
Audit Report

William Floyd Union Free School District

For the Period

July 1, 2000 through June 30, 2005

SD-0107-2

December 4, 2007

**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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December 4, 2007

Mr. Robert Vecchio, Board President
William Floyd Union Free School District
240 Mastic Beach Rd.
Mastic Beach, NY 11951

Dear Mr. Vecchio:

The following is our final audit report (SD-0107-2) on the William Floyd Union Free School District for the period July 1, 2000 through June 30, 2005. The audit was conducted pursuant to Education Law Section 305 and the Board of Regents/State Education Department Strategic Plan – Goal #5 which states: “Resources under our care will be used or maintained in the public interest.”

Ninety days from the issuance of this report, District officials will be asked to submit a corrective action plan as a result of this audit. This required report 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,

James Conway

Enclosure

c: Commissioner Mills, T. Savo, J. Duncan-Poitier, B. Porter, J. Delaney, M. DiVirgilio, C. Szuberla, R. Reyes, D. Shephard (DOB), J. Dougherty (OSC), P. Casciano, E. Zero

Executive Summary

Background and Scope of the Audit

The William Floyd Union Free School District (District) is located on the South Shore of Long Island in Suffolk County and served 10,191 students in eight schools during the 2004-05 school year. The District expended over \$11.3 million in Title I funds during the fiscal years 2000-01 through 2003-04. Title I is a federal program designed to support State and local school reform efforts tied to challenging State academic standards. It reinforces and amplifies efforts to improve teaching and learning for students farthest from meeting State standards.

The U.S. Department of Education's Office of Inspector General (OIG) conducted audits of the District's Title I program to determine whether salary/salary-related and non-salary related expenditures were allowable in accordance with applicable laws and regulations. As a result of these audits, program determination letters were issued by the Assistant Secretary for Elementary and Secondary Education requiring corrective action be taken that included a follow-up audit of the District by the New York State Education Department (NYSED).

NYSED's Office of Audit Services (OAS) conducted the follow-up audit of the District's Title I program. The objectives of the audit were to determine if supporting documentation existed for the more than \$4.6 million in salary/salary-related expenditures charged to Title I for the period July 1, 2000 to June 30, 2004; to determine if additional unallowable non-salary related expenses were charged to Title I from July 1, 2001 to June 30, 2005; and to assess the adequacy of the District's efforts to implement policy and address procedural deficiencies related to personnel, finance, and internal controls. To accomplish our objectives, we reviewed documentation for the salary/salary related and non-salary related expenditures.

Audit Results

Our audit of the District's Title I grant for the audit period resulted in disallowances of \$471,368 in salary/salary-related expenditures and \$76,793 in non-salary related expenditures. The disallowances and other improvement opportunities resulted from the following:

- Inadequate documentation to support \$100,749 in salary expenditures for three staff; \$98,468 in non-professional and per diem salaries; and \$146,477 in salary-related journal entries.
- Charges associated with unsupported salary expenditures. These charges were for employee benefits, health insurance, life insurance, and indirect costs; they amounted to \$34,150, \$84,941, \$2,896 and \$3,688, respectively.
- Non-salary expenditures in the amount of \$76,793 were charged to Title I, but were not allowable and/or did not have sufficient documentation.

- A comprehensive unduplicated list of all The District's Title I students was not maintained at the District or school level. We found that students' records were not consistently available in student files to show the Title I teacher, that Title I eligibility criteria was met, or that services actually occurred.

In addition we found internal control weaknesses related to contract documentation, receipt and payment of goods, claims documentation, travel guidelines, accuracy of expenditure reporting and internal claims review. Furthermore, improvement opportunities exist in the District's policies and procedures as there are some aspects of operations that were not completely addressed by the new policies and procedures.

Comments of William Floyd Officials

District officials' comments about the findings were considered in preparing this report. Their response is included as Appendix D.

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Introduction

Background

The William Floyd Union Free School District (District) is located on the South Shore of Long Island in Suffolk County and served 10,191 students in eight schools during the 2004-05 school year. The District expended \$15,355 per student in the 2004-05 school year, which is just over the \$15,035 State average per student expenditure. This is an urban or suburban school district with high student needs in relation to its resource capacity. In 2004-05, about 25.3 percent of the students were eligible for free lunch.

The federal grant authorized by Title I Part A (Title I) of the Elementary and Secondary Education Act of 1965 (ESEA) as amended by the No Child Left Behind Act of 2001 is designed to support State and local school reform. These reform efforts are tied to challenging State academic standards in order to reinforce and amplify efforts to improve teaching and learning for students farthest from meeting State standards.

Public schools with poverty rates above 40 percent may use Title I funds to operate a 'schoolwide program' to upgrade the instructional program for the whole school. Schools with poverty rates below 40 percent, such as William Floyd, or those choosing not to operate a 'schoolwide program', offer a 'targeted assistance program' in which the school identifies students who are failing, or most at risk of failing to meet the State's performance standards. The school then designs an instructional program to meet the needs of those students. The District expended a total of over \$11.3 million in Title I funds during the fiscal years 2000-01 through 2003-04.

