete, and timely submission of grant applications, amendments, requests for interim payments, and final expenditure reports. In addition, duties and responsibilities of the Director of Funded Programs and various program managers were not clearly defined, access to necessary financial information was not available, and communication between and among District offices was limited. The failure to regularly monitor its grant submissions resulted in the loss or potential loss of \$306,538 in grant funds for the District. This is evidenced by the following examples.

- Several grant amendments were not submitted timely. School districts are required to submit amendments prior to the end of the grant period. The District submitted amendments at the same time final expenditure reports were submitted, resulting in the loss of \$81,999 for the 1997-98 Goals 2000-Local Improvement grant, \$13,800 from the 1998-99 Comprehensive School Reform grant and \$2,858 from the 1998-99 CPSE grant. As a result, the District lost the opportunity to claim \$98,657 in revenues for these grant purposes.
- The District did not periodically request interim grant payments in a timely manner, resulting in the General Fund subsidizing grant expenditures. The audit suggested that the Director of Funded Programs request all available funding as soon as practicable. The action was taken.
- The failure of the District to submit a timely final expenditure report for its SURR grant resulted in a temporary hold on all grant payments to the District. As a result, all payments to the District were delayed.
- The District did not receive approval for the 1999-2000 Federal Early Grade Class-size Reduction grant due to deficiencies in its application. As such, the District risks losing about \$90,000 in grant funds unless it makes the necessary corrections to its application in a timely fashion. It also needs to apply for the State and Federal Class-size Reduction grants in a timely fashion.

Failure to have a process to monitor grants also resulted in over/under spending. Several examples follow.

- The District's failure to monitor its the 1998-99 Title I grant resulted in the potential loss of \$42,881 in excess carryover funds. The District did not immediately follow up on reinstatement of those funds after receiving notification of the potential loss. However, the audit informed District Officials of a mechanism to request reallocation of the funds. As a result, the reallocation of the funds was requested and received.
- Accounting records showed several grants were under spent, yet the grant periods were quickly coming to a close.
- Other grants had account codes that were overspent, although the grants were not overspent in total.
- Additionally, two county grants will be overspent, the Nassau County Drug and Alcohol Grant by about \$19,000 and the Nassau County School Based Health Grant by about \$5,237 for salaries plus all fringe benefits.
- Through a review of the entire Special Aid Fund, the audit found the District's accounting records did not reflect all appropriate expenses in the grants. More than \$14,000 in current year encumbrances and expenditures was not reflected in any specific grant due to confusing, incorrect, or incomplete project and account codes.

The audit also found that some expenses were charged to grants, despite the appropriateness of the expenditures for that category or that grant as seen in the examples below.

- \$150,000 was encumbered in the 1999-2000 Goals 2000 grant as partial payment for books that were not originally budgeted. When this was brought to the attention of District Officials, an amendment to the grant was requested and approved for use of Goals 2000 funds for the books.
- \$3,800 in stipends (\$200 each) for students participating in the District's 1998-99 America Reads grant were inappropriately charged to the 1999-2000 Pre-K to 6 Literacy grant. Since the America Reads grant period had

ended, the District charged the expense to the literacy grant.

### *Grants from the New York State Legislature*

The District was awarded \$100,000 by the New York State Legislature during the 1998-99 school year. The District received a \$25,000 grant toward the general support of school operations that was not targeted to any specific purpose. The remaining two grants were awarded for specific purposes.

The District submitted applications for the remaining two grants: a \$25,000 grant for educational enrichment and a \$50,000 grant for reconstruction of tennis courts. At the same time, the District requested approvals to use one of the grants to build a weight room and the other to make various improvements in the District. The District had already spent about \$36,000 for the construction of the weight room. The requests for modifications to the original grant purpose were denied.

The District needs to ensure that the original legislative intent for the use of these funds is honored. It must resubmit applications for the use of these funds to the Department or risk losing \$75,000 in grant funds.

