
Audit Report

Wyandanch Union Free School District

for the Period

July 1, 1998 through March 31, 2000

SD-0200-3

January 12, 2001

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





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January 12, 2001

Mr. Rodney Bordeaux
Board President
Wyandanch Union Free School District
Central Administration Building
1445 Dr. Martin Luther King Jr. Boulevard
Wyandanch, New York 11798-3997

Dear Mr. Bordeaux:

The following is our final audit report (SD-0200-3) on the Wyandanch Union Free School District for the period July 1, 1998 through March 31, 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, S. Berman, J. Butterworth, R. Cate, L. Gloeckler, J. Kadamus, I. Schwartz, T. Sheldon, C. Szuberla, C. Foster (DOB), H. Hoffman (OSC), J. Galloway, Interim Superintendent, D. Gee, (Western Suffolk BOCES)

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Executive Summary

Background and Scope of the Audit

The Wyandanch Union Free School District (District), a small suburban school district with high student needs in relation to district resource capacity, served about 2,158 students in three schools and spent approximately \$38.8 million in the 1998-99 school year. The District's average cost per student is higher than, and average instruction cost is comparable to, the New York State average although its student performance is considerably lower.

Audit Results

The audit found that improvements are needed in the Board's governance and oversight of management's planning, organizing, directing and controlling operations. For example, the Board needs to attract and retain qualified administrators and teachers. The District has been led by eight different superintendents in the last ten years, and has also had significant turnover in other administrative and teaching positions.

The audit found the policies and procedures for collecting and reporting financial and student performance data, including claims for State and federal aids, are inadequate and unreliable. For example, the District has lost or is at risk of losing over \$2 million in State and federal aids for failing to properly report and claim the aids. Also, the audit determined that the District's actual dropout rate for the 1998-99 school year was 19.7 percent, or twice the published rate.

The audit found improvement opportunities related to Board responsibilities, including the conduct of Board meetings, the appointment and retention of qualified administrators and teachers, and development of updated written policies and procedures. For example, the District's official policy manual has not been updated in six years.

The audit found improvement opportunities also exist related to financial controls, including assignment of the treasurer's responsibilities, preparation of financial reports, and up-to-date accounting information. For example, many of the monthly financial reports and accounting records are not accurate or up-to-date.

Finally, the audit found improvement opportunities related to technology planning, instructional staffing, special education related issues, and student health records. For example, the District's evaluations for special education students are two or more years late, and the District did not have a special education director or a Committee on Special Education (CSE) chair during July and August 2000. Also, library facilities and staff in the District are lacking.

Comments of District Officials

District officials' comments about the findings were considered in preparing this report. Their comments to this report are included as Appendix B. In response to the audit, District officials indicate general agreement with the audit findings and recommendations, although they question the audited dropout rate.

Introduction

The Wyandanch Union Free School District's (District) mission is "to empower each student with the courage, skills and knowledge, to become a creative thinker and life-long learner, committed to pursuing his/her goals and contributing to the technologically advancing global community through a rigorous and diverse student-centered curriculum in a safe and aesthetic environment facilitated by a caring staff in collaboration with parents and community." The District, located in western Suffolk County, served approximately 2,158 students in three schools and spent approximately \$38.8 million in 1998-99. As shown in the New York State School Report Card (Report Card), the average instructional cost per general education student at the District is comparable to both the New York State (State) average and the average for similar districts. However, the average instructional cost per special education student is one and one-half times the State average and the average for similar districts.

The Report Card shows that student performance is significantly below the State average. For example, the Report Card shows that 69 percent of the District's fourth graders did not meet the Grade 4 Mathematics standards as of June 1999, compared to the State average of 33 percent. Similarly, 85 percent of the eighth graders did not meet the Grade 8 English Language Arts standards and 99 percent did not meet the Grade 8 Mathematics standards as of June 1999, compared to the State averages of 52 percent and 62 percent, respectively (from February 2000 Report Card). Also, based on Regents exams, student performance in the high school is generally below the State average. For example, the Report Card shows that only 7 percent of its students graduated with a Regents Diploma in the 1998-99 school year.

Scope, Objectives and Methodology

The audit examined selected management practices, records, and documentation for the period July 1, 1998 through March 31, 2000. This was a performance audit and our objectives were:

- to verify the adequacy of the District's system of management controls;

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

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

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other audit procedures considered necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that the audit provides a reasonable basis for our findings, conclusions and recommendations.

Comments of District Officials

District officials' comments to the draft report were considered in preparing this report and are included as Appendix B. In response to the audit, District officials indicate general agreement with the audit findings and recommendations and state that efforts have been made to begin addressing the audit concerns. District officials, however, question the audited dropout rate and are addressing this as part of the Schools Under Registration Review (SURR) process.

Improvements Are Needed in the Oversight and Management of the District

"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 board of education, superintendent and senior managers are responsible for ensuring their school district provides a quality education to its students. They are also responsible for designing and implementing management controls.

The manner in which this is done results in a certain level of effectiveness and efficiency. The audit determined the District needs to improve the effectiveness and efficiency of District operations. It needs to address certain practices and activities concerning business management and compliance with laws, regulations and policies, and overall management controls.

Effectiveness of Student Outcomes

Numerous indicators illustrate that students are not receiving a quality education, even though the District spends \$13,426 per student. The latest Report Card shows that student performance is significantly below the Statewide average. Some examples of student performance follow.

- Only one percent of its students (one student) met the State standards for the Grade 8 Mathematics Examination, compared to the Statewide average of 38 percent as of June 1999.
- The audited dropout rate for the district is 19.7 percent, which is over five times the Statewide average of 3.5 percent for the 1998-99 school year.
- Only 7 percent of its students (3 students) graduated with a Regents Diploma compared to the Statewide average of 43 percent for the 1998-99 school year.

These student performance indicators, along with others, illustrate the need for improving the educational delivery system.

Efficiency of District Operations

The audit did not analyze costs in detail but did identify some areas where the District may be able to operate more efficiently as follows.

- Consider serving a greater number of special education students in the District rather than sending them out to more costly programs.
- Replace more costly consultants (Medicaid billing and security services) with employees.
- Closely monitor expenditures to ensure the budget is not overspent.
- Use technology to eliminate duplicative accounting systems. The District uses an integrated accounting system for expenditures and maintains the general ledger and revenue on separate spreadsheet systems.
- Avoid payments for late fees and penalties, and ultimately higher prices by paying bills on time.
- Minimize overtime through better staff management.
- Implement an effective inventory asset management system to reduce the risk of loss and misuse, and help ensure only needed items are purchased.

These examples represent opportunities for the District to operate more efficiently and may be indicative of other areas where improvements can be made.

Questionable Practices

Some of the District's school management practices were questionable and, in some cases, do not comply with laws, regulations and policies. Some examples follow.

- The District did not adhere to certain requirements related to State aid and is at risk of losing over \$2.0 million in State and federal aids.
- Student records were not adequately secured as required by federal law.
- District policies are over six years old and do not include certain policies required by Education Law. For example, the policy manual did not contain the District's accounting and energy conservation policies.
- Some of the required financial reports, including bank reconciliations, cash reports and budget status reports, are not complete, timely and accurate. In addition, the financial statements are routinely submitted to the Department well after the due date.
- The District's inventory system is not adequate to control over \$33 million in fixed assets.
- The District has some uncertified teachers on its staff and also has not established a technology plan as required by Education Law.
- The District does not complete its special education evaluations in a timely manner and, during July and August 2000, had no personnel available to authorize required special education procedures, services and programs, or endorse mandated documents.

Management Controls

Significant improvements are needed in the Board's governance and oversight of District management's planning, organizing, directing and controlling operations. However, it first must address the manner in which it conducts business.

The Board needs to conduct its meetings in a more efficient and effective manner and also needs to attract and retain qualified administrators and teachers. The Board needs to set the overall tone for improvement in the District. It needs to set policy and hold its managers accountable for results. The Board needs to establish a policy that requires managers to act on policy decisions and audit recommendations, and report back to the Board on results.

The Board needs to improve its strategic planning and better define its goals and objectives, establish priorities, determine specific implementation strategies, and evaluate outcomes. This approach would help focus staff on activities that best attain District goals and help build public confidence in the District's management.

The Board needs to address the issue of staffing, with emphasis on staff retention. The District has had difficulty in attracting and retaining qualified administrators and teachers. In fact, 10 of 16 key administrative positions were filled with interim or non-permanent staff, and teacher turnover was twice that of the average for all school districts in Suffolk County.

The Board needs to improve its leadership in the District and its processes for ensuring all staff work toward the District's goals. The leadership of the District must emphasize the importance and need to improve student performance, to improve financial controls, and to ensure that all staff and the community work together.

The Board needs to better monitor District performance and activities and make any necessary changes to ensure the District achieves its goals. Data must be collected and used to identify strengths and to focus attention and resources on areas of need. The audit determined significant improvements are needed with the systems and activities for collecting and reporting data for State aid, financial information, student performance, and other areas. Without these improvements, critical data will continue to be incomplete and inaccurate and will negatively impact the District. For example, due to incomplete, inaccurate or untimely data, the District has lost, or is at risk of losing, almost \$2.0 million in State and federal aid entitlements. These funds could be used to enhance services to students.

The District needs to give priority attention to recommendations for improvements and take action. Numerous reviews in the past by the Department, Western Suffolk BOCES (BOCES), and the District's auditors and consultants have resulted in specific recommendations for improvement. However, the District has not taken the necessary actions. For example, the District has not addressed a June 1999 BOCES report that identified 26 detailed and specific recommendations to improve student performance.

Similarly, the District has not implemented the recommendations to improve financial controls as specified in the CPA's management letter. Many of these recommendations do not require additional funding; however, they do require better planning and a commitment to making improvements.

The District faces tremendous challenges – below average student performance, a 19.7 percent dropout rate, a 23.3 percent suspension rate, significant administrator and teacher turnover, lack of community support, and the need to improve financial controls. 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 Department, BOCES, the community, and educational and fiscal consultants. The Department is committed to assisting the District via the SURR process, and BOCES should assist the District via the Regional School Support Center team. As a first step, the District should develop a corrective action plan that addresses the findings and recommendations in this report.