The U.S. Department of Education's (ED) Office of Inspector General (OIG) conducted audits to determine the allowability of Title I salary/salary-related and non-salary related expenditures at the District during the period July 1, 2000 to June 30, 2004 and July 1, 2001 to June 30, 2003, respectively. The OIG found that the District could not support \$4.6 million of salary/salary-related, and \$146,939 of non-salary related expenditures; did not prepare required employee certifications; paid for questionable teacher

retirement benefits, related indirect costs, and purchased services; overcharged the grant; and had unsupported journal entries. Additionally, the OIG audits found that the District had significant internal control weakness that affected its ability to properly administer grant monies. Finally, as a result of the OIG audits, the District was ordered by ED to return \$202,815 in unallowable expenditures.

Objectives, Scope and Methodology

The Office of Audit Services (OAS) undertook this audit to comply with the program determination letter issued by the Assistant Secretary of the U.S. Department of Education, Office of Elementary and Secondary Education.

The objectives of the audit were to:

Determine if supporting documentation existed for the \$4,622,812 Title I salary and salary-related charges made from July 1, 2000 through June 30, 2004,

Determine if additional unallowable non-salary related expenses were charged to Title I from July 1, 2001 to June 30, 2005,

Assess the adequacy of the District's efforts to implement policy and address procedural deficiencies (identified in the OIG audits) related to personnel, finance, and internal controls.

To accomplish the audit objectives, we reviewed applicable laws, regulations, policies, and procedures; interviewed District management and staff; tested controls, examined records, and supporting documentation; and sampled a limited number of transactions on a non-statistical basis.

We conducted our audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Our audit included examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other procedures considered necessary in the circumstances. We believe that the audit provides a reasonable basis for our findings and recommendations.

Audit Results

We found that the District did not have adequate supporting documentation to justify Title I salary-related charges for three staff, health and life insurance claims, non-professional and per diem salaries, and salary-related journal entries. In addition, the District does not track the names of Title I eligible students or retain pertinent student records and information.

The District also charged non-salary expenditures that are not allowable and/or insufficiently documented. Additionally, we identified internal control weaknesses relating to contract and claims documentation; receipt and payment of goods; travel; expenditure reporting; and internal claims auditing. Furthermore, many District policies and procedures need further development or modification.

As a result of the audit, we identified \$548,161, in unallowable Title I expenditures; \$471,368 was for salary/salary related and \$76,793 was for non-salary related expenditures. The findings and improvement opportunities are addressed in more detail in the following sections of the report. Finally, where appropriate, the text of the OIG findings is included in some of the sections for reference purposes.

Comments of William Floyd Officials

District officials' comments about the findings were considered in preparing this report. Their response is included as Appendix D. District official stated that corrective action plans in response to the recommendations have already been completed or in the process of implementation.

Salaries and Salary-Related Costs

The Office of Management and Budget defined allowable costs for federally funded grants through established cost principles as outlined in OMB Circular A-87 (A-87). It identified as direct cost the compensation of employees for the time devoted and identified specifically for the purpose of performing grant related program activities. Approved grant funds may be used to pay for all or part of the salaries and allowable fringe benefits of personnel who are directly working on the grant project. Fringe benefits may only be claimed for the salaries actually expended in the grant. Records must be maintained to describe the duties and pay of each grant-funded position.

The District could not provide adequate documentation that certain staff worked on grant related activities; it could not provide support for salaries paid to non-teaching staff and to providers of Academic Intervention Services (AIS); it could not provide documentation to support some journal entries charging salaries to Title I; and it could not provide documentation to support part of the fringe benefits claimed.

See Appendix B for the summary of salary-related disallowances.

Unsupported Salaries

“OIG Finding – William Floyd could not provide periodic certifications to support salaries of 22 full-time targeted assistance Title I employees.”

OMB Circular A-87 states “where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared at least semi-annually and signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.”

We audited the documentation of the 22 full-time teachers who were charged to Title I during 2000-01, 2001-02, 2002-

03 and 2003-04 school years to determine if they provided Title I related services to eligible students.

Three of the 22 teachers worked as staff developers during the 4-year audit period. The District could only document that the work performed by staff developers was Title I related for some of the years. The lack of supporting documents showing Title I related program activity for the three staff developers for some of the audit years resulted in \$100,749 of disallowed costs.

For the remaining 19 teachers, the audit found their files have documents such as evaluations (usually signed by principals) indicating teaching assignments and responsibilities, student progress reports, observations, and other notes to support the charging of their salaries to Title I.

In response to the OIG audit, the District prepared employee certifications retroactively for the years that were audited. We noted that the certifications were not accurate for some of the part-time employees. Monthly certification should be used for employees who worked on other federal grants, in addition to Title I. The District used monthly certifications for part-time employees who worked solely on Title I. The certifications state that these employees worked 3/5 of a full-time equivalent. However, the 3/5 is to denote that they are working part-time, i.e. three days out of the week but the entire time was spent on Title I-related activities.

Recommendation 1: Return \$100,749 in unsupported salaries charged to Title I.

