



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

TO: Audits/Budget and Finance Committee
FROM: Sharon Cates-Williams *Sharon Cates-Williams*
SUBJECT: Board of Regents Oversight Financial Accountability
DATE: February 4, 2013
AUTHORIZATION(S): *J. B. G. G.*
SUMMARY

Issues for Discussion

The following topics will be discussed with the Members of the Committee on Audits/Budget and Finance:

Completed Audits including the Report of the Internal Audit Workgroup (Attachments I & II)

Reason(s) for Consideration

Update on Activities

Proposed Handling

Discussion and Guidance

Procedural History

The information is provided to assist the Committee in carrying out its oversight responsibilities.

Background Information

Completed Audits including the Report of the Internal Audit Workgroup
The Committee is being presented with 15 audits this month; one of the audits examined 12 separate school districts. (Attachments I & II)

Audits are provided as follows:

Office of Audit Services

Buffalo City School District

Office of the State Comptroller

Achievements, PLLC

Baychester Youth Council, Inc.

Brooklyn Excelsior Charter School

Buffalo United Charter School

Fiscal and Program Oversight of Special Education Providers

Mechanicville City School District

Pace University (Manhattan Campus)

Poughkeepsie City School District

Riverhead Charter School

Schodack Central School District

Security of Personal, Private, and Sensitive Information in Mobile Computing

Devices (2012-MR-2) (Bath Central School District, Cato-Meridian Central

School District, Geneseo Central School District, East Rochester UFSD,

Horseheads Central School District, Marcus Whitman Central School District,

Odessa-Montour Central School District, Penfield Central School District, South

Seneca Central School District, Victor Central School District, Weedsport

Central School District, Wheatland-Chili Central School District)

Warrensburg Central School District

City of New York Office of the Comptroller

Audit Report on the Department of Education's Controls over the Monitoring of Individual Consultants for Mandated Services

Audit Report on the Department of Education's Controls over the Use of Procurement Cards at Schools Supported by Children's First Network 106

Recommendation

No action required for presentation of audits.

Timetable for Implementation

N/A

The following materials are attached:

- Report of the Internal Audit Workgroup (Attachment I)
- Summary of Audit Findings Including Audit Abstracts (Attachment II)

**Regents Committee on Audits/Budget and Finance
February 2013
Review of Audits Presented
Department's Internal Audit Workgroup**

Newly Presented Audits

We reviewed the fifteen audits that are being presented to the Committee this month. Twelve of the audits were issued by the Office of the State Comptroller (OSC) and two by the Comptroller of the City of New York, and one by the Office of Audit Services (OAS). The audits were of three charter schools, five school districts including one which summarized the results of an audit of twelve separate districts, one institution of Higher Education, two non-profit organizations, two New York City Department of Education internal control functions and one State Education Department function.

The findings were in the areas of procurement, financial reporting, claims processing, information technology, payroll, conflicts of interest, tuition assistance program and a school improvement grant.

The Department has issued letters to the school district auditees, reminding them of the requirement to submit corrective action plans to the Department and OSC within 90 days of their receipt of the audit report.

The Department's Internal Audit Workgroup identified the following audits for specific attention by Department Staff.

- Buffalo City School District School Improvement Grant
- Baychester Youth Council
- Brooklyn Excelsior Charter School
- Buffalo United Charter School
- Security of Personal, Private and Sensitive Information in Mobile Computing Devices
- State Education Department Fiscal and Program Oversight of Special Education Providers

The Department's Internal Audit Workgroup determined the following audits required no specific follow up activities by Department staff.