### *Accountability for Indirect Costs*

The Department's publication, *Fiscal Guidelines for Federal and State Aided Grants*, establishes general criteria for allowable costs. To be eligible for reimbursement, costs must be necessary and reasonable for the proper and efficient operation of the program and must not be included as a cost in any other project or grant. The audit found that expenditures charged to the indirect cost categories of several grants were inconsistent with the purpose of indirect cost allocations.

Indirect costs can be broadly defined as central administrative costs and certain other organization-wide costs that are incurred in connection with a project which cannot be readily identified with a project. An indirect cost rate may be established that generates an amount to be used in support of such central administrative costs. Calculated indirect costs are intended to reimburse the General Fund for administrative costs incurred in support of a grant.

The audit found that indirect costs recovered from grants were not used to support administrative costs. A review of several grants showed the District did not transfer \$63,715 in funds for indirect costs to the General Fund to cover administrative costs but rather used them as discretionary funds. The District has not utilized its funds to reimburse the General Fund for overall administrative expenses, which could have resulted in cost savings to the District.

### *Use of Grant Funds for Questionable Purposes*

Several grants including three special education grants, Title I, and Early Grade Class-size Reduction (State) grants, were reviewed for appropriateness of grant expenditures. The audit found the District used grant funds for field trips, entertainment, salaries and other grant expenditures that were not considered appropriate charges for the use of these grant funds. These matters are discussed in more detail as follows.

#### *Field Trips*

Expenses for field trips may be an appropriate expense of a school district provided the expenses are budgeted and approved, and are for valid educational purposes. The audit disclosed the following.

The District paid \$16,850 of the \$27,184 cost of sending one-sixth grade class to Disney World. The trip was paid with \$15,271 that was transferred from the Title I, Early Grade, Extended Day and Goals 2000 grants' indirect costs allocations to the school's Extraclassroom Activity account (ECA) and another \$1,579 charged to the Title I indirect cost account line.

Documentation provided by the District disclosed the trip was more recreational in nature. The trip was not part of the stated purpose of any of the grant programs providing funding or the school curriculum. In addition, co-mingling of governmental funds with student activity funds is prohibited. As such, the use of grant funds was not appropriate to finance this trip and the costs should not be allowed in the grants. Therefore, the Disney trip should have been funded entirely by the participants and / or the ECA fund.

Review of the documentation for a payment from the ECA account indicates the fund was not an appropriate ECA fund since it is not run for and by students. For example, approvals

of disbursements by a student activity treasurer and a central treasurer were not evident.

In another instance, the District sponsored an educational trip to Detroit costing \$16,291. The District charged the expenses to the indirect cost account category for several grants. However, these amounts were not budgeted and approved as part of any of the District's grants. As such, the expenses are not allowable expenses for the grants and are not an appropriate use of the indirect cost funds.

### *Entertainment*

Title I of the Elementary and Secondary School Education Act of 1965 is designed to help disadvantaged children meet challenging content and student performance standards. According to Federal regulations, entertainment is defined as, "Costs of entertainment, including amusement, diversion, and social activities and any costs associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable."

Title I funds were used to pay \$3,914 for a Family Fun Day. Documentation provided by the District indicated that the event was social in nature, raising a question on the educational benefit and use of District grant funds for this activity.

In addition, Title I funds were used to pay for parent activities, which should relate to how parents, school and District staff, and students will share the responsibility for improving student achievement. The audit found some questionable expenditures for parent activities totaling \$1,470 in food, flowers, gifts, and supplies. Documentation was not sufficient to show how these expenses related to parent activity programs in the school.

Also, the audit questions \$981 of Title I funds used to send 30 people to a performance (\$300) and dinner (\$681) in New York City. Documentation did not indicate who attended, the educational benefit of the performance, or the event's relation to the Title I program.

### *Salaries*

The audit found expenses for an unapproved stipend and incorrect salary classification charged a special education grant, IDEA, Part B, Section 611. They are discussed below.