Recommendation 2: Prepare semi-annual certifications for employees who worked solely on Title I and whose entire salaries were charged to Title I, regardless of whether they are full or part-time employees. For employees who worked on other federal award/s or activities, in addition to Title I, document the distribution of their salaries or wages with personnel activity reports or equivalent documentation. For more information on the requirement, refer to A-87 Attachment B, 8.h.4-7.

Unsupported Salaries/Per Diem for Nonprofessional Employees and AIS Providers

“OIG Finding – William Floyd was unable to provide adequate documentation to support \$98,468 of nonprofessional salaries and salaries for per diem that were allocable to Title I under AIS.”

OMB Circular A-87 states that to be allowable under federal awards, costs must be adequately documented.

The District acknowledged that it could not provide documentation to support the \$98,468 salaries of non-teaching staff and per diem payments to AIS providers.

Recommendation 3: The District should base all charges to payroll for grant-funded personnel on the following: certification; time and effort records; or a substitute system.

Recommendation 4: Return \$98,468 in unsupported salaries charged to Title I.

Unsupported Salary-Related Journals Entries

“OIG Finding – William Floyd was unable to provide timesheets or payroll journal summaries to show that most of the salary expense data within the 12 journal entries sampled were allocable to Title I...The auditors determined the net unsupported amount of the 12 journal entries were \$146,477.”

OMB Circular A-87 requires that salary costs be adequately documented.

The District acknowledged that it could not provide documentation to support the \$146,477 in salary-related journal entries.

Recommendation 5: Support all charges made to a federal grant, whether directly or by journal entry, with documentation showing appropriate authorization or approval.

Recommendation 6: Retain all documentation related to any charges made to a grant.

Recommendation 7: Return \$146,477 in unsupported salary-related charges to Title I.

Unsupported Employee Benefits

“OIG Finding –William Floyd was not able to provide adequate documentation to support the rates used to compute the amount of Health and Life Insurance benefits claimed on all of the FS-10-F Reports for fiscal years 2001-04 and charged to Title I. In addition William Floyd applied \$269,210 of employee benefits to \$2,763,244 of unsupported salaries that had been charged to Title I.”

Federal Title I grant monies may be used to pay for all or part of the allowable fringe benefits of personnel who are directly working on the grant project. Fringe benefits may only be claimed for the salaries actually expended in the grant.

We examined the documentation showing the District’s health insurance calculation and determined that the health insurance amounts claimed for Title I in 2002-03 and 2003-04 were higher than could be supported. In addition, the documentation showed that the calculation included an estimated amount of \$50,000 annually in miscellaneous charges (i.e. mailing, programs, printing, etc.). As a result, we recalculated Title I health insurance amounts and made adjustments.

We made adjustments to 2 of the 4 years. The adjustment amounted to the difference between the amount that was claimed on the FS-10-F, amount that could be supported (\$82,083), and the pro-rated portion of the \$50,000 (\$2,858). The total amount of health insurance disallowance for the 2-year period amounted to \$84,941 as shown below.

Table 1
Health Insurance Audit Adjustments
For the Period 2000-01 Through 2003-04

School Year	FS-10-F amount	District's Supporting Calculation	Difference	AUDIT ADJUSTMENTS		TOTAL
			(under)/over	Over-claimed	Unsupported Miscellaneous Charges	
2000-01	\$297,415	\$379,798	\$(82,383)	\$0	\$0	\$0
2001-02	346,395	484,785	(138,390)	0	0	0
2002-03	532,002	472,769	59,233	59,233	1,697	60,930
2003-04	370,484	347,634	22,850	22,850	1,161	24,011
Total	\$1,546,296	\$1,684,986	(\$138,690)	\$82,083	\$2,857	\$84,941

Source: FS-10-F and District's Health Insurance Calculations and Documents

We also reviewed the life insurance cost calculation and allocation provided by the District. The District's calculation showed that it claimed more than it could support in three of the four audit years. From the amount claimed of \$8,959, the audit disallows \$2,896.

Table 2
Life Insurance Disallowance
For the Period 2000-01 Through 2003-04

School Year	Claimed	Supported	(Under) / Over	Disallowance
2000-01	\$1,008	\$2,106	\$(1,098)	\$0
2001-02	2,825	2,220	605	605
2002-03	3,526	1,836	1,690	1,690
2003-04	1,600	999	601	601
Total	\$8,959	\$7,161	\$1,798	\$2,896

Source: FS-10-F and District's Life Insurance Calculations and Documents

Lastly, as a result of the salary disallowances of the three staff developers, there is no support for \$34,150 of employee benefits, which includes teachers/employees retirement, social security, workers compensation and Medicare.

Table 3
Other Employee Benefits Claimed for Disallowed Salaries
For the Period 2000-01 Through 2003-04

Other Employee Benefits	Amount
Teachers Retirement	\$2,509
Employees Retirement	1,697
Social Security	21,433
Workers Compensation	3,498
Medicare	5,013
Total	\$34,150

Source: FS-10-F, OIG Workpapers

Table 4
Summary of Unsupported Employee Benefits
For the Period 200-01 Through 2003-04

Health Insurance	\$84,941
Life Insurance	2,896
Other Employee Benefits	34,150
Total	\$121,987

Recommendation 8: Maintain supporting documents showing calculations, rates used, and all pertinent information for all fringe benefit charges to grant awards.