- Achievements, PLLC
- Mechanicville City School District
- Pace University – Tuition Assistance Program (Manhattan Campus)
- Poughkeepsie City School District
- Riverhead Charter School
- Schodack Central School District
- Warrensburg Central School District
- NYC Department of Education Controls Over Monitoring Individual Consultants
- NYC Department of Education Controls Over the Use of Procurement Cards

February 2013 Regents Audits/Budget and Finance Committee Meeting
Summary of Audit Requiring Specific Attention

Audit Summary	Recommendation/Response
<p>Buffalo City School District SD-1111-02</p> <ul style="list-style-type: none"> • OAS Audit • \$4.2M School Improvement Grant • \$307,364 Disallowance • Supplanting and Lack of Documentation 	<p>The recommendations focused on strengthening the policies and procedures pertaining to salary-related expenditures, SIG funds, purchasing, and inventory.</p> <p>District officials maintain they did not supplant SIG funds, but used the staff to supplement and enhance additional programming.</p> <p><u>NEXT STEP:</u> Department will recover the funds.</p>
<p>Baychester Youth Council, Inc. Expenses Claimed for Reimbursement 2011-0021</p> <ul style="list-style-type: none"> • OSC Audit • 21st Century Learning Center Federal Grant • \$545,000 Claim Reimbursement • \$195,901 Adjustment • Inappropriate and Unsubstantiated Claims 	<p>The recommendations focused on strengthening the policies and procedures pertaining to expenses claimed for reimbursement.</p> <p>Department officials agreed with the recommendations and stated they have made progress in enhancing their monitoring procedures. In addition, the Department has cancelled its contract with Baychester and requested repayment of the inappropriate and unsubstantiated expenses claimed.</p> <p><u>NEXT STEP:</u> Department will recover the funds and audit the balance of the contract.</p>
<p>Brooklyn Excelsior Charter School Oversight of Financial Operations 2011-S-14</p> <ul style="list-style-type: none"> • OSC Audit • SUNY Authorizer • National Heritage Academics, Inc. (For Profit Management Company) • \$10M annual funding • Inadequate Fiscal Oversight and Conflict of Interest 	<p>The recommendations focused on strengthening the policies and procedures pertaining to the lease agreement, conflicts of interest, and compliance with by-laws.</p> <p>The Brooklyn Excelsior Board indicates that it has or will comply with all of the recommendations. They do, however, disagree with the finding regarding the extent of Board oversight of fiscal matters and that the Board entered into a lease that was not in the best interests of the school.</p> <p><u>NEXT STEP:</u> Referred audit findings to Department's Charter School Office for oversight.</p>

<p>Buffalo United Charter School Financial Management 2012M-142</p> <ul style="list-style-type: none"> • OSC Audit • SUNY Authorizer • National Heritage Academics, Inc. (For Profit Management Company) • Financial Reporting and Inadequate Fiscal Oversight by Board 	<p>It is recommended that the School negotiate changes in the terms of the management agreement with National Heritage Academics, Inc. (NHA), and also that the Board periodically assess the terms and conditions of management agreements to ensure they are reasonable.</p> <p>The Board respectfully disagrees with the recommendations and stated that they have exercised due diligence and caution in their oversight of the NHA's provision of services to the school. They also indicate that they have renegotiated the management agreement in the past and based on the audit will review it annually.</p> <p><u>NEXT STEP:</u> Referred audit findings to Department's Charter School Office for oversight.</p>
<p>Security of Personal, Private, and Sensitive Information (PPSI) in Mobile Computing Devices 2012-MR-2</p> <ul style="list-style-type: none"> • OSC Audit • 12 School Districts • Districts lacked formal policies and procedures in the following areas: encryption, remote access, PPSI in email communications, non-district MCDs, and data breach. 	<p>The recommendations focused on strengthening the policies and procedures pertaining to PPSI in mobile computing devices.</p> <p>All Districts agreed with the recommendations and indicated they will implement corrective action.</p> <p><u>NEXT STEP:</u> Referred audit findings to Department's Education Management Services.</p>
<p>State Education Department (Department) Fiscal and Program Oversight of Special Education Providers 2012-S-103</p> <ul style="list-style-type: none"> • OSC Audit • Lack of Sufficient Oversight 	<p>The recommendations focused primarily on strengthening the policies and procedures pertaining to the fiscal and program oversight of special education providers.</p> <p>The Department agreed with the recommendations.</p> <p><u>NEXT STEP:</u> Continued implementation of Regents Reforms.</p>

