Audit Report

Yonkers City School District
School Improvement Grant

For the Period

July 1, 2010 through September 30, 2011

SD-0412-04

June 12, 2013

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

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

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June 12, 2013

Mr. Bernard Pierorazio
Superintendent
Yonkers City School District
One Larkin Center
Yonkers, New York 10701

Dear Mr. Pierorazio:

The following is our final report (SD-0412-04) for the audit of the Yonkers City School District's (District) School Improvement Grant for the period July 1, 2010 through September 30, 2011. The audit was conducted pursuant to Section 305 of the Education Law in pursuit of Goal #5 of the Board of regents/State Education Department Strategic Plan: "Resources under our care will be used or maintained in the public interest."

Ninety days from the issuance of this report, District officials will be asked to submit a report on actions taken as a result of this review. 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 recommendation.

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

Sincerely,

James A. Conway

Enclosure
c: B. Berlin, S. Cates-Williams, K. Slentz, R. Reyes, J. Delaney, J. Conroy, C. Jarufe, P. Patel (Board President)

Executive Summary

Background and Scope of the Audit

The School Improvement Grant (SIG) is authorized by section 1003(g) of the Elementary and Secondary Education Act of 1965. SIG funds are used to finance reforms in the country's lowest-performing schools with the goal of improving student outcomes such as standardized test scores and graduation rates. Funding increases in the fiscal year 2009 spurred the United States Department of Education to make substantive changes to SIG funding. For example, the persistently lowest-achieving schools receiving SIG funding must now implement one of four intervention models, each with specific requirements for reform interventions. Under SIG, each school may receive up to $2 million annually for 3 years to improve student outcomes.

The Yonkers City School District (District) implemented the transformation model at one school and the turnaround model at another school beginning in the 2010-11 school year. The Office of Audit Services conducted an audit to verify that the District appropriately expended federal SIG funds. We examined financial records and documentation to substantiate the $4 million claimed in expenditures for the period July 1, 2010 through September 30, 2011. Our objectives were to verify the allowability and accuracy of amounts expended, determine if sufficient financial control systems were in place to track funds to individual schools, and to assess compliance with pertinent federal requirements for the use of these funds.

Audit Results

We found the District should not have charged $93,658 in non-salary related expenditures to SIG for the period July 1, 2010 through September 30, 2011. The disallowance and other areas needing improvement were:

- Charged SIG for $4,401 in expenditures that were not educational in nature, did not benefit the SIG buildings, or were not related to SIG.
- Purchasing items with SIG funds totaling $7,074 that were not located in any of the two SIG school buildings during the initial physical inventory check.
- Not allocating the expenditure for a mentoring services contract between all of the school buildings that benefited. As a result, $17,879 should be disallowed from the grant.
- Exceeded the $2 million cap for one of the school buildings by $64,304.

Comments of District Officials

District officials' comments about the findings and conclusions were considered in preparing this report. Their response to the draft is included as Appendix B. Auditor's notes commenting on the District's response are included as Appendix C.

Table of Contents

INTRODUCTION **1**

BACKGROUND 1
OBJECTIVES, SCOPE, AND METHODOLOGY 1
COMMENTS OF DISTRICT OFFICIALS 2

NON-SALARY EXPENDITURES **3**

INELIGIBLE EXPENDITURES 3
PHYSICAL INVENTORY 4
ALLOCATION DOCUMENTATION 4

SCHOOL BUILDING EXPENDITURES **6**

RECOMMENDATIONS **7**

Appendix A – Contributors to the Report
Appendix B – Response from District
Appendix C – Auditor's Notes

Introduction

Background

The School Improvement Grant (SIG) is authorized by section 1003(g) of the Elementary and Secondary Education Act of 1965. SIG funds are used to finance reforms in the country's lowest-performing schools with the goal of improving student outcomes such as standardized test scores and graduation rates. Funding increases in the fiscal year 2009 spurred the United States Department of Education to make substantive changes to the SIG funding. For example, the persistently lowest-achieving schools receiving SIG funding must now implement one of four intervention models, each with specific requirements for reform interventions. Under SIG, each school may receive up to $2 million annually for 3 years to improve student outcomes.

States are required to award sub-grants to school districts competitively, rather than by formula. State educational agencies evaluate grant applications using several criteria, including the school's proposed intervention model and the district's budget and reform implementation plan, as well as their capacity to implement the reforms effectively. The SIG funds may be used for four different intervention models including the transformation, turnaround, restart, and closure models. Each model has specific requirements for reform interventions, such as replacing principals or turning over school management to a charter organization or other outside organization.