Recommendation 9: Return \$121,987 in total unsupported employee fringe benefits charged to Title I.

Unsupported Indirect Costs

“OIG Finding – William Floyd charged a total of \$35,103 of unsupported indirect costs to Title I in fiscal years 2002 and 2003...on the basis of unsupported items identified during the audit.”

OMB Circular A-87 defines indirect costs as those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Indirect costs represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs. The indirect cost rate is used to distribute such costs to

benefiting revenue sources. NYSED, through its Grants Finance Unit, computes the indirect cost rates for school districts.

The indirect cost rate in effect for the appropriate period applied to the salary disallowances for 2001-02 and 2002-03 (years when an indirect cost was claimed) resulted in \$3,688 of disallowed indirect costs. The District did not claim indirect costs for the other two years.

Table 5
Indirect Cost Related to Disallowed Salaries
For the Period 2000-01 Through 2003-04

FS-10-F Category	Code	00-01	01-02	02-03	03-04	TOTAL
Professional Salaries	15	\$29,705	\$35,154	\$36,215	\$84,300	\$185,374
Support Staff Salaries	16	52,916	104,995	0	2,408	160,319
Total Salaries		82,621	140,149	36,215	86,708	345,693
Purchased Services	40	0	0	0	0	0
Supplies and Materials	45	0	0	0	0	0
Travel Expenses	46	0	0	0	0	0
Total Non-Salary		0	0	0	0	0
Health Insurance		0	0	60,930	24,011	84,941
Life Insurance		0	605	1,690	601	2,896
Other Employee Benefits		7,845	13,369	3,201	9,734	34,150
Total Employee Benefits	80	7,845	13,974	65,821	34,346	121,986
Unsupported Amount		90,466	154,123	102,036	121,054	467,679
Indirect Rate to Apply		0%	1.40%	1.50%	0%	
Unsupported Indirect Cost		\$0	\$2,158	\$1,531	\$0	\$3,688

Source: FS-10-F

Recommendation 10: Documentation regarding indirect costs and indirect cost rates should be approved, retained, and monitored.

Recommendation 11: Return \$3,688 in unsupported indirect costs charged to Title I.

Non-Salary Expenditures

Districts must have adequate accounting and reporting systems in place to ensure that accurate, timely, and complete grant financial records are maintained and disclosed in periodic reports to the board and the State. Documentation must be adequate to support charges to the grant and to demonstrate adherence to the terms and conditions of the grant.

According to the OIG audit, the District charged Title I for a payment to a consultant without a signed contract, overcharged the grant \$25,100 for purchased services and travel expenses, made journal entries valued at \$4,265 without supporting documentation, and supplanted Title I funds in the amount of \$67,574 for textbooks. The program determination letter directed NYSED to determine if additional unallowable expenses were charged to Title I funds.

Since OIG sampled 83 percent of non-salary expenditures for the period July 1, 2001 through June 30, 2003, we focused our audit on the 2003-04 and 2004-05 school years. We found that for those two years, some expenditures were inappropriately charged to Title I because they were not supplemental or they were inadequately documented to establish that they were allowable and benefited eligible students.

Non-Salary Expenditures Disallowance

OMB Circular A-87 defines direct costs as those that can be identified specifically with a particular final cost objective. Cost of materials acquired, consumed, or expended are typical direct costs chargeable to federal awards.

Schools providing a ‘targeted assistance program’ may use Title I funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of Title I funds, be made available from non-federal sources for the education of students participating in Title I programs. In no case may Title I funds be used to supplant or take the place of funds from non-federal sources. The educational services provided with Title I funds must be in

addition to those services that a school district provides to all of its children using State and local funding sources.

School district must maintain adequate documentation to support charges to federal grants, and to demonstrate adherence to the terms and conditions of the grant and performance of the approved activities. Title I, Part A, Section 1115 states that an LEA operating a ‘targeted assistance program’ may only use Title I funds for programs that provide services to eligible children identified as having the greatest need for special assistance.

To determine the allowability of Title I non-salary expenditures, we selected a judgmental sample of expenditures amounting to \$266,497 or 36 percent of the \$748,111 total expenditures for the 2003-04 through 2004-05 school years. We reviewed the available documentation supporting each of the expenditures in the sample for accuracy, reasonableness and validity of the costs.

Our testing identified charges to Title I that were not supplemental in nature and; benefited all students, not just eligible students. For example the District used Title I for

- Student activity booklets, \$25,698.
- Teachers to have access to a material resource center. The amount charged was based on total student enrollment, \$10,134.
- Supplies for K-1 student’s science journals \$1,499.
- Screening for all kindergarten students, \$1,364.

In addition, we identified charges that could not be supported by documentation to show that they were Title I related and/or that they benefited eligible students participating in Title I programs. For example the District charged Title I funding for:

- Performances and story presentations, \$2,550.
- A payment to an individual supported only by timesheets indicating “AIS” (academic intervention services). No contract or documentation describing the services rendered was provided, \$4,275.
- 95 copies of Writers Express book, \$1,471.
- Typing services for an attendance survey, originally charged to the general fund, \$297.