The District paid a \$15,000 stipend to the Director of Special Education in June 2000 without Board approval. The approved budget for the grant included \$15,000 for the Director of the Alternative School. Since the responsibilities for the Alternative School are part of the responsibilities of the Special Education Director, any portion of the Director's salary paid from any grant should be an allocation of her total \$85,000 salary, with the balance paid from the General Fund. The stipend payment was unauthorized and should be returned to the District.

In another matter, the accounting records for same grant showed the \$7,500 salary for the Assistant Chairperson for the Committee On Preschool Special Education (CPSE) was incorrectly classified as support staff instead of professional staff, as approved on the grant budget. This error should be corrected to avoid losing grant funds when final expenditure reports are produced, and to maintain accounting records that support actual grant expenditures.

### *Other Grant Expenditures*

The audit disclosed other matters related to the expenditures of certain grants as follows.

Special Education Grant - IDEA, Part B, Section 611 - The approved budget for this grant showed approval to hire a student intern to work in the District. The program is designed to improve the transition of special education or at-risk students by developing work skills, improving social relationships, and easing the move into the work force. The audit found that one of three interns hired by the District for Summer 2000 worked in the Centennial School office answering telephones was not qualified for the program.

The audit found the District does not have policies or procedures for the selection and hiring of student interns. As a result, the Director of Special Education could not confirm the student was an appropriate candidate for the intern program. In addition, there was no Board resolution for the hiring of two of

the three interns. The District was not acting in an appropriate manner to provide meaningful work experience to a special education or at-risk student. In the future, the District should establish policies or procedures for the selection and hiring of student interns and maintain adequate documentation for each position.

Personnel practices related to this intern were not appropriately handled. For example, the audit found the District did not prepare a requisition for payment and the purchase order did not originate with the Special Education Director, who was responsible for the grant. Also, the purchase order indicated the intern worked in the Pupil Personnel Office, when, in fact, the intern worked at the Centennial School. The intern did not sign time sheets, nor did her supervisor consistently sign them.

State Early Grade Class-size Reduction Grants - The approved budget for this grant was \$206,175 to hire teachers to reduce class sizes in several schools. The grant requirements specify that a distinct class, with a separate teacher, be set up, and class size be reduced. In addition, the District's goal over three years should be to reduce class-size to a maximum of 20 students per class.

The audit found that the District did not adhere to the grant requirements since not all teachers charged to this grant met the requirements. For example, at Centennial Elementary School, only one of three teachers hired met the requirement to reduce class size in a separate setting. Two other teachers, who reduced the student/teacher ratio for the inclusion program but did not establish a separate classroom, are not allowable in the grant.

## **Recommendations**

64. Clearly define the duties and responsibilities of the Director of Funded Programs and grant managers to ensure fiscal monitoring of grants including the appropriateness, completeness, and accuracy of expenditures.
65. Submit the required documentation to apply for approval of the 1999-2000 Federal Early Grade Class-Size Reduction Grant and 1998-99 legislative grants.
66. Reimburse the Special Aid Fund for actual costs of prior year grants amounting to \$98,657.

67. Review grant accounts to ensure expenditures are properly coded.
68. Use grant funds for their intended purpose.
69. Properly account for indirect cost revenue as a transfer to the General Fund where it is used to cover administrative costs.
70. Ensure that all field trips related to grant activities are budgeted, approved, allowable and adequately documented.
71. Ensure that any governmental funds are not co-mingled with student activity or private funds.
72. Ensure all non-educational field trips are funded by Extraclassroom Activity Funds or private funds.
73. Develop procedures to eliminate inactive or inappropriate Extraclassroom Activity accounts.
74. Request reimbursement from the travelers for expenses for the Disney World trip and the performance in New York City.
75. Use the General Fund to reimburse the Special Aid Fund for the questioned costs related to the Detroit trip, Family Fun Day, and parent activities.
76. Recover the stipend payment of \$15,000 from the Director of Special Education.
77. Review salary classifications for the CPSE chairperson as well as others whose positions are funded by grants for appropriateness.
78. Use the 1998-99 legislative grant funds for the intended purpose or repay the funds from the General Fund.
79. Establish and follow procedures for the selection, hiring, and supervision of student interns.
80. Report only those teachers, who met the grant provisions related to the Early Grade Class-Size Reduction Grant.