Recommendation

1. Develop a corrective action plan that addresses the findings and recommendations in this report.

Comments of District Officials

The District did not comment on this recommendation or provide a corrective action plan as part of its response to the audit. However, 90 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. The required report will be in the format of a recommendation implementation plan.

Improvements Are Needed to Ensure the Reliability and Validity of Data

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, student performance, number of teachers and administrators, number of dropouts, and other student and school information. It is crucial that the data are appropriate, timely, current, accurate, and accessible since the information is used by schools, districts, legislators, the Department, and the public to make decisions. The reliability and validity of data are impacted by many factors, including communication, supervision, staff training and experience, and established policies and procedures.

The District received 69 percent of its funding in State and federal aids (\$21.0 million in State aid and \$2.9 million in federal aid) for the 1998-99 school year, based in large part on data it collected and reported. However, the audit determined the District does not have adequate systems and controls in place to reasonably ensure valid and reliable data for State and federal aids are obtained, maintained, and fairly disclosed in reports on a timely basis. This is evident by the audit's findings related to errors and exceptions in the data for each of the areas reviewed, including special education related aids, Educationally Related Support Services aid, Transportation aid, dropout statistics, student attendance, and student records. The findings show the District is at risk of losing over \$2 million in State and federal aid.

Special Education Related Aids

School districts are generally eligible for a number of different aids for students with disabilities. Private Excess Cost aid is available for students served in private approved schools. Public Excess Cost aid and Public High Cost aid (HCA) are available for students served in public schools or BOCES programs. In addition, school districts may request certain categorical aids and may bill for Medicaid reimbursement for certain qualifying expenditures. Proactive management and well defined systems are necessary to ensure students with disabilities are provided with appropriate services and to ensure the District claims all the aid for these services that it is entitled

to receive. The audit found that the District has not claimed all the aid that it is entitled to receive.

Private Excess Cost Aid

Private Excess Cost aid is available to school districts having contracts with approved private schools, special act school districts, and State operated schools for the education of students with disabilities. The Department sets tuition charges for each school and pays aid based on student enrollment and tuition. The District's Private Excess Cost aid ratio was 94.1 percent of the actual tuition charges, less the District contribution.

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

According to District officials, the District placed 15 students with disabilities in private placements during the 1998-99 school year at a cost of about \$400,000, and at least as many students during the 1999-2000 year. However, the District did not obtain prior approval for any of these placements from the Department. Unless retroactive approval is granted, the District will not be eligible for the aid. As a result, the District may lose as much as \$750,000 for the two years combined.

Public 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. During the 1998-99 school year, the District initially claimed \$240,949 in HCA for 41 students. Although the audit did not review the HCA claims, it did review the process for claiming HCA and found that the District did not claim all the HCA to which it was entitled.

The District did not report the tuition costs for related services (speech, physical therapy, occupational therapy, etc.) for students served in BOCES programs and did not determine

whether the costs for any students served within the District were high enough to qualify for HCA. Although the District had not claimed all the HCA to which it might be entitled, the amount of aid received was not actually 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. For the 1999-2000 aid year (1998-99 school year), the District received \$817,349 additional aid due to Save Harmless.

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. For the 1998-99 school year, school districts had to report the full-time equivalent (FTE) enrollment for their eligible students in one of three weighting categories. For that year, the District claimed almost \$4.5 million in Public Excess Cost aid for 538 FTE students. The audit reviewed documentation supporting the reported data and found the District did not have a documented system in place for collecting the required information, could not identify the source of the information reported, and did not accurately report its FTE enrollment by weighting category.

The District tried to recreate the supporting documentation using its special education student database. However, the information does not support the data reported, as shown in the following table.

Table 1: FTEs for Public Excess Cost Aid

<i>Weighting</i>	<i>FTEs Reported</i>	<i>FTEs - System</i>	<i>Difference</i>
60%	445	396	49
20%	62	83	(21)
Consultant Teacher	31	-0-	31
Totals	538	479	59

Source: Attendance Output Report (ATT) and Part 200 Report as provided by the District.

Also, our review of the information on the system determined the District reported students in the wrong weighting categories. The eligibility criteria for the 20 percent weighting category are defined to include students with disabilities in grades K-12 who receive special education services at least 20 percent but less than 60 percent of the school week. Also eligible are students “in grades 7-12 or in a school for grades 4-6 that operates on a period basis, the equivalent of 5 periods per week, but not less than 180 minutes, of resource room or other special services or programs.” However, according to District officials, the 20 percent weighting category was used for any student who received special education services the equivalent of once a day, regardless of grade level.

As a result, the District may have overstated student FTEs eligible for Public Excess Cost aid by 117 FTEs, or 22 percent. However, because of the Save Harmless provision of the State aid formula, the District’s misstatement of FTEs by weighting category did not affect the amount of Public Excess Cost aid received. However, if the District had also misstated its eligible FTEs in prior years, the District’s Save Harmless aid level is based on erroneous data.

Categorical Aids (Grants)

School districts are generally eligible for certain categorical aids, including aid related to special education services for students with disabilities. Categorical aid may include funds appropriated pursuant to the Individuals with Disabilities Education Act (IDEA) and funds provided for the Committee on Preschool Special Education administrative costs. For the period, July 1, 1999 through August 31, 2000, the District was eligible for \$347,834 in aid for these categorical programs, including \$44,749 carried over from the previous year.

Table 2: Categorical Aids for Special Education

Aid Program	Budget	Prior Year Carry Over	Total Available
94-142 IDEA	\$274,638	\$ 30,144	\$304,782
99-457 IDEA Preschool	\$15,107	\$ 14,605	\$ 29,712
CPSE -Administrative Costs	\$13,340	\$ -0-	\$ 13,340
Totals	\$303,085	\$ 44,749	\$ 347,834

Source: Department records.

To receive categorical aid, a district should submit to the Department a budget that has been approved by the district's authorizing official prior to the beginning of the project period.

The District's budgets for the 1999-2000 project year were signed on June 16, 2000 by the then acting Superintendent, almost one year after the project operation dates commenced, and at the end of the school year in which the expenditures were incurred. The District did not have a system or procedures in place to ensure all categorical aid reports were filed in a timely manner. As a result, the District may have incurred expenditures for these projects which may not be reimbursable. Also, the District may have been able to incur additional expenditures and provide additional services if the applications and budgets were submitted in a timely manner.

Medicaid

The Social Security Act and IDEA authorize 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. For the 1998-99 school year, the District reported Medicaid revenues of \$231,337. However, a District consultant has estimated that the District may have lost as much as \$400,000 in additional Medicaid revenue for that year.

Districts must maintain two primary documents to bill Medicaid for the provision of allowable related services for their Medicaid-eligible students: related service attendance forms documenting the date the services were actually delivered, and quarterly reports documenting student progress. BOCES develops and maintains these reports for District students it serves if the District notifies BOCES that the students are Medicaid eligible. If the District does not notify BOCES of Medicaid eligibility, BOCES does not prepare the documentation required for Medicaid reimbursement. Each year, BOCES provides the District with several opportunities to update and correct its list of Medicaid eligible students.

In the summer of 1999, a District consultant identified 56 students as Medicaid eligible in addition to the 26 students previously identified for the 1997-98 school year. At the same time, the consultant identified 58 students as Medicaid eligible in addition to the 20 students previously identified for the

1998-99 school year. However, BOCES had only maintained the required Medicaid information (related service attendance forms and quarterly reports) for those students it knew were Medicaid eligible based on previous information provided by the District. According to BOCES officials, although BOCES did have student attendance data, it was unable to recreate related service attendance forms. Students may not have received services even if they were in attendance due to field trips, exams, provider absences, etc.

As a result, BOCES was not able to provide the District with the information and documentation it would need to bill Medicaid for the additional 56 and 58 students for 1997-98 and 1998-99 school years, respectively. Without detailed service information, the audit is unable to accurately estimate the amount of Medicaid revenue that could have been realized by the District if it had been able to bill Medicaid for these additional students. However, the audit believes the District's consultant's estimate of \$400,000 for 1998-99 is reasonable, if not low. The District should review its 1999-2000 Medicaid claims to ensure that all Medicaid eligible students are included.

Educationally Related Support Services Aid (ERSS Aid)

School districts are entitled to receive ERSS aid to help defray the costs of providing support services that enable students to maintain their placements in regular education programs. The number of ERSS hours must be reported to the Department. This aid is paid based on a number of factors, including the aid ratio, selected attendance data, and percentage of students with extraordinary needs. To be eligible for this aid, the number of ERSS hours provided in one year must meet or exceed the prior year's amount.

The audit found that the District last reported ERSS hours for the 1996-97 school year. As a result of not reporting sufficient ERSS hours of service for the 1997-98 school year, the District forfeited \$73,015 in ERSS aid for that year. According to District officials, the District did not report hours for that year because a former Director of Student Services had not provided the required information, and the District would rather report no information than report misinformation. Also, other District staff was not familiar with ERSS, ERSS aid, and ERSS reporting requirements, and had no system in place to track ERSS hours. The temporary Director of Student Services at

the time of the audit, designed a system for tracking ERSS hours and provided instructions to the appropriate staff.

Although the District had projected that it would provide 46,651 ERSS hours during the 1998-99 school year, staff reported providing only 5,022 hours per District records. On several occasions during the course of the audit, the District was advised to report these hours by the June 30, 2000 due date. However, the District did not report any hours for the 1998-99 school year. As a result, it failed to claim \$127,389 in ERSS aid as part of its 1999-2000 State aid. If the District reports these hours prior to June 30, 2001, the aid will be paid as a prior year adjustment sometime in the future. However, if the hours are not reported prior to June 30, 2001, the statute of limitations for 1999-2000 aid claims will have expired and the aid forfeited.

Transportation Aid

State aid for student transportation expenditures is generally available to school districts that own and operate their own bus services, contract for such, or both. Contract expenditures, up to the amount stipulated in the contract and within reasonable cost guidelines developed by the Department, may be allowed for aid purposes. Section 3625 of the Education Law requires a district's superintendent to approve any transportation contract prior to services being provided. Aid is only paid for expenditures incurred after the date of the superintendent's approval. In addition, the Law requires each district to file its transportation contracts with the Department within 120 calendar days from the first day of service. Districts are subject to a pro-rated loss of Transportation aid for each school day past the 120-day deadline. District must request and be granted special legislation in order to receive full aid on late contracts.