- A program to promote parent involvement and provide support to families, in which no contract was provided, \$25,000.
- A payment to a teacher liaison for a school-based program, \$4,500.

Recommendation 12: Maintain supporting documentation for all charges to Title I.

Recommendation 13: Only approve Title I purchase requests that meet grant provisions, are supplemental in nature and benefit eligible students.

Recommendation 14: Return \$76,793 in unsupported non-salary expenditures.

See Appendix C for details on the non-salary disallowances.

Title I Participating Students

Title I eligible children are children identified by the school as failing, or most at risk of failing to meet the State's challenging student academic achievement standards on the basis of multiple, educationally related objective criteria established by the district and supplemented by the school. Children from preschool through grade 2 shall be selected solely on the basis of such criteria as teacher judgment, interviews with parents, and other developmentally appropriate measures.

We found that the District did not have a comprehensive list of all Title I eligible students served during the audit period. In addition, it did not retain documentation showing eligibility determination.

Documentation of Eligible Students

An LEA operating a Title I targeted assistance program serves the needs of students identified as eligible through various criteria.

During the audit, we requested for a list of all Title I eligible students to be used for our testing and review. However, the District did not track Title I eligible students and was not able to provide a comprehensive list of all students that received Title I related services during the audit period. Although the Title I Coordinator and principals provided some lists showing names of students and the program/s they participated in, the list was inconsistent. The same student's name often appeared on multiple class lists when the student obtained more than one service. Further, the list did not always indicate the school year; date(s) of service or; name of the Title I teacher who provided the service.

Student Record Retention

NYSED's Records Retention and Disposition Schedule, ED-1 (revised in 1997) prescribes the minimum length of time that officials of school districts must retain records before they may be legally disposed of. Based on this schedule, certain student records must be retained by the school permanently. These records include the student cumulative education record file (including permanent

record card) for elementary and secondary school, which includes information on subjects taken, grades received from exams and standardized test results. Other records such as screening evaluation reports; remedial program participation records; teacher comments and correspondence; and student portfolios are retained six years after students would normally have graduated from high school.

In 2004, NYSED revised the ED-1 to include more detail regarding records maintenance. It requires that supplemental education records for an individual student must be retained for six years. These records should include parental notifications and consent, copies of test results, and progress reports. It also requires that lists of students enrolled in supplemental education programs should be kept for 20 years, and supplemental education eligibility determination be kept for a number of years ranging from one year to permanently, depending on the document.

From the lists provided by the Title I coordinator and/or principals, we selected a sample of 194 students from the school years 2000-01, 2001-02, 2002-03 and 2003-04 to determine if they received Title I services and if they met eligibility criteria. We looked for parental notification letters, assessments, test results, and service provision.

Testing results indicated that Title I eligibility and receipt of service are documented in 107 of the 194 or 55 percent, of the students. For the remaining 87, or 45 percent, of the sample, the District could not provide documentation showing student eligibility or demonstrate how the students were determined to be in need of Title I services. We also noted that for some of the students, the name of the teacher who provided the service could not be identified from the records.

The sample of 194 included 81 students who were provided Title I services by the 22 teachers without periodic certifications (see unsupported salaries section). Of the 81, 53 students, or 65 percent, are supported by documentation showing eligibility and receipt of service. Twenty-eight students or 35 percent did not have documents showing eligibility and services provided.

Recommendation 15: Develop and disseminate formal Title I student eligibility determination procedures. These procedures should include the required ED-1 documentation.

Recommendation 16: Establish a system for tracking students deemed eligible to receive Title I services. The system should include pertinent information such as eligibility determination, services received, and teacher's name.

Recommendation 17: Follow the Records Retention and Disposition Schedule (Schedule ED-1).

Internal Control

Title 34 part 80.20 of the Code of Federal Regulations (34 CFR 80.20) requires grantees to have a proper financial management system in place in order to receive a grant and expend the funds from the grant. One element of a sound financial management system is internal controls. These controls must include all methods adopted by a grantee to safeguard its assets, comply with management policies, grant terms and conditions, and provide reliability of accounting information data.

We found improvement opportunities in the areas of contract documentation, receipt and payment of goods, supporting documentation for expenditures, travel policies, expenditure report preparation and claim audits.

Lack of Contract

Typically, businesses enter into a contractual agreement with a service provider before services are delivered. The contract should specify deliverables, the terms of service, and a payment schedule. The contract serves as protection for both parties should a dispute arise.

During our review of the non-salary expenditure sample, we found two instances when the District paid consultants without a signed contract. The District paid a not-for-profit agency hired to provide family support services without a written contract. Similarly, the District paid a consultant based on timesheets, which did not contain information regarding the services provided.

Recommendation 18: The District should ensure that there is a signed, Board approved contract for every procurement of services. The contract should clearly indicate terms of payments and deliverables.

Recommendation 19: The audit of claims should include a comparison of the claims for payment with approved contracts to ensure that contracted services have been provided.

Receipt and Payment of Goods

Internal control is important in the receipt and payment of goods. Controls should be in place to ensure that the district pays only for the goods received.

In the process of our non-salary expenditure testing, we found one instance when the District paid a purchase order in full resulting in payment for items that have not been delivered. The District stated that this was an anomaly, which was rectified when the back-ordered item was finally received.