## **Comments of District Officials**

District officials agreed with audit recommendations 64 through 80 and stated efforts have been made to address the audit concerns. In regard to recommendation 72, District officials indicated all field trips should have an educational purpose or they should not be taken.

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# IMPROVEMENTS ARE NEEDED IN REPORTING DROPOUT AND COHORT STATISTICS

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School districts report data on student performance which are utilized to produce various reports on student outcomes such as the New York State School Report Card. Data need to be reliable and valid to ensure that student performance is accurately portrayed. The audit assessed the accuracy of data reported for student dropouts and cohort enrollment which are used to track student progress toward meeting graduation requirements. The audit determined that the District understated the number of dropouts by 68 students, resulting in a 16.5 percent dropout rate and did not report accurate cohort statistics.

The audit also found, as shown in a prior section of the report, some minor discrepancies in attendance data reported by the District. Attendance data also need to be reliable and valid since it is used as a measure of student and school performance and is reported in the School Report Card.

## **Dropout Statistics Substantially Understated**

School districts are required to report the number of dropouts annually. The Department has defined a dropout as any student who leaves school prior to graduation for any reason, except death, and did not enter another school or approved high school equivalency preparation program. This information is used by the Department to calculate a dropout rate. The rate is calculated by dividing the total number of students who dropped out in a given year by the total Fall enrollment in grades 9 through 12. The rate is published in the Report Card for each school district and can be used to compare performance among districts.

The dropout rate is a key measure utilized by the Department in gauging whether a school district's registration as a public school should undergo a review. It is also used as one of the Department's performance benchmarks in identifying schools that may need assistance in raising student performance. The audit determined that the District did not accurately report the number of dropouts or maintain adequate documentation supporting the number of dropouts reported.

School districts should maintain a list of students who dropped out of school which should correspond to the number of dropouts reported to the Department. Because the District did not maintain such a list, the audit was unable to determine what students the District counted as dropouts.

School districts should document in each student's file the reason for leaving, efforts made to retain or place the student in another program, and whether the student entered another school or approved high school equivalency program. An examination of the District's student files found that this type of documentation was often lacking.

The District did not always include those students whose parent(s) requested their withdrawal, students who withdrew for no reason, students in the foster care system, incarcerated students, and non-graduates. Each of these students should be counted as a dropout unless the District can document the student entered another high school or an equivalency program.

After adjusting for the above condition, the audit determined that the District understated its dropouts by 68 students for the 1998-99 school year. As a result, the recalculated dropout rate for the year amounted to 16.5 percent, almost three times the 5.7 percent rate initially calculated for the District and almost four times the Statewide average rate of 4.2 percent.

The District needs to educate staff in the definition of a student dropout and maintain processes to accurately count and report the data. It needs to monitor student dropout indicators and address the overall matters as part of its CAP.

## **Cohort Statistics Reported for 1996 and 1997**

School districts are required to track and report progress toward meeting graduation requirements by submitting cohort data for students entering ninth grade at the beginning of the school year. The data are used to gauge how students are progressing toward obtaining their high school diploma and can be used to identify at-risk students. To ensure that data are accurate, the District needs adequate systems and processes to track and report cohort data. The audit determined that the District did not have adequate systems and processes in place to track and report accurate cohort statistics. As a result, students' progress toward meeting graduation requirements is not accurately portrayed.

The audit found discrepancies in cohort data reported by the District.