February 2013 Regents Audits/Budget and Finance Committee Meeting Summary of Audit Findings

Audit	Procurement	Claims Processing	Payroll	Financial Reporting	Information Technology	Conflict of Interest	Assistance Program (TAP)	Other
Office of Audit Services								
* Buffalo City School District (footnote 1)	√							√
Office of the State Comptroller								
Achievements, PLLC and State Education Department			√	√				
Bath Central School District					√			
Baychester Youth Council		√						
Brooklyn Excelsior Charter School				√		√		
Buffalo United Charter School				√				
Cato-Meridian Central School District					√			
East Rochester Union Free School District					√			
Geneseo Central School District					√			
Horseheads Central School District					√			
Marcus Whitman Central School District					√			
Mechanicville City School District	√							
Odessa-Montour Central School District					√			
Pace University							√	
Penfield Central School District					√			
Poughkeepsie City School District	√	√						
Riverhead Charter School			√	√	√			
** Schodack Central School District								
South Seneca Central School District					√			
State Education Department (2012-MR-2)				√				

Audit	Procurement	Claims Processing	Payroll	Financial Reporting	Information Technology	Conflict of Interest	Tuition Assistance Program (TAP)	Other
Victor Central School District					√			
Warrensburg Central School District				√				
Weedsport Central School District					√			
Wheatland-Chili Central School District					√			
New York City Office of the Comptroller								
Department of Education (MH11-060A)	√			√				
Department of Education (MD12-106A)	√							

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1 School Improvement Grant

** No recommendations

The Department's Internal Audit Workgroup met to review each of the audits being presented this month. Letters will be sent to all of the auditees reminding them of the requirement to submit a corrective action plan.

Office of Audit Services		
Audit	Major Finding(s)	Recommendation/Response
Buffalo City School District School Improvement Grant SD-1111-02 8th Judicial District	<p>\$307,364 adjustment</p> <p>The audit examined \$4,234,489 in expenses that the District claimed under its 2010-2011 School Improvement Grant (SIG). The audit found \$262,048 in salary and salary related expenditures and \$45,316 in non-salary related expenditures that should not have been charged to the SIG grant for that period.</p> <p>The salary and salary related expenses were not allowable because they were used to supplant personal service expenditures in the amount of \$204,117 and \$57,931 which were previously funded through local fund sources.</p> <p>The non-salary expenses were not allowable because the District allocated expenditures for a software contract between all of the school buildings that benefited from the expenditure, some of which were not SIG buildings. As a result, \$41,325 should be disallowed from the grant. In addition, estimated travel expenses were claimed instead of actual in the amount of \$3,991.</p> <p>Finally, ten items that were purchased with SIG funds could not be located in any of the four SIG school buildings during the initial physical inventory check. All of the items were subsequently placed in the appropriate building.</p>	<p>7 recommendations</p> <p>The recommendations focused on strengthening the policies and procedures pertaining to salary-related expenditures, SIG funds, purchasing, and inventory.</p> <p><i>District officials generally disagreed with the findings and did not specifically address the recommendations. They maintain they did not supplant SIG funds, but used the staff to supplement and enhance additional programming.</i></p>