Recommendation 20: Institute a process to ensure that the District is only paying for goods actually received.

Inadequate Documentation

OMB Circular A-87 requires that federal award expenditures be adequately documented to be allowable. Furthermore, according to 34 CFR 80.20, fiscal control and accounting procedures of sub-grantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

The non-salary expenditure testing showed that documentation was not consistent for each packet and did not readily identify how the materials or services purchased relate to the provision of Title I services.

School districts receiving Title I funds must reserve not less than one percent of the funds for parental involvement programs, activities and procedures. Non-salary expenditure testing showed that some claims for payment related to parental involvement were made. These payments were to reimburse staff for materials, services, food, and other supplies. However, other than the notation “parental involvement” on the purchase order, no other documentation was available to indicate that a parental involvement event took place. There is also no record of attendance or sign-in sheets for those who attended.

Recommendation 21: Ensure that sufficient and clear supporting documents are retained and filed with voucher packets.

Recommendation 22: Maintain attendance records or sign-in sheets for parental involvement events and file with voucher claims.

Travel Guidelines

The Office of State Comptroller's (OSC) Financial Management Guide for Local Governments specifies the requirements and guidelines for the expenses of district officials and staff attending conferences. It states that the board should promulgate rules and regulations concerning reimbursement of expenses. Specifically, they should set forth the types of expenses that are reimbursable; the procedures and documentation necessary to support reimbursement; and any reasonable dollar or time limits. Districts should maintain complete and accurate documentation to support travel and conference expenses.

The District's August 1995 Guidelines for Conference Requests states that a District employee must submit a conference or workshop brochure with their application to attend, otherwise the application will be returned. To determine if the District enforces its guidelines, we reviewed two employee travel related payments (\$376 and \$2,633) and found that they were made without the seminar brochure with the application.

The travel procedure was revised in November of 2006 and requires that "proof of attendance" be attached to the conference/travel reimbursement form. We looked at travel payments made after the procedure was revised to see if it was followed. Two travel payments made in February of 2007 lacked the required "proof of attendance."

Recommendation 23 Enforce documentation requirements as stated in District's travel procedure or guidelines.

Accuracy of final Expenditure Reporting (FS-10-F)

In submitting the Final Expenditure Report for a federal or State Project (FS-10-F) to NYSED, districts should report payments to consultants, rentals, tuition, and other

contractual services under purchased services (code 40). In reviewing the District's FS-10-F, we observed that some costs were reported in the wrong category. Supplies and materials purchases below should have been reported under the supplies and materials code (code 45), however, the District reported the following charges under code 40:

Table 5
Misclassified Cost Under Purchased Services
For the Period 2002-03 Through 2003-04

Year	Check No.	Amount
2003-04	5685	\$5,357.00
2003-04	5857	250.13
2003-04	5975	6.23
2003-04	40420	1,859.36
	Total	\$7,472.72

2002-03	36867	\$5,134.50
	Total	\$5,134.50

Source: FS-10-F

The misreporting of expenditures in the FS-10-Fs could possibly lead in overspending beyond the budgeted amount in one category and not having sufficient funds budgeted in another category. An increase in a budget subtotal category (salaries, purchased services, travel, etc.) by more than 10 percent or \$1,000, whichever is greater, requires an amendment to the budget and prior approval by NYSED.

Recommendation 24: Report expenditures in their appropriate categories in the FS-10-F.

Internal Claims Auditing

Section 1724 of the Education Law requires school districts to audit each voucher packet before it is paid. This task can be performed by either the board of education or a claims auditor.

Once a claims auditor is appointed by the board, and until the position is abolished, the duty and responsibility of auditing and approving claims for payments have been delegated to this position. If no appointment was made, the board performs the audit function. All board members must audit each and every voucher.

The Board appointed an internal claims auditor in June of 2004. Prior to this appointment, the Board was responsible for reviewing and approving each claim for payment.

During our review of non-salary expenditures sample, we found that claims for payment prior to the appointment of the internal claims auditor showed no evidence that the Board audited them. Therefore, these claims were not reviewed to ensure its validity, accuracy and reasonableness.

Policies and Procedures

Education Law 1709 requires the board to establish policies and procedure for district operations. In addition, strong internal controls, suggest that districts establish policies and procedures for all of its major functions and distribute the policies and procedures to staff, as appropriate. The policies and procedures should clearly define roles and responsibilities and include an organizational chart that establishes appropriate lines of communication

It is the responsibility of the Board to establish adequate policies and procedures; and District officials must ensure that all employees comply with the policies and procedures.

The OIG audit found improvement opportunities in the Districts policies and procedures related to salary and non-salary expenditures, which ensure that:

- Appropriate rates are used to calculate employee benefits and federal funds are appropriately charged.
- There is limiting access and level of access to District's financial management system.
- Procedures are enforced for reviewing and approving budget amendments and ensure funding dates are proper and consistent with grant awards.
- There is appropriate policy on contracting for consultant services and strengthening of its fiscal control procedures.
- Internal fiscal controls comply with the supplement-not-supplant and allowable cost provisions of Title I.