- The District understated the total 1996 and 1997 cohorts by 27 students, (23 percent) and 18 students (13 percent), respectively.
- The District did not report special education students in either the 1996 or the 1997 cohort.
- The District understated the number of general education students receiving credit for the English Regents or equivalent examination for the 1996 cohorts by 10 students (4 percent).
- The District understated the number of general education students receiving credit for a Mathematics Regents or equivalent examination for the 1996 cohort by 5 students (10 percent).

These numbers are based on the District's acceptance of the 55-64 grade standard for students to receive graduation credit in English or Mathematics for both cohorts.

One of the reasons for the discrepancies noted above is the District's incomplete understanding regarding the definitions for reporting cohort data. For example, the District excluded from its cohort counts, students with disabilities who were not exempt from meeting the Regents graduation requirements. Additionally, the District's process for tracking and gathering cohort data is haphazard. For example, the District was unable to obtain the necessary information and enrollment lists of students from the District's data systems. As such, the guidance counselor who prepared the reports resorted to a variety of lists in an attempt to include all students who met the appropriate cohort criteria. The audit found that many students, who should have been included in the cohorts, were not.

Student test scores are a key measure for classifying cohort data. Test scores are taken from student transcripts or lists maintained by the guidance counselor. The audit reviewed transcripts and student files to obtain the additional test scores for students not originally counted in the cohorts. However, student transcripts were not computerized, were filed haphazardly, were not always complete, and in some cases, could not be found. As such, test score data validity is questionable.

The District agreed with the findings and revised cohort data and recognized the need for improvement. Without adequate systems and processes in place, the District is at risk for inaccurate and incomplete data and certain students may not be identified as needing help to meet the higher standards.

## **Recommendations**

81. Establish a system to adequately document and track the status of all students who leave the District and the District's efforts to retain the student or place them in another program. Also, retain adequate documentation to support the reported numbers.

82. Establish systems and processes to document, track, and report accurate cohort data. Also, retain documentation to support the reported numbers.

## **Comments of District Officials**

District officials agreed with audit recommendations 81 and 82 and stated efforts have been made to address the audit concerns.

Contributors to the Report  
Roosevelt Union Free District

- Michael Abbott, CPA, Audit Manager
- Nancy Taylor, CPA, Auditor-in-Charge
- Stewart Hubbard, Senior Auditor

# Roosevelt Union Free School District

ADMINISTRATIVE OFFICES 240 Denton Place Roosevelt, NY 11575 Tel: (516) 867-8600 Fax: (516) 379-0178

Board of Education  
Mark Davis, President  
Darren Connor, Vice President  
Marsha Bedard  
Rodney Romain  
Glenn Simmons

Horace Williams  
Interim Superintendent of Schools

March 2, 2001

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

Dear Mr. Tworek:

I enclose the response to the Draft Report (SD-0200-4) related to the audit of the Roosevelt Union Free School District for the period July 1, 1998 through March 31, 2000. I also thank you for the extension to allow us additional time to review the report.

After reviewing the main body of the report regarding overall audit results, I find that the report extends beyond the March 31, 2000 date. (i.e. page 14 - reference to the budget status report for June 30, 2000). If the time of the report is incorrect, please adjust.

Each recommendation listed in the report has been reviewed and discussed with personnel delegated with the responsibility of correction and implementation. As a result of the district's Corrective Action Plan for the 2000-2001 status review, some of the terms have been addressed. Recommendations that have not been fully implemented will be reviewed weekly until there is sufficient evidence that we have corrected all 82 recommendations. However, the recommendations we disagree with are noted in the attached report. An aggressive timeline of 90 days is targeted for complete implementation of the recommendations. Thirty (30) day status reports will reflect our progress.

If you have any questions or require additional information regarding the status of implementation, please contact Kwame Yiadom-Boakye at (516) 867-8663.