Office of the State Comptroller

Audit	Major Finding(s)	Recommendation/Response
<p>Achievements, PLLC and State Education Department Compliance With the Reimbursable Cost Manual 2011-S-18 3rd Judicial District</p>	<p>\$182,590 adjustment</p> <p>There were \$182,590 in disallowances for claimed costs incurred for the personal enrichment of Achievements' directors, their family members, and staff and/or were otherwise ineligible per the Manual.</p> <p>Further, there were \$68,072 in disallowances for personal expenses for goods and services not related to Achievements' educational programs. The directors and their family personally benefited from these expenses - including \$12,616 for a home entertainment center delivered and installed in the personal residence of the directors. Other personal expenses included airfares and hotels at various vacation sites such as Disney World, a Carnival Cruise trip, tickets to Dave Matthews and Phish rock concerts, fencing, a dishwasher installed at their personal residence, and annual membership fees to a family recreation center.</p> <p>There were \$66,225 in excessive charges to lease office space in a building owned by Achievements' directors, and \$48,293 in other claimed costs (for various personal services and other-than- personal-services) that did not comply with the requirements of the Manual.</p> <p>There was also non-compliance with the Manual's requirements for time and attendance records, cost allocation methodologies, and other financial management functions.</p> <p>Finally, the Directors attempted to conceal their personal charges by intentionally distributing them to various accounts</p>	<p>4 recommendations</p> <p>It is recommended that the Department review the disallowances and make the appropriate adjustments to Achievements' tuition rates for this period as appropriate, and ensure excessive payment amounts are recovered.</p> <p>The Department agreed with the recommendations.</p> <p>It is recommended that Achievements comply with the Manual's requirements for eligibility, documentation and allocation of all costs reported on the CFRs for the special education programs administered by Achievements, and to comply with requirements for time and attendance records, classification of expenses, and equipment inventory records.</p> <p><i>Achievements expressed disagreement with the audit findings and recommendations as they identified certain factual</i></p>

	<p>which are used to prepare the Consolidated Fiscal Reports.</p>	<p><i>inaccuracies and select principles in the Reimbursable Cost Manual that were misapplied or misconstrued.</i></p> <p><i>Nevertheless, Achievements indicated that inventory protocols have been strengthened in response to one of the recommendations.</i></p>
<p>Baychester Youth Council Expenses Claimed for Reimbursement 2011-0021 12th Judicial District</p>	<p>\$195,901 adjustment</p> <p>Baychester’s Executive Director certified \$250,401 in claim reimbursements for expenses that were either inappropriate or could not be substantiated. The claims, which were certified as directly attributable to the Baychester program and made in accordance with the Department-approved budget and all applicable federal and State laws and regulations, include \$189,303 in expenses that cannot be substantiated as paid and \$61,098 in inappropriate expenses. Inappropriate expenses include \$3,519 in State grant funds that were used to purchase electronic equipment that evidence supports was delivered to and installed in the Executive Director’s home.</p> <p>After identifying the unaccounted for grant funds, the review was expanded on a limited basis to include additional expenses that were relevant to the examination, including: inappropriate or unsubstantiated transactions the Executive Director authorized between 2007 and 2010 totaling \$159,334 that were classified into a loan receivable due from the Executive Director (during this period, Baychester held this as well as other State and New York City contracts);</p>	<p>4 recommendations</p> <p>The report’s recommendations focused on strengthening the policies and procedures pertaining to expenses claimed for reimbursement.</p> <p><i>Department officials agreed with the recommendations and stated they have made progress in enhancing their monitoring procedures. In addition, the Department has cancelled its contract with Baychester and requested repayment of the inappropriate and unsubstantiated expenses claimed.</i></p>

	<p>disbursements totaling \$4,990 that the Executive Director made to herself and admitted were for rent for her personal residence and a personal hotel stay; and disbursements totaling \$3,000 made to the Chair of Baychester’s Board of Directors (Board Chair) for personal legal fees.</p> <p>In addition to the inappropriate and unsubstantiated expenses noted above, Baychester failed to report \$18,419 in revenue to the Department. Accordingly, either the Department’s grant obligation should be reduced, or Baychester should be required to provide more services.</p> <p>These conditions at Baychester went undetected by the Department because the Department’s monitoring procedures relative to this grant program are not designed to detect grantees making inappropriate or unsubstantiated disbursements or not reporting revenue. The Department had sufficient indicators available to recognize Baychester was financially stressed and was not complying with the terms and conditions of the contract. However, the Department failed to realize the risk associated with Baychester.</p>	
<p>Brooklyn Excelsior Charter School Oversight of Financial Operations 2011-S-14 2nd Judicial District</p>	<p>The extent to which Excelsior officials exercised their fiscal oversight could not be determined because the true cost of Excelsior’s operations and the extent to which the \$10 million of annual public funding benefited students, could not be verified. The reason for these limitations is that National Heritage Academics, Inc. (NHA) officials did not provide support for \$1.7 million of costs allocated to the school. NHA officials claimed the information was private and proprietary.</p> <p>It was questionable whether or not the Board exercised due diligence and care in approving NHA’s related party lease of the school building at a rate almost \$800,000 per year above</p>	<p>4 recommendations</p> <p>The report’s recommendations focused on strengthening the policies and procedures pertaining to the lease agreement, conflicts of interest, and compliance with by-laws.</p> <p><i>The Brooklyn Excelsior Board indicates that it has or will comply with all of the suggestions made in</i></p>