The program determination letter directed NYSED to ensure that approved policies and procedures are established or revised as appropriate related to the above.

We found that although policies and procedures have been established or revised, there are some aspects that were not completely addressed by the new policies and procedures, specifically, in the access to The District's financial management system, contracting for consultant services, and compliance with supplement-not-supplant provision of Title I.

Limiting Access and Level of Access to the Financial System

A grantee's electronic financial system must provide effective control and accountability for all grant funds, property, and other assets. Controls must be in place to safeguard and protect the integrity of districts records and data.

The use of computer processing for financial applications poses risks to the District. The level of risk depends on the complexity of the system and the controls to reduce the risk of unauthorized access to the system and data.

The District instituted a new procedure regarding the financial management system user privileges. It includes the use of a request form for access to the system and describes the approval process. However, it does not address reductions or removal of access or user privileges when an employee leaves the District or changes job duties.

Recommendation 25: Revise the existing policy to address reduction or removal of access to the electronic financial system.

Contracting for Consultant Services and Strengthening its Fiscal Internal Control Procedures

Procurement and payment for services should be based on duly executed written contracts between the vendor and the District which clearly articulate the scope of the services to be provided, a timeframe for the delivery of the services, the cost of providing the services, and the timing and method of payment to the vendor. Contracts should be reviewed by legal counsel, approved by the board, and executed before any of the related services are provided. District officials should also routinely monitor the progress of activities of service providers during the contract term.

The District's Corrective Action Plan (CAP) responding to the federal audit states that it "consistently ensures that all service providers have fully executed contracts before any payment for services rendered is made. The Accounts Payable Department reviews all invoices to ensure that appropriate contracts are in place before accepting the

service provider's request for payment. Further, 100 percent of the District's warrants are reviewed in detail by the District's internal claims auditor before payment is made." The District also provided a copy of its purchasing policies and internal control manuals, which details its strengthened fiscal internal controls.

Neither the District's Purchasing Policy (Procurement of Goods and Services 5421) nor the Internal Control Procedure for Federal Grants had been updated to reflect that contracts would be in place before any services are rendered or payments made.

The Internal Control Procedure for Federal Grants addresses budget monitoring and details the step by step process in submitting the federal grants budget, amendment(s) and final expenditure report to the NYSED. However, it does not address the need to ensure the presence of a fully executed contract, and the filing and maintenance of such; the need to include adequate documentation or an audit trail for each claim for payment; and monitoring or oversight from the project director.

Since each grant award has laws and regulations behind it, requiring that the funds be used for specific purposes, it is incumbent upon school districts to show that such funds were used appropriately and in accordance with all statutes.

Recommendation 26: The District should ensure that contracts are in place before any services are rendered or payments are made. The purchasing policy and internal control procedures should also reflect this.

Recommendation 27: The Internal Control Procedure for Federal Grants should address the need to include adequate documentation or an audit trail for each claim for payment, monitoring or oversight from the project director to ensure that each request for purchase is related and allowed by the funding source and provided for in the budget.

Compliance with Supplement-Not Supplant and Allowable Costs Provisions of Title I

One of the fiscal requirements for a school district receiving federal grant awards is that funds supplement-not-supplant other non-federal sources. The supplement-not-supplant

requirement prohibits the grant funds to replace local and state funds. School Districts may not divert state and local funds for other uses simply because particular grant funds are available.

Although the Internal Control Procedure for Federal Grants addresses budgetary controls, it does not mention any provision related to the federal grants requirements of supplement-not-supplant. It does not have any monitoring or control feature that would ensure all costs charged to any federal grant are allowable under the terms of the specific grant. It also does not address the need to allocate some of the expenditures, if the entire costs could not be charged to the grant and the manner in which the allocation will be made.

Recommendation 28: Revise the Internal Control Procedure for Federal Grants to include provisions to address the supplement-not-supplant requirement.

Recommendation 29: The District should monitor grant purchase requests to ensure they are allowable under the terms of the specific grant.

Recommendation 30: The District should develop a methodology to allocate expenditures if the entire costs could not be charged to a grant. For example, when the expenditure benefited all students, not just Title I eligible students, the cost should be allocated accordingly.

Contributors to the Report
William Floyd Central School District

- Maria C. Guzman, CPA, Audit Manager
- Susan DuFour, Associate Auditor
- James Schelker, Auditor

Appendix B

William Floyd Union Free School District
Salary-Related Questioned Costs
July 1, 2000-June 30, 2004

	Claimed	Adjustments
Salaries of 22 teachers	\$2,518,299	\$ 100,749
Unsupported non-professional salaries and AIS	98,468	98,468
Unsupported JE	146,477	146,477
Employee benefits related to disallowed salaries:		
Health insurance	1,546,296	84,941
Life insurance	8,959	2,896
Teachers retirement	29,109	2,509
Employees retirement	1,697	1,697
Social security	171,366	21,433
Workers compensation	26,960	3,498
Medicare	40,078	5,013
Indirect costs related to above	35,103	3,688
Total	\$4,622,812	\$ 471,368