Objectives, Scope, and Methodology

The Yonkers City School District (District) implemented the transformation model at one school and the turnaround model at another school beginning in the 2010-11 school year. The Office of Audit Services conducted an audit to verify that the District appropriately expended federal SIG funds. We examined financial records and documentation to substantiate $4 million claimed in expenditures for the period July 1, 2010 through September 30, 2011. Our objectives were to:

- verify the allowability and accuracy of amounts expended;

- determine if sufficient financial control systems were in place to track funds to individual schools; and
- assess compliance with pertinent federal requirements for the use of these funds.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed District and State Education Department (Department) management and staff; and examined records and supporting documentation.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other procedures considered necessary. 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 about the findings and conclusions were considered in preparing this report. Their response to the draft is included as Appendix B. Auditor's notes commenting on the District's response are included as Appendix C.

Non-Salary Expenditures

The approved budget called for expending more than $1.2 million in non-salary expenditures. This made up nearly 32 percent of total approved grant funding. To be allowable under federal grant awards, costs must be necessary and reasonable; consistent with policies, regulations, and procedures that apply to the award; accorded with consistent treatment; and be adequately documented. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. School districts must maintain adequate documentation to support charges to federal grants, demonstrate adherence to the terms and conditions of the grant, and performance of the approved activities.

The District charged SIG for some items that were not educational in nature, did not benefit the SIG buildings, were not SIG related, or could not be located at the SIG school buildings during a physical inventory check. In addition, one contract cost was not allocated even though it benefited multiple non-SIG schools. As a result, we found $29,354 in disallowed expenditures.

Ineligible Expenditures

According to OMB Circular A-87 (A-87), costs must be necessary and reasonable; consistent with policies, regulations, and procedures that apply to the award; accorded consistent treatment; and adequately documented in order to be allowable under Federal awards.

Out of the nearly $1.25 million in purchased services, materials and supplies and travel expenses for the District's 2 SIG school buildings, we selected a judgmental sample of 45 expenditures totaling $602,531 to ensure they were accurate, allowable, and were approved as part of the budget. We reviewed voucher documentation for each sampled charge to determine if adequate support exists to allow under the provisions of the grant.

We found that the District purchased polo shirts totaling $3,072 for the Early College High School to be used as school uniforms. School uniforms are not educational in

nature and, therefore, cannot be paid for under the grant. We also found that an expenditure charged to SIG for $150 for a seminar was provided at a non-SIG building and did not involve any SIG students. In addition, we found the Superintendent of Schools was reimbursed for travel expenses of $1,179 that was related to the 2011 NYS Council of School Superintendents' Winter Institute. No agenda or documentation was provided to support that the expenses were related to SIG. The expenditures of $4,401 were determined to not be educational in nature, did not benefit a SIG building, or SIG students, or were not adequately supported.

Physical Inventory

A-87 requires that only materials and supplies actually used for the performance of a federal award may be charged as direct costs. To be allowable under federal grant awards, costs must be necessary and reasonable; should be allocable to the award; consistent with policies, regulations, and procedures that apply to the award; accorded consistent treatment; and be adequately documented.

We conducted a physical inventory of 50 items judgmentally selected from the supplies and materials category within the Final Expenditure Report to verify they exist and were being used in the SIG schools. We were unable to verify the location of 13 items, consisting of 9 Apple iPad 2's ($538 each) and 4 Apple iPads ($558 each). Based on the physical inventory conducted, $7,074 of the items purchased with SIG funds were not in SIG buildings.

Allocation Documentation

Sometimes expenditures benefit more than one cost objective. When this happens, the costs should be allocated equitably between the objectives benefiting from the costs. Allocation methodologies should be reasonable, accurate, and adequately documented so that a person not familiar with the activities could follow the allocation methodology documentation and duplicate the results.

We found one contract cost that was charged entirely to the SIG grant was not appropriately allocated. The contract between the District and the Jewish Council of Youth,

which provided mentoring services to students to improve their reading and writing skills, was not allocated. Total payments made to the vendor by the District amounted to $79,000, $30,000 of which was charged to SIG. According to documentation provided by the District the vendor only provided $12,121 worth of services to SIG buildings while the remaining charges were for non-SIG buildings. As a result, $17,879 of the expenditure charged to SIG is disallowed.

School Building Expenditures

Guidance on fiscal year 2010 school improvement grants under section 1003(g) of the Elementary and Secondary Education Act of 1965 states the maximum per school SIG award is capped at $2 million annually.

We were provided with expenditures broken down on a school building level to ensure that the $2 million cap was not exceeded at either of the two SIG buildings. We found that the District failed to comply with the guidelines set forth in the grant at one of the two school buildings, Cross Hill Academy, exceeding the cap by $64,304 as shown in Table 1 below.