The audit found that for the 1999-2000 school year, the District had filed only 4 of its 31 transportation contracts with the Department by the due date of January 1, 2000. The remaining 27 contracts were received by the Department on June 29, 2000, or six months past the due date. As a result, the District may lose up to \$300,000 in Transportation aid unless special legislation is obtained.

According to District officials, the transportation contracts were not submitted on a timely basis due to staffing issues.

The secretary who had previously handled the submission of contracts left the District in August 1999, and the former Director of Support Services did not ensure that this work was completed. However, this does not relieve the District of its responsibility of ensuring the contracts are submitted to the Department as required.

The District's failure to meet the filing requirements for its transportation contracts is a recurring problem. For example, the District forfeited approximately \$48,000 in 1997-98 Transportation aid for this reason. Due to the statute of limitations, the District can no longer recover this aid without special legislation.

Dropout Statistics

School districts are required to report the number of dropouts annually. This information is used by the Department to calculate a dropout rate. The rate is calculated by dividing the total number of students who dropped out in a given year by the total fall enrollment in grades 9 through 12. The rate is published in the Report Card for each school district and can be used to compare performance among school districts. It is also used as one of the Department's performance benchmarks in identifying schools that may need assistance in raising student performance. The audit determined that the District did not maintain adequate documentation supporting the number of dropouts reported and did not accurately report the number of dropouts. As a result, the published dropout rate of 9.9 percent for the 1998-99 school year is understated. The audit determined that the actual dropout rate is 19.7 percent, or almost double the published rate.

The Department has defined a dropout as any student who left school prior to graduation for any reason, except death, and did not enter another school or approved high school equivalency preparation program. The District did not adhere to the Department's definition of a dropout, did not maintain a list of students to support the number of dropouts reported, did not adequately track students who left the District to determine if they were continuing their education, and did not retain adequate documentation within each student's file.

- School districts should adhere to the Department's definition of a dropout. The District, however, did not always include students who ran away from home, were in

the foster care system, or moved to a foreign country. According to District officials, students in the foster care system are often transferred without notification to the school district, and the District has no documentation that students who left the District to return to a foreign country actually continued their education in that foreign country. Nevertheless, 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.

- School districts should maintain a list of students who dropped out of school and this list should correspond to the number of dropouts reported. Because the District did not maintain such a list, the audit was unable to determine which students the District counted as dropouts.
- School districts should track students who left the District to determine whether they have entered other schools or approved high school equivalency preparation programs. In addition, districts should document in each student's file why the student left, what efforts the district made to retain the student or place him/her 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. As a result, the District and the Department have little assurance about the accuracy of the reported dropouts.

The registration of a public school may be placed under review when its students score below certain levels on various measures of student achievement. For the 1998-99 school year, a dropout rate of 10 percent or higher could bring a school under consideration for possible registration review. The District's high school was placed under registration review subsequent to this audit, due in part to the high dropout rate.

Student Attendance

Section 3211 of the Education Law requires school districts to maintain accurate records of students' attendance and absences. School districts summarize the attendance data and report the data to the Department annually on Form SA-129. The attendance data are key factors in the formulas used by the Department to calculate and distribute State aid. The attendance data are also used as a measure of student and

school performance and are reported in each school district's Report Card. Part 185 of the Regulations of the Commissioner of Education (Regulations) requires school districts to retain student attendance records contained in electronic format in student information systems or as system output for at least six years.

The District used a computerized system to accumulate and report attendance data. For the 1998-99 school year, the District reported total aggregate attendance of 335,259 days. The audit requested documentation to support the days reported. However, according to District officials, the attendance system could only generate reports for the current year and a backup of data for the 1998-99 school year was not maintained. As a result, the audit was unable to verify the accuracy of the attendance data reported for State aid purposes and these data were not audited.

Student Records

Districts are required to maintain permanent academic records for all students. The permanent records include cumulative achievement record equivalents (sometimes referred to as "Permanent Record Cards") for elementary and secondary school students including, but not limited to, information on school entry, withdrawal and graduations, special education status, subjects taken, grades received from examinations, and standardized test results. In addition, districts are required to maintain certain other academic related records for at least six years after the student would normally have graduated high school. Student records are considered privileged documents and should be adequately secured at all times.

The audit did not conduct a thorough inspection of student academic records. However, it did observe that certain permanent student records were not adequately secured. In addition, records were not always complete and could not be located for certain students, and the records for some students contained conflicting information.

- District records for high school students are stored in the high school, either in file cabinets in a small room accessible from the Guidance Office or in another locked room. The files were not well organized, making it difficult to locate particular files. The file cabinets were overflowing, were not locked, and were not fireproof. In

addition, the file room was also used to house a copy machine and the staff coffee maker and refrigerator.

- As part of our review of the dropout rate, as previously discussed in this report, the District was asked to provide files for certain students. The District initially was not able to readily locate any files for a large number of students, but subsequently was able to locate information for all but three students. The files for many students were incomplete. For example, they often did not include information on whether a student graduated or withdrew from the school and, if the student withdrew, whether his/her education was continued elsewhere.
- Student transcripts for certain students showed them as graduating June 28, 1998. However, other records indicate the students did not graduate at that time. For example, the transcript for one student shows that he graduated June 28, 1998. However, the same student is listed on a schedule of nongraduates of June 1998 due to failure of RCT Science, Global Studies and U.S. History. The transcript shows the student subsequently passed U.S. History in summer school (1998) and also passed RCT Global Studies and Science, but does not state when these tests were passed. Therefore, it appears that the student did not graduate in June 1998 as stated on the transcript, but the audit cannot determine when or if the student ever graduated.

Recommendations

2. Submit an application for State reimbursement for each student with a disability in a private, special act or State operated school within the required timeframe.
3. Review selection criteria to ensure all eligible students, including students served within the District, are claimed for HCA.
4. Report all eligible costs, including the costs of related services, for all eligible students for HCA.
5. Ensure Public Excess Cost aid data are accurately reported.
6. Accurately accumulate and report FTE enrollment for students with disabilities in the appropriate weighting categories for Public Excess Cost aid. Maintain adequate

documentation to support the inclusion of student FTE enrollment in each weighting category.

7. Sign and submit project budgets for all categorical aid programs in a timely manner.
8. Implement a monitoring system to ensure all categorical aid reports are prepared and submitted to the Department on a timely basis.
9. Ensure BOCES has a complete and accurate list of Medicaid eligible students, and provide any updates or corrections in a timely manner.
10. Accurately track and report all eligible hours for Educationally Related Support Services aid by the due dates. Report the hours for 1998-99 as soon as possible.
11. Ensure all transportation contracts are approved and submitted to the Department by the required dates.
12. Consider requesting special legislation to receive the full amount of available Transportation aid for the 1999-2000 school year contracts.
13. Ensure the number of dropouts reported includes all students who left school prior to graduation for any reason, except death, and did not enter another school or approved high school equivalency preparation program.
14. Track students who have left the District to determine whether they have entered another school or approved high school equivalency preparation program. Maintain adequate documentation to support the reported dropout data.
15. Retain adequate documentation to support student attendance data as reported to the Department.
16. Maintain the required permanent student records for all students.
17. Ensure all permanent student records are properly secured in a file room dedicated to this purpose. Provide an adequate number of file cabinets for this purpose.

18. Determine how students were shown as graduated June 28, 1998 on the transcripts if they had, in fact, not graduated at that time. Correct the student transcript program to ensure that student graduation dates are accurate. Correct student transcripts as necessary.

Comments of District Officials

In response to the audit, District officials indicate general agreement with the audit findings and recommendations and state that efforts have been made to begin addressing the audit concerns. District officials, however, question the audited dropout rate and are addressing this as part of the SURR process.

Improvements Are Needed in Management Controls

The audit identified several opportunities for the District to improve its management controls. The following sections discuss these opportunities, including Board responsibilities and financial controls.

Board Responsibilities

A school board is responsible for overseeing and managing the District's affairs, personnel and properties, and has ultimate responsibility for the fiscal health and stability of the District. A school board should develop policies and should delegate the administration of the district to the superintendent and senior administrators who should manage the school within the established policies. The superintendent and senior administrators should then be held responsible for results. The audit identified opportunities where the Board can improve its oversight by changing the manner in which it conducts and documents its meetings, by providing leadership through the appointment and retention of qualified administrators and officers, and by updating and strengthening its policies.

Board Meetings

School board meetings are held to conduct official school district business, including electing board officers, discussing and voting on educational and fiscal policies, and appointing officials. Minutes should be taken to accurately reflect the actions of the board during its meetings. Our attendance at a Board meeting and review of Board minutes show the Board is divided, making it difficult for it to meet its responsibilities to govern and oversee the management of the District. There appears to be a lack of trust and mutual respect between and among Board members and the senior administrators. To function more efficiently, the Board should consider developing a training program for Board members and using a facilitator at its meetings. The audit also found that the lengths of Board meetings are excessive and that minutes of Board meetings are not routinely approved at the next meeting.

Length of Board Meetings

Board meetings should be conducted in a manner that keeps the number of meetings reasonable while allowing sufficient time

to conduct necessary policy-making activities. The length of each meeting should be kept to a reasonable number of hours to assure maximum productivity. Long meetings may be counter productive as Board members become tired and hurry to complete the order of business without proper consideration. Also, long meetings tend to discourage community members from attending.

According to the Board minutes, although the meetings start at a reasonable time (about 7:15 p.m.), they frequently extend beyond 11 p.m. lasting four or more hours. For example, the following table shows the ending times for Board meetings extending beyond midnight during the audit period.

Table 3: Board Meetings

<i>Meeting Dates</i>	<i>Ending Time</i>
7/15/98	2:25 a.m.
8/19/98	5:02 a.m.
2/10/99	2:00 a.m.
3/17/99	12:55 a.m.
3/24/99	12:12 a.m.
6/16/99	12:09 a.m.
7/21/99	1:45 a.m.
7/28/99	12:20 a.m.
9/15/99	12:20 a.m.
12/8/99	1:17 a.m.
1/19/00	12:28 a.m.