**William Floyd Union Free School District
Non-Salary Questioned Costs
July 1, 2003-June 30, 2005**

Year	PO #	Check #	Date	Description	Audit Issue/Reason for Disallowance/Question	Amount
03-04	232364	5580	11/30/2003	ESL International Dinner, flyer obtained	sales tax paid	\$ 5.07
03-04	231526	5393	10/31/2003	typing for attendance survey, e-mail sent for contract, "Attendance survey", how does this relate to Title I? originally coded in Gen Fund	no contract/agreement and documentation do not show how related to Title I.	\$ 297.00
03-04	233509	6250	4/30/2004	Science 21 journals K-1 for all students, not supplemental	for all students	\$ 300.00
03-04	233207	5909	3/31/2004	Science 21 journals K-1 for all students, not supplemental	for all students	\$ 336.00
03-04	233941	6061	5/31/2004	Pinocchio Performance, May 1 and 8,2004, 400 tickets	under project PACE but only item for PACE in the budget is pay to retired teachers	\$ 800.00
03-04	233666	6095	5/31/2004	Science 21 journals K-1 for all students, not supplemental	for all students	\$ 863.40
03-04	233810	6032	5/31/2004	story presentation, attendance list and parent flyer needed	not in the budget, part of PACE project, no flyer or parent sign-in sheet	\$ 1,000.00
03-04	232893	5850	1/31/2004	95 copies of Writers Express, softcover book, obtain parent flyer, 'AIS'	no program flyer or parent sign in sheet	\$ 1,471.31
03-04	233658	5958	4/30/2004	timesheet only, indicating "AIS", no contract	what did he do?, could not tell from documents	\$ 1,595.25
03-04	233116	5828	3/31/2004	timesheet indicating "AIS", DEC-JAN, no contract	what service did he provide?, could not tell from documents.	\$ 2,680.04
03-04	233009	5987, 6098, 5879	3/31/2004, 4/30/2004, 5/31/2004	Teacher liaison for PACE,	no contract or agreement	\$ 4,500.00

Year	PO #	Check #	Date	Description	Audit Issue/Reason for Disallowance/Question	Amount
03-04	232691	5667	1/31/2004	FAST Program, Suppl Serv, how procured? Can't provide contract	no contract or agreement	\$ 8,333.00
03-04	233579	6246	6/30/2004	student activity booklets, ordered 100s, are these textbooks suppl.	paid off po not invoices, also appears to be a basic education expense, given to all students?	\$ 10,279.43
03-04	233571	6108	5/31/2004	student activity booklets, ordered 100s, are these textbooks supplements, overhead transparencies	appear to be basic education expense, given to all students?	\$ 15,418.61
03-04	232691	5840	3/31/2004	FAST Program, Suppl Serv, how procured? Can't provide contract	no contract or agreement	\$ 16,666.00
04-05	243514	7001	6/30/2005	Evening performance with Heather Forest:Explore your imagination through folktales, "Parent Involvement", not in the budget	no program flyer or parent sign in sheet	\$ 750.00
04-05	242870	6643	3/31/2005	K Screening by Teacher Assistant for all K students	Per Program Office, not allowable as expense occurred prior to student eligibility determination	\$ 1,363.78
04-05	242010	6447	11/30/2004	Utilized by all teachers, charge based on total student enrollment	supplemental?	\$ 10,134.00
					T O T A L	\$ 76,792.89



William Floyd Union Free School District

of the MASTICS – MORICHES – SHIRLEY

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Paul Casciano, Ed.D.

Superintendent of Schools

November 19, 2007

Mr. James A. Conway
NYS Education Department
Office of Audit Services, 524 EB
89 Washington Avenue
Albany, NY 12234

RE: William Floyd UFSD – Title I Audit

Dear Mr. Conway:

The William Floyd School District is in receipt of the Draft Audit Report for the Title I audit conducted by the State Education Department.

On behalf of the Board of Education, I appreciate the input, perspective and guidance you provided throughout the audit process and in the Draft Audit Report to ensure that the District operates a strong Title I program which is supportive of children and their families in the William Floyd School District and in support of the District's overall educational priorities.

As discussed with you during your time here, the District has either already completed or is in the process of implementing corrective action plans in response to each of your 30 recommendations. The District recognizes that these recommendations fall within one of the following four main areas of focus:

- Policies and Procedures
- Internal Controls
- Program Oversight and Administration
- Fiscal Management

By actively managing the above concentration areas and continually looking for ways to refine the District's approach, the District is able to clearly demonstrate that the grant processes and procedures which exist today are thorough, consistent, appropriate, in compliance, and clearly and widely communicated. A partnership between the Business Office and Grant Coordinator throughout the process helps attest to the fiscal integrity of each grant, every step of the way. Additionally, it is through widespread programmatic improvements that we are able to substantiate that all grant guidelines, reporting, documentation and other requirements are being adhered to and/or met.

Please contact me should you need further information. Thank you again for the time you devoted to the William Floyd School District to conduct the Title I audit.

Sincerely,

Paul Casciano, Ed.D.
Superintendent of School

cc: Gordon Brosdal
Anne Marie Caliendo
Kevin Coster
Susan DuFour, SED
Jackie Eglevsky
Janet Gilmor
Maria Guzman, SED