Table 1
Expenditures by Building Breakdown

Account	District-Wide	ECHS	CHA	Total
OTPS	$526,568	$266,754	$448,229	$1,241,551
Salaries – Professional Staff	$91,779	$634,337	$1,256,259	$1,982,375
Salaries - Support Staff	$54,659	$112,934	$50,192	$217,785
TRS	$7,911	$54,680	$108,290	$170,881
ERS	$6,308	$13,033	$5,792	$25,132
Social Security	$11,203	$57,166	$99,943	$168,312
Health	$12,882	$62,908	$86,223	$162,013
Welfare	$0	$10,219	$20,437	$30,656
Life	$580	$325	$390	$1,295
Total	$711,890	$1,212,356	$2,075,754	$4,000,000
Audited Adjustments:				
Disallowances	($17,904)		($11,450)	
Adjusted Total	**$693,986**	**$1,212,356**	**$2,064,304**	

Note: Audited adjustments resulted from disallowances previous noted in the report.

Recommendations

1. Only claim expenditures on the Final Expenditure Report that meet the requirements in the approved FS-10 and grant application.

2. Ensure all items purchased with SIG funds are used exclusively for the purpose of the grant.

3. Adequately allocate expenditures that benefit grant and non-grant related school buildings.

4. Ensure that the $2 million expenditure cap is not exceeded at any of the SIG buildings.

5. For SIG, submit a revised FS-10-F long form reflecting a reduction of $93,658 for disallowed costs ($29,354) and costs exceeding the cap ($64,304). The revised FS-10-F long form accompanied by a copy of this report or transmittal letter identifying this audit as the reason for the revision should be submitted within 30 days to:

   The State Education Department
   Grants Finance, Room 510W EB
   Albany, NY 12234

   Grants Finance will review the revised FS-10-F long form and send Form FS-80, Notice of Overpayment to your District, confirming the amount overpaid, and provide remittance instructions.

Appendix A

Contributors to the Report
Yonkers City School District
School Improvement Grant

- T. Stewart Hubbard III, Audit Manager
- Edward Lenart, Auditor-in Charge
- James Schelker, Senior Auditor

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Achieving Excellence Together

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Bernard P. Pierorazio
Superintendent of Schools

December 10, 2012

Mr. James Conway
Director
Office of Audit Services
New York State Education Department
Education Building, Room 524
Albany, New York 12234

Dear Mr. Conway:

Enclosed please find the audit response for the Yonkers City School District's School Improvement Grant for the period July 1, 2010 through September 30, 2011.

Sincerely,

Bernard P. Pierorazio

BPP:br
Enc.
C: Joseph Bracchitta
Louis Constantino
Amanda Curley
Cristina Jarufe
Roberto Reyes
Edward Lenart

Yonkers City School District – School Improvement Grant (SIG)
District Response to SED Preliminary Audit Findings
July 1, 2010 – September 30, 2011

Preliminary Audit Finding 1

The stated intent of ARRA funds is to create jobs and avert layoffs while promoting prescribed educational reforms. Positions essential to the implementation of the new turnarond and transformation models precribed by the school improment grant 1003g were positions that were slated to be eliminatated by the district due to the lack of local funding. The district provided documention for the reductions in staff to our Board of Educatiuon. Had it not been for the approval of the School Improvement Grant, the postions would have been eliminated as such the positions would not have been available without the SIG funding. As stated above consistent with ARRA expectations the district averted layoffs and was able to retain staff to work with the new turnaround and transformation schools.

See Auditor's Note 1

Section 1114 of Title I of the ESEA allows a school in which 40% or more of its students are from low-income families to use all funds, Federal, State, and local funds, to operate a schoolwide program to upgrade the entire educational program in the school to improve the academic performance of all students. The supplement, not supplant requirement operates differently in a school that operates a schoolwide program because funds may be combined with other Federal, State and local funds to improve the academic performance of all students in the school. A school operating a schoolwide program is not required to demonstrate that the services provided with SIG funds are supplemental to services that would otherwise be provided.

The Yonkers Public School District chose to consolidate funds in our schoolwide program at our School Improvement Schools in order to address the needs of the SIG schools using all the resources available. It's the intent of the District to ensure that we follow all the requirements under the American Recovery and Reinvestment Act as well as the School Improvement Regulations as well as deliver equitable services.

Preliminary Audit Finding 2

The district agrees with the recommendation but had limited resources due to an antiquated financial sytem which did not allow us to track expenses by location in our genreal ledger. Going forward the district will have the ability with the new Oracle Financial System to track expenses for grants and projects by school.

Preliminary Audit Finding 3

The District feels that the purchase of polo shirts had applications beyond being school uniforms. One must recognize that this school was in transition being transformed on

See Auditor's Note 2

one campus from RHS to ECHS. Students from both schools shared the campus. The culture and climate were in transition. It was critical to identify who was enrolled in which school. The polo shirts provided a visual identification among administration, faculty, and students of who was enrolled at ECHS.