Sincerely,



Horace Williams  
Interim Superintendent of Schools

HW:mgd

Enclosure

cc: Roosevelt Board of Education  
Stephen Golas, State Review Panel  
Sharon Holder, State Review Panel

## Management Response to SED Audit Recommendations

1. ***Full Agreement.*** The Board of Education has directed that the Superintendent and the administrators plan, develop and institute the necessary corrective actions pertaining to the recommendations in this report. Since July 1, 2000, Roosevelt Union Free School District has moved to implement substantial portions of these recommendations.
2. ***Full Agreement.*** The Superintendent and the Assistant Superintendent for Business have discussed in cabinet and district-wide administrative meetings the need for controls and its importance in assisting the district in attaining its goals. The district is in the process of developing a policy handbook to assist in this direction.
3. ***Full Agreement.*** As indicated in the Corrective Action Plan, the recommendation has been implemented.
4. ***Full Agreement.*** The Board of Education, Superintendent and Administrators have planned series of retreats for the spring at which time the roles of each person will be discussed. Administrators will then conduct workshops for their respective departments explaining, clarifying and delineating the roles of individual employees.
5. ***Full Agreement.*** This recommendation is fully implemented. The Board of Education members receive training on an ongoing basis through such organizations as the New York State School Boards Association.
6. ***Full Agreement.*** RUFSD managers have fully implemented or are in progress of addressing all the actions specified the CAP and also in SED audits and management letters from the District's independent auditor.
7. ***Full Agreement.*** This recommendation is fully implemented. The Board of Education and the Review Panel receive and review budget status reports, cash reports, warrants and bank reconciliations on a monthly basis.

8. **Full Agreement.** The Board of Education regularly reviews and approves in a timely manner, recommended budget transfers from the Superintendent.
9. **Full Agreement.** The Board of Education, the Superintendent and the administrators, in consultation with SED, have been working on a long-term financial plan for operating expenses and capital items.
10. **Partial Agreement.** The Board of Education believes that establishing a finance committee will better serve the needs of the district. In addition to their audit function, a finance committee will have broader fiscal oversight responsibilities such budget preparation, review of expenditures, and long-term fiscal planning. A finance committee will foster community participation, as committee members will be drawn from the residents and taxpayers of RUFSD (Roosevelt Union Free School District).
11. **Full Agreement.** The Board of Education and Superintendent are committed to achieving stability, consistency and continuity in the district. The Board has offered the Superintendent a three-year contract, and the two are in negotiations to finalize the agreement. All cabinet positions have been filled with permanent personnel at the district level.
12. **Full Agreement.** The Superintendent has directed his cabinet to review and update the existing policies procedures subject to the approval of the Board of Education. The development of a policy handbook is in progress. When completed it will be distributed to the employees for quick referencing.
13. **Full Agreement.** The Board of Education, the Superintendent, and the district administrators are in the process of developing written procedures, guidelines that will govern all the business and financial operations, and the day-to-day functions of the district in accordance with GAAP, government accounting procedures and SED guidelines. This project will be completed by June 30, 2001 or shortly thereafter.
14. **Full Agreement.** The Board of Education has hired a competent person with experience in school business operations as treasurer.

15. **Full Agreement.** The District is in the process of developing established procedures based on SED guidelines, GAAP and government accounting regulations assist the treasurer in the performance of his duties.
16. **Full Agreement.** The Board of Education has directed the Treasurer not to sign checks for payment without the approval of the claim by the Internal Claims Auditor.
17. **Full Agreement.** The District does not issue hand-drawn checks without the authorization of Internal Claims Auditor anymore. The Business Office will insure that the necessary documentation to support the expenditure is attached in all emergency situations.
18. **Full Agreement.** The District compares revenues to expenditures on a monthly basis.
19. **Full Agreement.** The District has encumbered all known salaries and contract obligations for 2000-2001, and will continue with this practice.
20. **Full Agreement.** The District reviews encumbrances on a monthly basis to insure their validity.
21. **Full Agreement.** The District provides on regular basis to administrators and directors their budget status report. In addition, the Business Office has an open door policy whereby administrators and program directors can request and receive on demand their budget status report as of that date.
22. **Full Agreement.** The District writes and advertises all bids for contracts in the *Newsday*. In addition the District adheres to competitive bidding practices.
23. **Full Agreement.** Consultants engaged by the district sign contracts before beginning the delivery of services. The District requires that counsel must review contracts before being signed.
24. **Full Agreement.** The District requires documentation attesting to the qualifications consultants. In addition to checking the validity of a

consultant's qualification the District also verifies references submitted.