	<p>market value. As a result, NHA has already recovered its full \$16.3 million cost of purchasing, renovating and outfitting the entire facility in less than 10 years of operation.</p> <p>Finally, the NHA employed a Board member at a salary of more than \$138,000, and the Board failed to comply with certain provisions of its adopted by-laws.</p>	<p><i>the recommendations. They do, however, disagree regarding the extent of Board oversight of fiscal matters and that they entered into a lease that was not in the best interests of the school.</i></p>
<p>Buffalo United Charter School Financial Management 2012M-142 8th Judicial District</p>	<p>The Board relies almost exclusively on National Heritage Academies Inc. (NHA) to handle the School's finances. Therefore, it is questionable whether or not the Board can sufficiently monitor NHA. With almost all financial duties and responsibilities assigned to NHA, the Treasurer cannot adequately fulfill certain duties as prescribed in the by-laws.</p> <p>NHA's failure to fully disclose detailed information about its internal costs and how they are allocated to the School limits the Board's ability to verify that these charges are accurate and appropriate.</p>	<p>2 recommendations</p> <p>It is recommended that the School negotiate changes in the terms of the management agreement with NHA, and also that the Board periodically assess the terms and conditions of management agreements to ensure they are reasonable.</p> <p><i>The Board respectfully disagrees with the two recommendations and stated that they have exercised due diligence and caution in its oversight of the NHA's provision of services to the school. They also indicate, however, that they have renegotiated the management agreement in the past and based on the audit will review it annually.</i></p>
<p>Mechanicville City School District Internal Controls Over Purchasing 2012M-181</p>	<p>The District adopted a purchasing policy on March 22, 2007, which addresses competitive bidding. The policy, however, does not include guidance on procuring goods and services that fall below the competitive bidding thresholds.</p>	<p>2 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining</p>

<p>4th Judicial District</p>	<p>Forty claims (totaling \$115,108) that did not require competitive bidding were selected at random. These purchases were then tested to determine if the District had obtained the best quality of goods and services at the lowest possible price. There was no documentation that the District had obtained quotes to ensure that the purchases were procured in the most cost effective manner when required by their informal policy.</p>	<p>to purchasing.</p> <p><i>District officials agreed with the recommendations and indicated they will implement corrective action.</i></p>
<p>Pace University Audit of the Tuition Assistance Program at Pace University (Manhattan Campus) 2012-T-1 1st Judicial District</p>	<p>\$21,236 adjustment</p> <p>The audit found \$21,236 of the \$11.2 million in Tuition Assistance Program (TAP) funds were disallowed. There were six TAP awards that were disallowed that had been paid on behalf of three students who did not maintain good academic standing. Two students did not earn the minimum number of cumulative credits required to maintain TAP eligibility and the third student did not earn passing or failing grades in enough courses, applicable to their major, to meet the pursuit of program requirements.</p> <p>Further, two awards were disallowed that were paid on behalf of a student who was not properly matriculated. School officials did not provide evidence of high school graduation or the equivalent for this student. The student received her first financial aid payment in the 2003-04 academic year.</p> <p>Finally, three awards were disallowed that were paid on behalf of three students who did not meet the full-time requirements. Two students repeated courses for which they had already earned credit and the third student only enrolled in six credits.</p>	<p>1 recommendation</p> <p>It is recommended that Higher Education Services Corporation (HESC) recover the \$21,236 paid for these awards, plus applicable interest.</p>