Source: Official Board Minutes

The length of time of the meetings may indicate that the Board has become more administrative in nature than policymaking. The involvement in administrative matters only serves to detract from the Board’s effectiveness in policy development.

Board Meeting Minutes

Board minutes are used to record the actions of a board during its meetings and provide a legal and historical record of a board’s actions. The minutes should be written in a clear and concise manner and should be approved by the board on a timely basis. Extraneous information and details should be filed separately.

The audit found that the Board Clerk prepares and submits the minutes on a timely basis. However, the Board does not

routinely approve the minutes in a timely manner as shown in the following table.

Table 4: Approval of Board Minutes

<i>Date of Approval</i>	<i>Dates of Meeting Minutes</i>
1/20/99	11/10/98, 12/9/98, 12/14/98
5/19/99	3/17/99, 3/24/99, 4/21/99, 5/4/99, 5/6/99
1/19/00	10/13/99, 10/20/99, 11/17/99

Source: Official Board Minutes

According to District officials, the minutes are often submitted two or more times before they are approved because the Board members disagree about the contents of the minutes, frequently requesting the inclusion of personal statements.

Qualified and Experienced Administrators and Officers

A board, superintendent, senior administrators and officers must provide leadership, discipline and structure to manage and control district resources. The management positions should be filled with qualified permanent staff to help ensure the district meets its goals and objectives, and to help establish stability, consistency and continuity in the district's 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). However, the District has had difficulty attracting and retaining effective administrators and officers.

District Administrators

A board is responsible for ensuring its district has a superintendent of schools, a principal for every school, and other additional administrators as needed. The District, however, has lacked stability across key administrative positions for over ten years as demonstrated by the following.

- As of the date of this report, the District has had eight superintendents during the past decade. Five of these eight superintendents, including the current Interim Superintendent, have been in an interim or acting capacity.
- Of the remaining 16 administrative positions, only six were held by permanent (tenured in position or civil service) employees at the time of the audit. One of the positions

was vacant, four were filled with acting or interim personnel (although one held tenure in a prior position), and five were held by probationary personnel.

- The audit was told that one of the current tenured administrators has been shuffled from one position to another because of poor performance. According to District officials, he has not performed many of his designated duties in the office to which he was assigned at the time of the audit. Subsequent to this audit, one of the probationary administrators was not given tenure and was replaced by this individual.
- The temporary Director of Student Services left the District in June 2000 and returned two months later, on an interim basis. As a result, the District had no administrator available to authorize and direct required special education procedures, services and programs, or endorse mandated documents during that two-month period.

District Officers

Under Section 2.00 of the Local Finance Law, the president of a school board is the chief financial officer of the school district. As a general rule, however, legal responsibility for fiscal management of a district rests with the entire board. A board may delegate fiscal responsibilities to an officer or officers of the district such as the treasurer, superintendent and/or business administrator. Part 170.2 of the Regulations requires boards to appoint certain officials including a treasurer. At its discretion, a board may appoint an internal claims auditor. The audit determined that the Board had appointed a treasurer who was not effective and did not have an internal claims auditor at the time of this audit.

- According to Section 2122 of the Education Law, the treasurer of a school district shall be the chief accounting officer and the custodian of all monies belonging to the district. Although the District had a properly appointed treasurer at the time of this audit, the Treasurer did not have the proper experience, did not work full time for the District, was not normally available during regular business hours, was not assigned many of the responsibilities of a school district treasurer, and did not submit accurate or timely reports to the Board. Some of the shortcomings are discussed in a subsequent section of this report.

- An internal claims auditor of a school district helps ensure the prompt payment of bills and improve workflow in the business office. An internal auditor's audit of claims, if done correctly, may provide many desirable features such as saving board time, prompt payment of bills, taking advantage of any discount offered for prompt payment, and a leveling of workload within a business office. At the time of this audit, the District did not have an internal claims auditor. The Board President reviewed and approved all claims, even though the Board is required to review and approve all claims before payment.

Board Policies

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

A policy should clearly state the mission of the district, the objectives to be reached and the standards to be maintained; the manner in which the district is to perform these tasks, including the allocation of responsibilities and delegation of duties to specific staff members; and the methods to be used, the procedures to be followed and the reasoning to be applied in conducting the district's business, whether by the administration, instructional staff, other employees, students, parents or the public.

The audit found that, although the District had policies and procedures, the official policy manual had not been updated for six years and was not complete. For example, it did not include the required accounting and energy conservation policies. In addition, many of the available policies were very general. For example, although the District's purchasing policy includes the dollar limits for the use of quotations, it does not include information on the procedures and documentation required in support of any resulting purchasing decisions.

The District's policies and procedures are not in compliance with the Education Law and good business practices. As a result, District staff may not know what is expected of them and the District may not be able to hold staff fully accountable. In addition, because the District has few written procedures, it may be at substantial risk when key employees leave the District. This is especially critical because of the District's inability to retain qualified administrators and officers.

According to District officials, the Board has appointed an ad hoc committee to compare present Board policies to policies suggested by the New York State School Boards Association.

Financial Controls

A district must implement the necessary financial controls to help ensure assets are safeguarded against loss from theft or unauthorized use; ensure compliance with laws, regulations and policies; maintain the reliability and integrity of reports and data; and ensure operational efficiency, economy and effectiveness. These controls may include appointing a treasurer and an internal claims auditor, preparing accurate and timely budget and fiscal reports, keeping the accounting system current, establishing payroll and purchasing procedures, and maintaining an effective inventory system.

The audit determined the District did not have adequate financial controls and this may have led to the District overspending its 1998-99 budget by over \$700,000. The audit's specific findings and recommendations follow.

Assignment of a Treasurer's Responsibilities

Although a treasurer of a school district is the chief accounting officer and the custodian of all monies belonging to the district, the District's Treasurer did not serve as the chief accounting officer and did not maintain any accounting records. Primary responsibilities were limited to signing checks, reconciling bank statements, and submitting certain reports to the Board. The Treasurer was not involved in the receipt of funds or the investment of monies. These tasks, along with other duties normally assigned to a treasurer, have been assigned to the District's Business Manager. A former Superintendent had recommended that the normal responsibilities of a school district treasurer be assigned to the District's Treasurer.

However, the Board declined to reassign the Treasurer's responsibilities.

The District's Business Manager is therefore responsible for both the general business operations of the District (including budgeting, food services, student transportation, facilities and building aid) and the accounting and fund custodian responsibilities. As a result, he may not have adequate time to devote to his responsibilities. This may contribute to some of the other problems cited in this report, such as the late filing of transportation contracts and the accounting records not being kept current.

One of the best ways to protect a district's cash is to have strong internal controls, including segregation of duties. This provides a system of checks and balances and also provides a certain level of confidence that a school district's funds are protected. Assignment of treasurer responsibilities to a full-time, experienced and competent treasurer would improve segregation of duties and controls.

Financial Reports

The Regulations require the treasurer of a school district to submit cash reports and budget status reports to the district's board, require a district to submit audited financial statements to the Department, and also require the central treasurer of the Extraclassroom Activity Fund to submit a report of receipts and expenditures of that fund to the board. The audit found that the District's Treasurer did not perform complete, accurate and timely bank reconciliations, which are the major component of the cash status reports, and did not submit accurate and timely cash reports to the Board. The audit found that the District's Business Manager, not the Treasurer, prepared and submitted budget status reports to the Board, and the budget status reports did not contain all the required information. Also, the District has not submitted its audited financial statements to the Department within the required timeframe. Finally, the audit found that the Central Treasurer of the extraclassroom activity fund does not submit any reports to the Board. Without accurate and timely reports, the District cannot make informed decisions.

Bank Reconciliations

Done correctly, a bank reconciliation establishes the depositor's correct cash balance as of a given date, and identifies any bank statement or district errors. Monthly reconciliation of the bank accounts on a timely basis by someone independent of the handling or recording of cash receipts and disbursements is an essential control over cash. The reconciliation is important to ensure the records reflect the same cash balance as the actual amount of cash in the bank after consideration of the reconciling items. Of equal importance, it provides a unique opportunity for an internal verification of cash receipts and disbursements transactions. Due to the importance of bank reconciliations, another common control is to have a responsible employee review the monthly reconciliation as soon as possible after its completion. The audit found numerous exceptions with the District's bank reconciliation process. The Treasurer does not reconcile to the general ledger (GL), does not review canceled checks, does not follow up on exceptions with the bank, makes inappropriate adjustments, shows cleared and voided checks as outstanding, and makes other similar errors as described below.

- The Treasurer does not reconcile the bank accounts to the GL, but reconciles to information (source documents) provided to him by the Business Office and to the balances as carried forward from the previous month's reconciliation. This provides no assurance that cash balances are accurate.
- The Treasurer does not follow up on all exceptions in a timely manner. The Treasurer does not attempt to rectify bank errors when the errors are in the District's favor. In these instances, the GL is adjusted instead or the errors are simply carried forward on the bank reconciliations. Also, it should be noted that the adjustments might be made more than a year after errors occur. The audit found instances where the amounts the checks were written for differed from the amounts paid by the bank:

Table 5: Check Discrepancies

<i>Check No.</i>	<i>Check Amount</i>	<i>Amount Cleared</i>	<i>Difference</i>
2758	\$1,599.43	\$599.43	\$1,000
30780	\$4,587.81	\$587.81	\$4,000

Source: Bank reconciliations and bank statements

The Treasurer did not follow up on these differences and could not provide an explanation for the differences.

- The audit noted numerous errors with bank reconciliations. Checks listed as outstanding had actually cleared the bank and other checks listed as outstanding were actually voided. For example, check #6122 was listed as voided on the November 1999 bank reconciliation although it had already cleared the bank on September 13, 1999 at an amount different from that listed. Apparently, check #6122 for \$240 and check #6419 for \$3,529.25 had both been listed as check #6122 on a bank reconciliation. Both checks cleared the bank. A subsequent bank reconciliation listed a check #6122 for \$3,529.25 as voided. This check, however, was neither voided nor for the amount shown as voided.
- Bank reconciliations are not reviewed by a responsible official even though the District's independent auditors have previously recommended that this be done.
- Old outstanding checks are not reviewed and adjusted in a timely manner. The District's independent auditors had identified \$146,087 in old outstanding checks as of June 30, 1999, and recommended that the District make the appropriate adjustments for these checks in a timely manner. The audit found that the February 2000 bank reconciliations listed 44 old outstanding checks totaling \$78,789, with the oldest check dated July 1998.
- The Treasurer stated that old outstanding checks are adjusted periodically, but no follow up is done to verify checks are actually voided and properly reflected in the accounting records. The checks are noted as VOID on the reconciliations. An assumption is made that the Accountant will void the checks and adjust the books when the reconciliations are provided.
- The reconciliations list checks as outstanding that have never actually been issued. The checks have been written, but not approved for payment. The Treasurer does not know which checks have been mailed. Ideally, checks should not be prepared until the payment package has been approved for payment.