Superintendent Bernard P. Pierorazio was a participant at the New York State Council of School Superintendents (NYSCOSS) Institute on February 27, 2011 and February 28, 2011. He also attended a Conference of Big 5 School Districts on March 1, 2011 and March 2, 2011 with educators from New York City, Rochester, Syracuse, and Buffalo. Both conferences took place in Albany, New York.

At the NYSCOSS Institute, entitled "Leading to the Future," Superintendent Pierorazio assumed a dual role: active learner and presenter. In the first instance, he attended featured workshops including "Crucial Conversations About America's Schools: How to Focus on What Really Matters." During this session, Dr. John Draper discussed "strategies to shift conversations from school bashing to school improvement." Superintendents from throughout New York State shared ideas about how to address school improvement.

See Auditor's Note 3

In addition to his role as an active learner, Superintendent Pierorazio was an honored presenter at the Institute where he was recognized by colleagues as the "New York State 2011 Superintendent of the Year." In an inclusive speech, he addressed the urgency of school improvement and the goals of the Yonkers Public Schools. Board of Education Trustees and the District's Chief Academic Officer, Chief Administrative Officer, and Executive Director of Instruction were in attendance for the Superintendent's talk.

Of great significance, New York State Board of Regents Chancellor Merryl Tisch and New York State Education Department Commissioner Dr. David Steiner were also members of the audience who listened to Superintendent Pierorazio's vision and his goals for school improvement. When Commissioner Steiner spoke, he referenced the words of Superintendent Pierorazio along with the accomplishments of the Yonkers Public Schools.

While school improvement was discussed at the NYSCOSS Institute, continued advocacy for the funding of such initiatives was fundamental to a two-day Conference of Big 5 School Districts. At the Conference, Superintendent Pierorazio and the District's Chief Administrative Officer identified the financial needs of the Yonkers Public Schools as related to the implementation of school improvement. Such initiatives require additional funding from New York State.

Toward this effort, there were meetings with lawmakers and representatives from the offices of Governor Andrew Cuomo including his Council's Office, and the Division of the Budget. Superintendent Pierorazio also spoke with Yonkers delegation members Assemblyman Gary Pretlow, Assemblyman (and now Mayor) Mike Spano and now Mayor), and Senator Andrea Stewart-Cousins to further promote academic initiatives.

Additional school improvement advocacy continued on Wednesday, March 2nd. The Big 5 met with Senate Finance Committee Chair John DeFrancisco, Senate Education Committee Chair John Flanagan, Assembly Education Committee Chair Catherine Nolan, Principal Analyst for Senate Finance Shawn MacKinnon, and New York State Assembly Assistant Secretary, Program and Policy Mark Casellini.

During the physical inventory we could not verify the location of 13 iPads based on serial numbers but the quantity of the devices delivered was correct. The iPads were delivered to Central Office for that particular grant along with numerous others, totaling hundreds of devices, and a list of schools and quantities was provided to Technology by the Instructional Support Department. These devices were to be configured and distributed to the schools accordingly. Along with the SIG Grant order(s) there were several other orders that were in house as well. The Technology Department, however, concentrated on the quantity of devices to be delivered to the schools rather than the serial numbers of the devices and their respective purchase orders. Thus the devices were configured and delivered to the schools and all schools received the appropriate quantities. The Technology Department requested copies of the inventories from all schools that received iPads and tracked down all of the iPads that were reported as missing as a result of the audit. Unfortunately, these devices were in other schools rather than CHA and ECHS. All iPads have been accounted for and their exact locations are known. We are working with Instructional Support to place the iPads back in the proper schools to ensure that the grant purchases, particularly the SIG Grant, are distributed properly. We currently have a list of the locations and the respective serial and asset tag numbers for each of the improperly distributed items as reported in the audit findings.

Going forward, when hardware is received, specifically related to grant purchases, the Instructional Support Department, in conjunction with the Technology Department, will inventory the equipment upon receipt to ensure that all grant purchases are delivered to the appropriate schools according to their respective funding source. This will help to alleviate any future confusion particularly when we are in the midst of a mass deployment of equipment funded through various sources.

Preliminary Audit Finding 4

The District agrees with the recommendation and has instituted a confirmation process to assure regular review of all contracts and invoices.

Preliminary Audit Finding 5

To ensure compliance with District policies and procedures over Payroll Certification, we will conduct a training of employees involved in Federal fund activities with respect to payroll certification requirements, emphasizing the need for them to adhere to these requirements.

Appendix C

Auditor's Notes

1. The final report has been modified to remove any discussion of the supplement not supplant provision of federal grants. Upon consultation with Department managers and staff as well as staff from the United States Department of Education we have determined that a school wide program is not subject to the provision as we originally applied it.

2. School uniforms are not education in nature, and therefore, cannot be paid for with SIG funds.

3. The District did not provide an agenda or documentation from the New York State Council of School Superintendents Institute showing its relation to SIG.