<p>Poughkeepsie City School District Internal Controls Over Purchasing and Claims Processing 2012M-179 9th Judicial District</p>	<p>The District spent more than \$50,000 on a contract with a certified public accountant (CPA) to provide services as the District's claims auditor and the CPA did not perform the services in accordance with the obligations set forth in the contract. Of the 50 claims reviewed, 29 claims totaling \$210,190 were approved without the necessary documentation to support the claim being audited.</p> <p>The District purchased services for web hosting, spam, and virus filtering totaling \$8,205 from a company owned by a District employee. Although this did not result in a prohibited conflict of interest, the employee did not disclose his interest in the company in writing to the supervisor or the Board as required by law.</p> <p>District staff made purchases totaling \$110,010 that did not comply with District policies and may not be the most economical use of taxpayer moneys.</p> <p>Users were granted access to functions of the financial software applications that they did not need in order to fulfill their day-to-day job responsibilities.</p>	<p>6 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to purchasing and claims processing.</p> <p><i>District officials agreed with the recommendations and indicated they will implement corrective action.</i></p>
<p>Riverhead Charter School Fiscal Monitoring, Leave Accruals and Information Technology 2012M-164 10th Judicial District</p>	<p>The Board did not approve the 2011-12 annual budget by June 1, 2011 as required, and the Director did not make any amendments to the budget to reflect variances in revenues and expenditures during the year.</p> <p>The Board did not receive and review quarterly balance sheets, budget-to-actual reports, or monthly cash receipts reports.</p> <p>Leave accrual balances maintained by the payroll clerk were not reviewed for accuracy or reconciled to leave balances on</p>	<p>9 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to fiscal monitoring, leave accruals, and information technology.</p> <p><i>The School agreed with the recommendations and indicated they will implement corrective</i></p>

	<p>employees' pay stubs after processing by the School's payroll vendor.</p> <p>The School's financial software application has one user account and does not require the use of a password.</p>	<p><i>action.</i></p>
<p>Schodack Central School District Internal Controls Over Purchasing 2012M-165 3rd Judicial District</p>	<p>District officials have established comprehensive purchasing policies and procedures that provide guidance as to when items must be competitively bid by law and when quotes should be obtained for purchases not required to be competitively bid.</p> <p>The District has an adequate purchase order system in place that ensures purchases are properly initiated, approved, documented, verified as received, and audited prior to payment.</p> <p>Except for minor deficiencies which were discussed with District officials, it was determined that the District's internal controls over purchasing were appropriately designed and operating effectively.</p>	<p>There are no recommendations.</p>
<p>Security of Personal, Private, and Sensitive Information (PPSI) in Mobile Computing Devices 2012-MR-2</p> <p>(Bath Central School District (P2-12-2), Cato-Meridian Central School District (P2-12-7), East Rochester Union Free School District (P2-12-</p>	<p>This audit was conducted for 12 districts, which included the following: Penfield Central School District, Bath Central School District, Odessa-Montour Central School District, Horseheads Central School District, South Seneca Central School District, Weedsport Central School District, Cato-Meridian Central School District, Marcus Whitman/Gorham-Middlesex Central School District, Geneseo Central School District, Wheatland-Chili Central School District, East Rochester Central School District, and Victor Central School District.</p> <p>The majority of the 12 districts did not have adequate security policies and procedures in place, increasing the risk that</p>	<p>3 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to PPSI in mobile computing devices.</p> <p><i>All Districts agreed with the recommendations and indicated they will implement corrective action.</i></p>