Cash Reports

Part 170.2 of the Regulations requires a district’s treasurer to render a monthly cash report for each fund showing the cash balance on hand at the beginning of the month, receipts by source during the month, total disbursements during the month, the cash balance on hand at the end of the month, and reconciliation with bank statements. The report needs to show the district’s total cash position, which would include checkbook balances, certificates of deposit, and government obligations. A treasurer’s report showing the district’s cash position for all accounts and funds will comply with the Regulations and provide the board with an accurate report of the district’s fiscal status.

Fiscal reports are most useful when they are submitted on time. The District usually receives bank statements by the 15th of the month following the month reported. This should allow the Treasurer adequate time to complete the bank reconciliations and the cash reports for the following month’s Board meeting. However, the Treasurer typically submits these reports at least two months later. In addition, the Treasurer’s reports do not include copies of the bank reconciliations, and do not always correspond to the bank reconciliations (which are also inaccurate).

For example, the following chart illustrates the variances between the Treasurer’s report and the bank reconciliation, and the Treasurer’s Report and the GL for the General Fund Disbursement account (#74) for the month of July 1998.

Table 6: Comparison of Financial Records

	<i>7/1/98 balance</i>	<i>Receipts</i>	<i>Disbursements</i>	<i>7/31/98 balance</i>
Treasurer's Report	\$1,098,013.24	\$380,000.00	\$332,899.93	\$1,050,913.17
Bank Reconciliation	\$(73,901.40)	\$380,000.66	\$974,272.42	\$(668,173.16)
Difference	\$1,171,914.64	\$(0.66)	\$(641,372.49)	\$1,719,086.33
Treasurer's Report	\$1,098,013.24	\$380,000.00	\$332,899.93	\$1,050,913.17
GL	\$(74,017.40)	\$380,116.00	\$974,271.76	\$(668,173.16)
Difference	\$1,172,030.64	\$(116)	\$(641,371.83)	\$1,719,086.33

Source: Treasurer’s Reports, Bank Reconciliations, and GL, all as provided by the District

The July 1, 1998 GL balance agrees with the audited financial statements. According to the District's Treasurer, the bank reconciliations are not provided to the Board because the Board has not requested them. Also, the Treasurer was not able to explain the differences between his reports and bank reconciliations or between his reports and the GL. These errors could have been easily prevented if a responsible official reviewed the bank reconciliations and the cash reports, or if the bank reconciliations were submitted with the cash reports to the Board.

As a result of the errors in the bank reconciliations, the errors in the cash reports, and the untimely submission of the cash reports, the Board and District officials do not have an accurate report of the District's cash position. Without this knowledge, the Board cannot make informed decisions about the District's fiscal operations. Furthermore, the District is at risk with the potential for the loss or misuse of cash.

Budget Status Reports

Part 170.2 of the Regulations requires the treasurer to render a report, at least quarterly (and monthly in the event that budget transfers have been made since the last report) for each fund for, at a minimum, the revenue and appropriation accounts required in the annual State budget form. This report must show the status of these accounts in at least the following detail:

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

The budget status report, together with the treasurer's cash report, is a significant source of financial information in summary form available to the board. Also, regularly presented, up-to-date, comprehensive, and accurate status reports for each fund are indispensable management tools for use by both the administrative staff and the board. These reports should be used as a basis for financial monitoring and decision making.

The audit found that although the Regulations require the Treasurer to submit the budget status reports to the Board, they are instead prepared and submitted by the District's Business Manager. A former superintendent previously recommended that the responsibility for the budget status reports be assigned to the Treasurer, but the Board has given this responsibility to the Business Manager.

The audit also found that the budget status reports are incomplete. They do not include the capital projects, school lunch, and trust and agency funds, and do not contain any of the required revenue information for any funds. The revenue information cannot be included if the GL is not kept current, as discussed in the *General Ledger Accounting System* section of this report. As a result, the Board is not provided with the financial information necessary for making informed decisions about the District's fiscal operations.

Audited Financial Statements

Part 170.2 (r) of the Regulations requires school districts to obtain an annual audit by a certified public accountant and to submit audited financial statements to the Department by October 1 of each year. The District has not met this reporting deadline for at least the past five years as shown in the following table.

Table 7: Submission of Audited Financial Statements

School Year	Date Submitted	Months Late
1995-96	7/23/97	9½
1996-97	2/26/98	5
1997-98	11/18/98	1½
1998-99	11/23/99	2
1999-00	12/15/00	2½

Source: Financial Statements on file with the Department

According to District officials, the audits are not completed and therefore not submitted on time because the bank reconciliations are not performed on a timely basis. However, the primary reason the audits are late is because the Board does not appoint its auditors until after the year to be audited is past. For example, the Board appointed its independent auditor for the 1998-99 school year on July 21, 1999.

Extraclassroom Activity Fund

An extraclassroom activity fund is used to account for the monies received from the conduct, operation or maintenance of any extracurricular student activities. The Regulations (Part 172.2) require boards to establish policies governing extraclassroom activity funds. In addition, Part 172.3 (b) of the Regulations requires the central treasurer of the Extraclassroom Activity Fund to maintain a record of receipts and expenditures of the fund, and to submit that record to the board on at least a quarterly basis.

The audit found that although the Board has an adequate policy governing the extraclassroom activity fund, the Central Treasurer of that fund is not aware of the policy and does not submit the required reports to the Board. For guidance, the Central Treasurer refers to a handbook issued by the Association of School Business Officials. The audit also found that the Central Treasurer of the fund compares checkbook entries to the bank statements, but does not perform actual bank reconciliations. In addition, although the Central Treasurer prepares other required reports, these are submitted to the High School Principal and to fund advisors, not to the Board.

General Ledger Accounting System

The General Municipal Law prescribes the Uniform System of Accounts for use by all school districts in New York State. School districts should use comprehensive and integrated accounting systems that facilitate the collection, processing, maintenance and reporting of data for all financial transactions. All transactions, including payroll, should be promptly recorded in the accounting records. The accounting records for all funds should be kept current. At a minimum, the journals and ledgers should include all entries as of the end of the previous month at any point in time. The audit found that the District does not use its fully integrated accounting system and does not keep all records current.

The District's accounting system is a comprehensive and integrated computerized accounting system, but the District only uses parts of the system. For example, the District uses this system to record cash disbursements and expenditures, but it does not use it to record cash receipts and revenues. Instead

the Business Office prepares a monthly report (spreadsheet) of cash receipts by revenue account.

The Business Manager uses the information from the accounting system, the cash receipts and revenue spreadsheets, as well as other records and spreadsheets to prepare the GL. The GL is prepared on a spreadsheet and is not connected to the accounting system.

The audit also found that the GL is not always updated on a timely basis. For example, the GL was not updated between December 31, 1999 and March 31, 2000, the end of the next quarter. Also, the March 31, 2000 update was not prepared until several weeks after the end of that month. In addition, a review of the GL found that transactions were often posted in periods other than the periods in which they occurred.

Furthermore, the audit found that certain payroll checks were not recorded in the accounting system until after the checks had been shown on bank statements as having cleared the bank, sometimes months after the checks were issued.

The District's accounting system is cumbersome and poses several serious risks.

- Data and records could be purposely or inadvertently manipulated and not detected or not detected in a timely basis.
- Errors could occur, as the data must be manually carried forward to the GL spreadsheet from other spreadsheets, the accounting system, and other records.
- If the current Business Manager were to leave the District, other District staff might not have the necessary knowledge to prepare the GL.

The District's practice of not keeping the accounting system current also poses certain problems.

- Proper bank reconciliations cannot be completed. According to the District's Business Manager, the Treasurer can complete the bank reconciliations without current accounting records since he is also provided with all the information used by the Business Manager to prepare the GL. However, one of the purposes of a bank

reconciliation is to identify any errors made in the District's accounting records. If the accounting records have not been updated for the reconciliation period, this is impossible.

- The Treasurer and Business Manager cannot provide the Board with accurate and current bank reconciliations, cash reports, and budget status reports on a timely basis. Without this information, the Board cannot make informed decisions about the District's fiscal operations.
- If, at the end of the calendar year, payroll expenditures are recorded in different periods than the periods incurred, salaries may be misreported for income tax purposes. For example, five payroll checks totaling over \$5,000 were cashed in September 1998, but were not recorded as expenditures until January 2000, two calendar years late.
- If the recording error happens at the end of the fiscal year, expenditures may be reported in the wrong fiscal year. For example, ten payroll checks totaling approximately \$7,000 were cashed in June 1999, but were not recorded as expenditures until August 20, 1999, the subsequent school year.
- Also, it is difficult for the District to determine the accurate cash balance of the payroll account at any one time when payroll expenditures are not recorded when incurred.

Purchasing and Accounts Payable

Purchasing is one of the most highly specialized activities in school administration and is regulated by State law, court decisions, and local board policy. 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 district policy. School districts, like most organizations, generally find it convenient to purchase goods and services on credit rather than to pay cash at the time of each purchase. The liability arising from the purchase of goods or services on credit is called an account payable. It is good business practice to pay bills on time not only to maintain good credit standing but also to avoid unnecessary finance charges and late payment fees.

The audit found that the District needs to improve its controls over purchasing and accounts payable as follows.