25. ***Disagree.*** Neither the Board of Education nor the Superintendent selected the State Review Panel members. If SED selects the panel and committee members then it is incumbent upon SED to insure that persons selected will pass the muster with respect to conflict of interest.
26. ***Full Agreement.*** The Board of Education has not made a decision on how it wants to proceed in terms of recovering cost of fringe benefits paid to a consultant.
27. ***Full Agreement.*** The District has reviewed existing transportation contracts to justify price increases. This review is done on as needed basis.
28. ***Full Agreement.*** The Superintendent's review of the District's personnel needs is in progress. The decision to hire a new person or assign this responsibility to a present employee will be driven by available financial resources.
29. ***Full Agreement.*** The District's transportation contract is kept in a secure location—cabinet under lock and key.
30. ***Full Agreement.*** The District's monitoring of transportation contractors performance is in progress. This is an on-going process.
31. ***Full Agreement.*** The District is in the process of asking for documentation from the transportation contractors to insure that they are in compliance safety requirements. However, it is pertinent to know that SED approved transportation contractors legally bound to provide safety when transporting students.
32. ***Full Agreement.*** The Board of Education is in the process of selecting an outside contractor to maintain the website.
33. ***Full Agreement.*** The written procedures for inventory control are in progress. District will also hire a contractor to do the inventory count for the district.

34. ***Full Agreement.*** The Assistant Superintendent for Business is responsible for the activities mentioned in this recommendation. The District in the process of developing policies and procedures for controlling fixed assets.
35. ***Full Agreement.*** The District's accounting records are current and balanced.
36. ***Full Agreement.*** The District has hired a person who used to be a Finance Manager trainer for district, and also a former school district accountant. Intensive training in this area will begin soon.
37. ***Full Agreement.*** The District has conducted this review twice this year.
38. ***Full Agreement.*** The District has completed billing for foster tuition from 1998/99 to 1999/2000.
39. ***Full Agreement.*** The preparation of cash-flow statements is in progress. It is done on regular basis.
40. ***Full Agreement.*** The treasurer on monthly basis reconciles the District's bank accounts.
41. ***Full Agreement.*** The District will make every effort to adhere to the October 1 deadline.
42. ***Full Agreement.*** The Business Office and the Personnel Department will meet regularly to ensure that clear lines of communications are maintained.
43. ***Full Agreement.*** The District has done comprehensive reviews for all the buildings in the district. In addition, the Superintendent certifies the payroll as required by the civil service. The internal auditor does periodic checks.
44. ***Full Agreement.*** The District does allow not overtime except in extreme cases where an employee's services is really needed.

45. **Full Agreement.** The District is in process of developing a handbook.
46. **Full Agreement.** The evaluation of all employees in the district is in progress.
47. **Full Agreement.** The district has been reviewing state aid calculations on-going basis. The District has its tracking system in place to ensure that reports and correspondence are submitted on time.
48. **Full Agreement.** The District is in the process verifying the accuracy of BEDS enrollment data.
49. **Full Agreement.** The District has met all SED requirements for Limited English Proficiency students.
50. **Full Agreement.** The District is in process of closing previously completed capital construction. The final cost reports will be submitted to the SED as soon as it is completed.
51. **Full Agreement.** The District submits required documentation on monthly basis to SED for reimbursement.
52. **Full Agreement.** The District has hired a contractor that will prepare and submit to SED billings for outstanding reimbursements, and also assist in training the staff for this purpose. The District has sought the assistance of SED staff in this area.
53. **Full Agreement.** The District has an SED approved technology plan. The District is also in contact with BOCES for assistance in reviewing and improving on the existing and /or developing a new plan. BOCES will also provide staff development in this area.
54. **Full Agreement.** With the assistance of SED personnel, the District is in process of developing a system dealing procedures, collecting, analyzing and reporting of data to determine eligibility in Public Excess Cost aid and High Cost aid.
55. **Full Agreement.** To attain this goal, the District is in an on-going consultation with the SED, BOCES and a contractor. Personnel in the