- As in other areas of school operations, carefully formulated and clearly stated policies and procedures for the conduct of purchasing must be adopted by the Board. These guides will translate laws into action and will establish the purchasing posture of the District. Compiling a purchasing manual will reveal discrepancies and shortcomings in current policy. As stated earlier in this report, the District's purchasing policy is out of date and does not include all of the specific sections required by the General Municipal Law. In addition, the District has no purchasing manual or written procedures to guide purchasing practices.
- Confirming purchase orders are generally used for emergency purchases and result when purchase orders are prepared and approved after the actual purchases are made. The use of confirming purchase orders circumvents the standard purchasing process and can lead to overspending budgets or committing the District to expenditures that are not necessary or reasonable. In a test of expenditures, the audit found confirming purchase orders were used in 43 percent of transactions tested even though the purchases were not emergencies. For example, confirming purchase orders were used to pay a \$25,415 lawyer's fee.
- For a sample of expenditures, the District was unable to provide any documentation (disbursement packages) to support ten purchases (or 12 percent of the transactions tested) totaling \$11,000. For example, the disbursement package to support a \$3,687 payment (check #5266) to a computer vendor was not provided for this audit. In each of the past three annual audits, the District's independent auditor has also found that the District has not been able to provide adequate documentation to support purchases. The independent auditor has previously recommended that the District needs to ensure that supporting documentation is obtained and maintained for all expenditures for the required period of time.

In addition, the District was unable to provide copies of signed contracts or agreements for at least three other transactions in the audit sample. For example, no written contracts could be provided for a food service agreement

with another public school district wherein a payment of \$13,000 was made.

- School districts should maintain complete and accurate documentation to support all expenditures including Board travel and conference. The documentation should include sufficient detail and description to demonstrate that expenses are related to district business and serve as justification to support the expenditures. In a sample test of transactions, the audit found paid claims with insufficient documentation to support the expenditures. For example, a payment was made to a travel agency in the amount of \$2,258 for airline tickets. Although the invoice and purchase order both indicated the names of passengers and the trip destination, neither provided any information on the nature of the trip. Without this information, the audit could not assess the appropriateness of the travel expenditures.
- The audit found that an accounts payable clerk maintained a box of invoices not yet processed. Many of the invoices were in unopened envelopes and were dated at least several months previously. At the time of the audit, the box contained about 280 invoices greater than three months old, totaling over \$200,000, as well as more recent invoices. The audit reviewed a sample of 25 of these dated invoices with the accounts payable clerk and found:
 - ten had previously been paid,
 - eight were still unpaid,
 - one was for a previously liquidated encumbrance (returned item),
 - four contained invalid purchase order numbers and needed to be further researched, and
 - two were late charges resulting from late payments to one vendor.

The District has no system in place to ensure that invoices will be paid on time, or in cases when they have already been paid, they will be discarded. Invoices were kept in either of two groups (i.e., boxes), with no definite distinction between the two. In some instances, such as when the vendor uses a different billing name or a different purchase order number, invoices sat for long periods of time until the vendor contacted the District.

Each staff member of the business office, including each accounts payable clerk, reports directly to the Business Manager. Although the Business Manager said he had been aware of previous problems with accounts payable, he thought those issues had been resolved, and he was not aware of the box of 280 plus unprocessed invoices.

The box of invoices, combined with the accounts payable clerk's "wait until someone complains" attitude and the lack of adequate supervision poses certain risks for the District. For example, the District does not know the true extent of its outstanding payables and may be subjecting itself to unnecessary late fees and other penalties. In addition, certain vendors now demand advance payment before they make any delivery.

- Before any expenditure is paid, a District's internal claims auditor or entire board should review the documentation for payment. Until mailed, the check-signers should maintain custody of the checks. In no case should signed checks be returned to the check preparers.

At the District, the accounts payable staff generally prepares the checks, the Treasurer and the Board President sign the checks, and the accounts payable staff mails the signed checks. Because neither the Treasurer nor the Board President are normally at the District offices during the regular work day, the checks are left in a safe. The Treasurer and Board President each retrieve, sign, and return the checks to the safe where they are later retrieved by the accounts payable staff for mailing. However, the audit found that the Board President frequently removed checks from the District offices, and did not always promptly sign and return them. For example, on January 18, 2000, a former Board President returned ten checks to the District, totaling \$10,710, with dates ranging from September 15 to December 15, 1999.

The mailing of the checks by the check preparers and the removal of the checks from District property compromise internal control and also pose certain risks for the District. For example, the District did not keep track of which checks were signed, returned and mailed; returned unsigned and not mailed; and not returned or mailed. Instead, when checks were prepared, they were all treated as issued in the accounting records. As a result, vendors are not being paid

promptly and many checks, which had never been issued, appeared as outstanding on the bank reconciliations.

Inventory Controls for Assets

Maintaining adequate fixed asset records and fairly reporting fixed assets are important for two key reasons. This allows local governments, such as school districts, to meet the requirements under Generally Accepted Accounting Principles (GAAP) for fairly reporting fixed assets in their financial statements. Also, it provides management with a valuable tool for controlling fixed assets and planning replacements. 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 audit found that the District has not maintained adequate controls over its fixed assets.

- The District has no written policies or procedures governing fixed assets.
- The District has not conducted a physical inventory in over three years. The audit, though, was able to physically verify a very limited sample of certain computer equipment without exception.
- The District has not updated its inventory records in over three years. According to District officials, the inventory has not been maintained or updated because the software system that was installed for this purpose failed to work. Additions, disposals and transfers have not been recorded or tracked since the last update in June 1997. Therefore, the District is unable to readily identify any additions, movements or deletions since the last inventory without undergoing a time consuming and tedious task of manually reviewing all purchases orders since that date, verifying the physical presence of assets, and reviewing any Board resolutions for disposals.
- Although the District's Purchasing Agent has maintained certain fixed asset records, the District has not assigned responsibility to the Purchasing Agent or any other

employee for maintaining inventory records for all fixed assets. For example, the Purchasing Agent has not been assigned or taken any responsibility for computer equipment purchased through BOCES.

- The District is unable to adequately account for asset disposals. The June 1997 inventory lists asset disposals totaling \$494,994 since the last inventory. Although copies of Board resolutions have been provided pertaining to certain disposals, they do not adequately support the list of all disposed assets nor contain enough information to allow tracing of particular items to the list. For example, the disposal list includes 64 computer systems and 57 computer monitors (all with six-digit asset numbers), while the Board resolutions list four IBM #6360 computers and 15 IBM and Apple monitors (without asset numbers). Therefore, the District has little assurance that the assets listed as disposals were in fact properly disposed of.
- Although the District has constructed a central receiving area, this area is not used for that purpose. The District does not tag assets upon receipt, although it has in the past. According to the Purchasing Agent, the District ran out of tags and therefore discontinued the tagging.

As a result, the District does not have adequate controls over its assets and there is a greater chance of loss and unauthorized use.

General Staffing Issues

The audit found that the District has improvement opportunities in regard to overtime and employee classification.

- The Fair Labor Standards Act and contract agreements dictate requirements for payment for overtime work. Generally, employees eligible for overtime are entitled to overtime pay at 1½ times the regular rate for any hours worked in excess of 40 hours per week. Large amounts of overtime may be indicators of the need for staffing changes. Granting of time off (comp time) in lieu of overtime pay is contrary to the Fair Labor Standards Act and to the District's contract agreement with its administrative support staff.

The audit found that during the 1998-99 school year, at least two employees were paid large amounts of overtime. A driver/messenger, with a base salary of \$34,725 was paid an additional \$23,747 in overtime pay, and a principal stenographer, with a base salary of \$42,636, was paid an additional \$10,935 in overtime pay. During the 1999-2000 school year, the messenger/driver continued to receive large amounts of overtime pay, while the principal stenographer earned compensatory time in place of overtime. As a result, the District may be in violation the Fair Labor Standards Act and the contract agreement. In addition, the District may be incurring excessive overtime expenditures that might be lessened through staffing changes.

According to District officials, the messenger/driver was often asked to provide services after normal business hours and on weekends, and the principal stenographer was asked to work extra hours because of a lack of adequate staffing in the Personnel Office.

- Both the Internal Revenue Service (IRS) and the State Department of Labor have established standards for use in determining whether an individual is an employee or an independent contractor. Although the District's Director of Security is paid as an independent contractor, the audit believes he should be classified as an employee. He punches a time clock, has a regular schedule and an office on District property, supervises 32 District employees, recommends staff for hire, trains and evaluates staff, and generally functions as an employee. Also, his proposed three-year contract is called an "employment agreement" and defines the "salary" to be paid.

The Director of Security is retired from a local police force. As a retired public employee, he is subject to certain limitations by the Public Retirement System. As a result of the misclassification of this individual as an independent contractor, both the individual and the District may be at risk of assessment of fines and penalties from the IRS and State Tax Department, the retirement system, the Labor Department, and Civil Service.

Recommendations

19. Consider developing a training program for Board members and using a facilitator at Board meetings.
20. Limit the length of Board meetings to a reasonable number of hours.
21. Constantly strive to improve the Board's skill as a policy-making body and delegating the administration of the District to the superintendent and senior administrators.
22. Approve the minutes of each Board meeting at the following meeting. If the minutes cannot be approved "as presented," the Board, following appropriate action, should authorize the Clerk to correct the minutes. The Clerk should draw a line in ink through the word or phrase to be deleted, insert the correction directly above the portion deleted, and initial and date the changes. This should be followed by a Board motion to approve the minutes "as corrected."
23. Attract and retain a qualified and experienced school superintendent on a permanent basis.
24. Attract and retain qualified and experienced administrators.
25. Address poor administrative performance through the Administrators' Contract.
26. Attract and retain a full-time qualified and experienced district treasurer.
27. Consider hiring a qualified and experienced internal claims auditor.
28. Review all existing policies and add, change or delete policies as appropriate. Ensure all policies are in compliance with laws, regulations and Department guidelines.
29. Establish written procedures guiding all District operations and distribute the policies and procedures to all District officials and staff.

30. Require the Treasurer to perform accurate and timely bank reconciliations, which must include a full reconciliation to the GL, and to submit the bank reconciliations to the Board on a timely basis. If necessary, ensure the Treasurer has the necessary knowledge and ability to perform the bank reconciliations.
31. Require a responsible official to review all bank reconciliations and financial reports for accuracy before they are submitted to the Board.
32. Review stale checks on a regular basis and make any appropriate adjustments on a timely basis.
33. Require the Treasurer to submit accurate cash reports to the Board on a timely basis.
34. Require the Treasurer to render budget status reports at least quarterly (and monthly in the event that budget transfers have been made since the last report) for each fund, including the revenue and appropriation accounts required in the annual State budget form.
35. Submit the required audited financial statements to the Department by October 1 of each year. Also, consider appointing the auditor at the organizational meeting for the year to be audited, not the subsequent year.
36. Ensure the Central Treasurer of the extraclassroom activity fund is provided with a copy of the policy governing this fund.
37. Require the Central Treasurer of the extraclassroom activity fund to properly reconcile the account and to submit the required reports to the Board.
38. Utilize the fully integrated accounting system.
39. Keep all accounting records current.
40. Record all payroll expenditures when they are incurred.
41. Limit the use of confirming purchase orders to emergency situations.

42. Ensure all purchases, including Board expenditures, are adequately documented.
43. Consider preparing a purchasing manual.
44. Adequately supervise and train the accounts payable clerks.
45. Investigate and resolve all invoices in the accounts payable invoice box. Also, ensure all invoices are reviewed and processed on a timely basis.
46. Establish procedures whereby the person signing the checks is responsible for mailing the checks.
47. Prohibit checks from being removed from the District offices until they are ready to be mailed.
48. Establish procedures to monitor whether checks have been signed and mailed.
49. Implement the necessary inventory controls for assets including: establishing comprehensive policies and procedures; assigning responsibility to one individual; conducting annual physical inventories; tagging all new purchases with ownership decals; recording any new acquisitions, transfers or disposals on the system; ensuring Board approval of all disposals; and keeping the system up-to-date.
50. Limit the use of overtime. Consider making staffing changes to minimize overtime payments.
51. Eliminate the use of compensatory time in lieu of overtime pay, as required by the Fair Labor Standards Act and employment contracts.
52. Reclassify the Director of Security position as an employee position, and follow all Civil Service requirements for filling this position.

Comments of District Officials

District officials agree with the findings and recommendations, and have begun to implement the recommendations.

Additional Improvement Opportunities

The audit has identified additional opportunities for the District to make improvements. The following sections discuss these opportunities, including technology planning, instructional staffing, special education related issues, and student health records.

Technology Plan

Schools throughout New York State are engaged in fiscal and instructional planning, acquisition, wiring, training, and applications for the use of technology. It is essential that a process be followed in transitioning through these diverse stages of technology application to achieve complete integration into the instructional program. This process is referred to as the Model Schools Process for staff development and instructional technology integration.

Within the five-year comprehensive educational plan that all schools must have, a plan specifically pertaining to instructional technology should be included. This plan, just like the broader educational plan, should encompass shared decision-making based on Part 100.11 of the Regulations, school improvement needs based on professional development requirements and student performance data, facilities, and fiscal resources. The focus of this planning should consider the classroom and library as the instructional center. The first steps for academic and grade level application should be discussed commensurate with the needs of students and respective areas of proficiency or deficiency. Schools that need to remedy reading competency at the primary levels (kindergarten through third grade) should plan to ensure access to technology, teacher training for technology skills and strategies which are associated with English and Language Arts, and new ways to assess student performance.

The audit found that the District does not have a District-wide technology plan. A plan should be prepared and shared with building level staff, and adequate training should be provided to staff on how to integrate computers and technology into instructional plans.

Instructional Staffing

The District needs to provide its students with necessary resources, including student support staff, school library-media specialists, English Language Arts and Math coordinators, and certified teachers.

Student Support Staff

Schools must provide students with the necessary student support staff, including school counselors, psychologists, psychiatrists, social workers, attendance teachers, nurses, and librarians. However, it appears the District does not have adequate staffing in this area. The 1999 Statistical Profiles of Public School Districts shows the District has a student to support staff ratio of 269 to 1, compared to the Suffolk County school districts ratio of 136 to 1. In effect, each of the support staff had almost twice as many students as other districts in the County. This may be part of the reason for lower student performance, a higher special education classification rate, a higher dropout rate, and below average attendance rate.

Librarians

School districts are required to employ a certified school library-media specialist, unless equivalent service is provided by an alternative arrangement approved by the Department. For the 1998-99 and 1999-2000 school years, the District included three school library-media specialist positions in its budget, one for each of the three schools. However, during the 1998-99 school year, the District had only one school library-media specialist located at the high school. During the 1999-2000 school year, the District had one school library-media specialist at the middle school for the entire year and one at the elementary school for the second half of the year only. The District's budget for the 2000-01 school year includes three school library-media specialist positions.

During a 1999 site visit, Department staff found that the District's library facilities are lacking throughout the District, at the elementary school in particular. In addition, they found that in-class libraries are inadequate to nonexistent in most classrooms. As a result of that site visit, the Department recommended that the District give immediate attention to improving the library services and the library collections, and

provide teachers with adequate classroom libraries to help them perform their jobs more effectively.

English Language Arts and Math Coordinators

The District’s Report Card shows student performance is significantly below the State average. The following table illustrates student performance in meeting or exceeding the State standards in fourth and eighth grade English Language Arts (ELA) and Math.

Table 8: Student Performance in ELA and Math

Period	Subject Area	Meeting or Exceeding State Standards	
		District	NYS Public Schools
January 1999	ELA - grade 4	16%	48%
June 1999	Math - grade 4	31%	67%
June 1999	ELA - grade 8	15%	48%
June 1999	Math - grade 8	1%	38%

Source: NYS School District Report Card for Wyandanch UFSD

If student performance does not improve, many students will be at risk of not passing the Regents examinations, which are now required to graduate from high school. Qualified and experienced ELA and Math coordinators would likely provide valuable assistance and direction in any effort to improve performance.

The District had no ELA or Math coordinators on staff during either of the past two school years. The Budget for July 1, 2000 through June 30, 2001 includes an ELA but not a Math coordinator position.

Certified Teachers

A teacher’s certificate is a license issued by the Department that certifies the holder meets all the necessary qualifications to teach in the public schools. The Education Law prohibits school districts from employing a person who does not have a valid teacher’s certificate. Exceptions apply for certain occupational education teachers. Temporary licenses may be granted for one year to unlicensed teachers. Also, incidental teaching (outside of certification area) may be allowed with Department approval for up to five classroom hours per week.

The audit found the District had at least four full-time teachers on staff during the 1998-99 school year who lacked the proper certifications.

- A high school science teacher was hired effective September 1998. According to the teacher's application, provisional certification in Biology was obtained effective September 1997. However, the Department has no record of this certification on file. The only evidence of any certification in the teacher's personnel file at the District is a copy of a card from the General Conference of Seventh-Day Adventists granting a conditional certificate in Biology and General Sciences.
- A high school English teacher was hired effective September 1998, approximately five years after the teacher's provisional certification in English 7-12 expired. On an October 1997 substitute teacher registration card, the teacher indicated that provisional certification in English 7-12 was obtained. The Department has no record of any English certification on file.
- A Math teacher was hired effective September 1998 and resigned at the end of that school year. According to the teacher's resume, provisional certification was obtained in Business and was pending in Math. District forms show the teacher certified in both areas. The Department has no record of Math certification on file.
- A Social Studies teacher was hired effective September 1995. Although the teacher's personnel file contains a certificate of qualification, it has no certification, provisional or otherwise. The Department has no record of Social Studies certification on file. The District's personnel file for this employee contains correspondence showing that District officials were aware that this employee lacked the proper certification, and that the District extended the employee's probation period for this reason.

As a result, the District is not in compliance with the Education Law concerning the employment of certified teachers and needs to take immediate steps to comply.

Special Education Program

The District needs to improve its services for its students with disabilities by developing and enacting an inclusion policy, by ensuring classrooms are adequately staffed, by evaluating and re-evaluating students on a timely basis, and by ensuring students are not inappropriately excluded from statewide and District-wide assessments. Also, as previously discussed, the District did not have an administrator available to authorize and direct required special education procedures, services, and programs during July and August of 2000.

Inclusion Policy

The Regulations require students with disabilities to be educated in the “least restrictive environment” appropriate to their individual needs. This means that to the maximum extent appropriate, children with disabilities must be educated with children who are not disabled, as close as possible to their places of residence. It requires that students with disabilities remain in regular classroom instruction unless it is determined that, even with support services, they would not benefit from instruction in the regular classroom.

Inclusion requires a “continuum of alternative placements” that must be available in all public schools to meet the needs of students, including instruction in regular classes and special classes, as well as supplemental services such as resource rooms, related services, or consultant teacher services. Students who cannot benefit from instruction in a regular classroom should be educated in public school buildings so they may interact with students who are not disabled in nonacademic areas such as music, art, gym, and during recess and lunch periods.

School districts should develop and adopt a written policy to ensure the students with disabilities have the opportunity to participate in appropriate programs.

The audit found that the District has no policy to ensure students with disabilities are educated in the least restrictive environment or provided with a continuum of alternative placements. In addition, the District has made no initiative to introduce inclusion. During the 1998-99 school year, the majority of the District’s students with disabilities were

reported as served in either a separate school or in a separate class within the District.

Table 9: Placement of Students with Disabilities*

<i>Setting</i>	<i>FTE</i>	<i>Percent</i>
BOCES -- separate school	119	22
District or Other Public School – separate class	326	61
District -- NOT in a separate class	93	17
Total	538	100

Source: State Aid Report: Attendance Output Report

**Note: Does not include students with disabilities served in approved private schools since reliable information has not been provided for these students.*

During this audit, the then temporary Director of Student Services discussed the need to make plans to introduce inclusion to the District and suggested using the 2000-01 school year for planning and staff development, and beginning inclusion efforts for the 2001-02 school year. However, the former temporary Director of Student Services was only with the District for a few months at the end of the 1999-2000 school year, returning in late August 2000, again on an interim basis. Without consistent, continued leadership, the District cannot expect to make any real accomplishments in this area.

Classroom Staffing

An individualized education program (IEP) is a written plan for providing an educational program for a student with a disability. The IEP includes information on the unique needs of the student including the recommended class size, if appropriate. The audit found that the staffing for special classrooms was not always appropriate.