Special Education Office will be evaluated soon to determine where the deficiencies are, and to correct them.

56. **Full Agreement.** The District in contact with BOCES about resolving all the problems associated with Part 200 software.
57. **Full Agreement.** The District has hired a contractor for this purpose.
58. **Full Agreement.** The District is in the process of reviewing costs for students served at BOCES from 1998-1999 to 1999-2000, and every year thereafter.
59. **Full Agreement.** The District will design a system within the 90 days that will track enrollment and attendance for EPE students.
60. **Full Agreement.** To attain this goal, the District reviews all expenditures submitted for EPE to insure that they meet the requirements for aid.
61. **Full Agreement.** The District is in the process of reviewing the credentials of teachers employed in EPE program.
62. **Full Agreement.** The District keeps attendance records.
63. **Full Agreement.** The District is in the process of developing an integrated attendance system.
64. **Full Agreement.** The task of delineating the duties and responsibilities of the Director of Funded programs and grant manager is completed. The District is in the process of developing and implementing procedures to ensure that all grant expenditures are spent correctly.
65. **Full Agreement.** The District will be submitting the required documentation to apply for the 1998-99 legislative grant. Documentation for the 1999-2000 Federal Early Grade Class-Size Reduction is completed.

66. **Full Agreement.** The appropriate transfers will be made as soon as the District completes internal review transactions involving General Fund and Special Aid Fund.
67. **Full Agreement.** The District will review all grant accounts to ensure that all expenditures coded correctly.
68. **Full Agreement.** The appropriate District personnel will meet monthly to ensure that grants are used for intended purposes.
69. **Full Agreement.** Appropriate personnel in the Business Office will be directed to do so.
70. **Full Agreement.** The appropriate District personnel will review all expenditures associated with field trips to ensure accuracy and correctness.
71. **Full Agreement.** The District is the process of reviewing and establishing procedures to prevent the occurrence co-mingling of funds at a future time.
72. **Disagree.** The District position is that if a field trip is non-educational then it should not be taken at all by a school. Extra-classroom Activity Funds or private funds solicited should be used to fund trips that are of educational value to students.
73. **Full Agreement.** The appropriate District personnel have been directed to close all inactive or inappropriate accounts.
74. **Full Agreement.** The Board of Education has not made a decision on how they want to proceed in terms of recovering on the amount.
75. **Full Agreement.** The District will implement this recommendation as is.
76. **Full Agreement.** The Board of Education is yet to make a decision on how they want to proceed.

77. ***Full Agreement.*** The District is in the process of completing the review CPSE chairperson's salary to ensure its correctness and validity.
78. ***Full Agreement.*** The District will spend this grant for its intended use.
79. ***Full Agreement.*** The Superintendent and administrators will establish procedures for selecting, hiring and supervising student interns.
80. ***Full Agreement.*** The District has completed this report.
81. ***Full Agreement.*** The District is in the process of developing a system in conjunction with BOCES to track enrollment, withdrawals and account for students remain in, or leave the district.
82. ***Full Agreement.*** The Personnel Director and appropriate District personnel will develop a system in tracking the District's cohort data.

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

**Requests for Audit Review**

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

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

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

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

An audit report which recommends improvements in internal controls of administrative or financial systems, but has no material financial impact on the organization, will not be considered for an audit review proceeding.