- At the time of this audit, a special classroom with a recommended staffing ratio of 8:1:1 included students from kindergarten through grade 4. However, the age-span for such classes is limited to 36 months, not five years. At the same time, eight or nine additional students with disabilities were placed on home-tutoring because another class was not available. According to District officials, an additional special education teacher was hired to open a new class and bring the District into compliance.
- Also at the time of this audit, a special classroom with a recommended staffing ratio of 15:1:1 had 18 students.

According to District officials, an additional special education teacher was hired to open a new class and bring the District into compliance.

- During the 1999-2000 school year, one special education classroom with a recommended staffing ratio of 8:1:1 was taught by several teachers, one period each, due to staffing shortages.

Evaluations

A school district's committee on special education (CSE) and committee on preschool special education (CPSE) make recommendations to the board and parents on the identification, evaluation, placement and reevaluation of students who require special education. For students not previously identified as having disabilities, the initial evaluation and commencement of services, if appropriate, is required within 60 days of the parental consent to evaluate the student. The CSE must arrange for an appropriate re-examination of each student with a disability at least every three years by a physician, a school psychologist and, to the extent required by the CSE, by other appropriate professionals.

According to District officials, the District is not completing new evaluations and tri-annual re-evaluations on a timely basis. Some initial referrals for evaluations were made two or more years previously, and the evaluations have still not been made. Likewise, tri-annual evaluations are up to several years behind schedule. For example, a tenth grader's last complete evaluation was performed when the student was in fourth grade.

As a result, the District is not in compliance with the Regulations and students may not be receiving the appropriate services.

Exemptions from State Assessment

A CSE may determine that it is not appropriate for certain students with disabilities to participate in Statewide and district-wide assessments. The CSE may also determine that certain students with disabilities should participate in the assessments, but with testing modifications. A Multidisciplinary Team may determine that a student with a disability is entitled to testing modifications under Section 504

of the Rehabilitation Act. If a student is not to participate in the Statewide or district-wide assessment, the IEP must contain a statement of why that assessment is not appropriate for the student. In addition, the IEP must indicate how the student will be assessed. If the CSE or Section 504 Multidisciplinary Team determine that testing modifications are appropriate, the IEP or Section 504 Accommodation Plan must indicate the testing modifications required by the student to participate in the assessments. The audit determined that the District is not in compliance with Part 200.4 of the Regulations and Section 504 of the Rehabilitation Act regarding assessment exemptions and modifications.

According to the District's temporary Director of Student Services, the District's practice had been to exempt all students with disabilities performing at least four and one-half years below grade level in Reading and Math from assessments, without consideration of the IEP or Section 504 Accommodation Plan. As a result, certain District students may have been inappropriately exempted from assessments or not provided with appropriate testing modifications. The District needs to review all IEPs, Section 504 Accommodation Plans, and testing exemptions to ensure compliance with the Regulations.

Student Health Records

For the health and safety of all students and staff, school districts must ensure that students present health certificates upon admittance and at regular intervals, receive certain medical tests at prescribed times, and provide evidence of immunizations. The audit found that the health records for a sample of students did not contain evidence of the required certificates or tests. In addition, the audit found that the physician and nurses, who are not District employees, may not be adequately supervised in the performance of their duties.

- Every student who initially enters school, or begins the first, third, seventh, and tenth grades is required to present a health certificate signed by a physician within 15 days of entrance. The District's physician must examine all students who have not furnished health certificates. Students may be admitted prior to a health exam if they provide evidence that an exam has been scheduled. Health certificates must be retained until the individual reaches age 27, unless the results are posted to a summary record.

In a sample review of the health records of 10 seventh graders, the audit found that the earliest health certificates on file for four students were two to seven years after admission to the District. Because the District did not post results to summary records, the certificates for all health examinations should have been retained. Also, the files for 6 of the 10 seventh graders contained the current year health certificate, with one of those dated two months after the beginning of the school year. According to a District nurse, the District's physician does not normally examine students who fail to provide health certificates.

- Hearing and vision tests are required once a year in grades 7 and below, in grade 10, and as necessary. In addition, all students, regardless of grade level, must be tested for color perception, distance acuity, and near vision within six months of admission to the school. All students between the ages of 8 and 16 must be examined for scoliosis at least once during each school year.

For the 10 seventh graders in the sample, the audit found the student files contained evidence that four students had the required tests performed by their own physicians, one student involved in sports had the tests performed by the school physician, two students had only the scoliosis exams, and three students did not have any of the required exams. In addition, none of the files reviewed showed any evidence that the exams were conducted on an annual basis as required. According to a District nurse, the District's physician does not regularly examine students although some tests are performed for those students involved in sports.

- The Board appoints the District's physician and contracts with an organization that employs the school nurses. The nursing contract is under the direction of the Director of Student Services position, which was vacant for a portion of the last school year and again this past summer. The District needs to provide better supervision and direction to the physician and the nurses to ensure that the required examinations have been provided as required and to ensure student health files are kept current.

Recommendations

53. Prepare a District-wide technology plan, share this plan with building level staff, and provide staff with adequate training on how to integrate computers and technology into instructional plans.
54. Assess the need for additional student support staff.
55. Give immediate attention to improving the library services and the library collection, and provide teachers with adequate classroom libraries. Ensure a school library-media specialist is assigned to each of the three schools.
56. Consider hiring both an English Language Arts Coordinator and a Math Coordinator.
57. Ensure that all current teachers are properly certified in the areas they are teaching. Also, verify the certifications of all prospective teachers before they are hired. Obtain the appropriate waivers from the Department for any exceptions.
58. Ensure that personnel files contain copies of all teacher certifications.
59. Develop a policy to ensure that students with disabilities have the opportunity to participate in programs to which they are entitled.
60. Retain an administrator with experience and qualifications to plan and direct implementation of the special education policy on a permanent basis.
61. Plan and implement the special education policy.
62. Bring all special education evaluations up-to-date, and complete all future special education evaluations within the required timeframe.
63. Review all IEPs, Section 504 Accommodation Plans, and assessment exemptions for appropriateness. Exempt students from assessments only as allowed by the Regulations. Provide testing modifications as appropriate.

64. Assign responsibility for supervising the District's physician and the school nurses to a responsible administrator.
65. Ensure that all students provide health certificates as required. Require the District's physician to examine all students who have not furnished health certificates.
66. Ensure that medical exams are provided for all students as required, and ensure that all students have received the required immunizations.
67. Ensure that all student health records are kept current.
68. Retain all student health records for the required periods of time.

Comments of District Officials

District officials agree with the findings and recommendations and have begun to implement them.

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 Fax (631) 491-1917

Martin L. King, Jr. Elementary
 792 Mount Ave.
 Delores Jenkins, Acting Principal
 (631) 491-1041
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November 30, 2000

Mr. Daniel Tworek, Director
 Office of Audit Services
 The State Education Department
 Room 524 EB
 Albany, NY 12234

Dear Mr. Tworek:

My thanks for having granted the requested extensions for the response due date; however, given the short period of time I have been in the District, it was necessary for me to provide even a limited reaction.

What follows is an acknowledgement of concerns along with reactions to findings and/or an indication of corrective action taken or pending. Please know that every effort in compliance will be undertaken and that, at the least, consideration will be given to your many recommendations.

Oversight and Management: While there is disagreement with some of the statistics (drop rate), and we have registered that concern with the SURR team that recently visited the high school, efforts in correction of many of the points made have been initiated. Meetings have been held with building administrators addressing the suspension rate, specifically, suggesting the advisability of conferences with parents in lieu of suspensions, as well as, counseling and peer mediation. Additionally, outside agencies, including the Suffolk County Police Department, have been utilized to provide support services.

The turnover rate of professional personnel can best be addressed through leadership, governance, and financial competitiveness. Efforts have been made to hire administrators with an understanding of many of the problems, and the vision to provide appropriate responses. Concerns related to governance have been pursued through a retreat experience, conference attendance (review and direction on school board function), and one-on-one interaction. This is an ongoing process that must be pursued with care and patience.

As it relates to community support, the occasion of sessions with groups within the Hamlet has been increased, e.g. PTA leadership, ministerial alliances, and locally based agencies. The goal is to encourage a

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"buying into" school initiated activities as partners in a shared endeavor. The issue of financial controls has been the subject of a number of discussions resulting in what appears to be a healthy appreciation of obligations and responsibility in this arena. An external audit has been ongoing with periodic reports and a final management recommendation due within a short period of time; a full-time treasurer has been employed, and the services of an internal auditor have been vigorously pursued, and should be employed within thirty days.

Reliability and Validity of Data: All of the recommendations listed in this area have been noted. In the early part of the academic year, real inroads were being made in addressing many of these concerns. This was interrupted, however, with the unexplained departure of the Interim Director of Special Education. We are now interviewing for a replacement, and should complete the process during the month of December. Recently, we hired a chair for the CSE and CPSE committees, and this should prove helpful in resolving some of these issues.

The dropout problem has been the focus of our attention since being notified that the high school was designated a SURR school because of the believed dropout rate. The numbers stated have been brought under question, and a thorough review has been undertaken. It is believed that our findings will reveal information that will alter figures now used by the Department. As stated earlier, our response to the SURR report will provide our projections.

As to the special legislation that might provide the full amounts of transportation aid, we will be requesting this assistance. Additionally, every effort will be made to submit approved transportation contracts in a timely fashion.

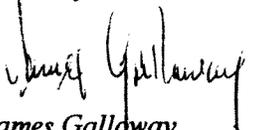
Management Controls: The entire section on management controls and the specific recommendations are needs that have been, and are being, implemented. A district-wide technology plan will be developed with the hiring of a coordinator who is scheduled to begin work on the first of January. Librarians have been hired for each of the schools, and priority will be given to improving the collections in each facility.

All personnel files are being reviewed to ensure that appropriate documents are enclosed, and the services of BOCES is being utilized to determine verification prior to hiring.

As indicated earlier in this report, a Director of Special Education is being sought, and a Chair for the CSE and CPSE has been employed. The recommendations associated with health-related concerns have been duly noted.

This narrative, coupled with the information submitted earlier by Dr. DeSorbe, hopefully provides an updated response to the Draft Audit. Please know that the additional time allowed for a more thorough review and analysis of the observations and recommendations. We see them as extremely helpful to the refining and strengthening of our operation, and we will make every effort to implement subject suggestions.

Sincerely,


James Galloway
Interim Superintendent

JG:sw

**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.