<p>11), Geneseo Central School District (P2-12-8), Horseheads Central School District (P2-12-4), Marcus Whitman Central School District (P2-12-9), Odessa-Montour Central School District (P2-12-3), Penfield Central School District (P2-12-1), South Seneca Central School District (P2-12-5), Victor Central School District (P2-12-10), Weedsport Central School District (P2-12-6), and Wheatland-Chili Central School District (P2-12-12)</p> <p>6th and 7th Judicial Districts</p>	<p>Personal, Private, and Sensitive Information (PPSI) could be accessed and misused by unauthorized persons. Further, our tests of a sample of 383 district-owned Mobile Computing Devices (MCDs) found PPSI on 71 (18.5 percent) of these devices. Without proper safeguards in place, any confidential data on these MCDs could be at risk of exposure.</p> <p>Further, none of the districts had developed a classification scheme or performed an inventory of the PPSI the districts possess. Unless districts know about all the PPSI they maintain, district officials could find it difficult to promptly notify affected students and other parties if a security breach should occur.</p> <p>While all 12 districts had acceptable use policies in place for students and staff, none of the districts' policies were comprehensive enough to adequately protect PPSI contained on MCDs. We found that districts lacked formal policies and procedures in the following areas: encryption, remote access, PPSI in email communications, non-district MCDs, and data breach.</p>	
<p>State Education Department (Department) Fiscal and Program Oversight of Special Education Providers 2012-S-103</p>	<p>The audit focused on the State Education Department's (SED) oversight and management of New York's special education providers. SED oversees special education programs for students with disabilities between the ages of 3 and 21. The audit concluded SED had inadequate fiscal and programmatic oversight over special education providers. Fifteen State Comptroller audit reports of private special education providers have identified widespread fraud and abuse resulting in \$13.2 million disallowances out of a total of</p>	<p>7 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures pertaining to the fiscal and program oversight of special education providers.</p>

	\$139.8 million examined costs which were funded by State and local governments. Six of the audits have been referred to law enforcement.	<i>The Department agreed with the recommendations and in response to the Department's prior internal review of procedures and the audit findings, the New York State Board of Regents has directed the Department to identify necessary program reforms.</i>
Warrensburg Central School District Cafeteria Fund Financial Condition 2012M-204 4th Judicial District	Prior to the 2009-10 fiscal year, the Board and the Business Administrator did not monitor the cafeteria fund's financial condition or take appropriate action to maintain the fund's financial stability. This resulted in annual operating deficits and more than \$200,000 being advanced from the general fund to subsidize cafeteria operations. As of June 30, 2010, the cafeteria fund had a deficit fund balance totaling \$191,556. Subsequent to the 2009-10 fiscal year, the Business Administrator has actively monitored the cafeteria fund and prepares financial reports for the Board to review. The Board has also taken actions to improve the cafeteria operations.	3 recommendations The report's recommendations focused on strengthening the policies and procedures pertaining to the cafeteria fund. The District agreed with the recommendations and has indicated that they will implement corrective action.
New York City Office of the Comptroller		
Audit	Major Finding(s)	Recommendation/Response
Department of Education Audit Report on the Department of Education's Controls Over the Monitoring of Individual Consultants for Mandated Services MH11-060A	The audit found significant control weaknesses, which prevent DOE from effectively monitoring its individual consultants for mandated services. One such weakness is an inadequate billing review process, leading to billing irregularities that resulted in DOE making payments for services that may not have been rendered. As a result of the irregularities, there is not reasonable assurance that the possibility of waste or fraud is being adequately controlled.	16 recommendations It is recommended that DOE implement more effective controls to protect against inappropriate billing, improve validation edit controls in Vendor Portal, establish written invoice-review policies, and ensure that parents of students

<p>1st, 2nd, 11th, 12th, 13th Judicial District</p>	<p>Some of the control weaknesses and billing irregularities found include the following: paper invoices are not designed to capture services times; inadequate edit controls at the 'Vendor Portal' to prevent inappropriate billing for sessions at unreasonable hours or on federal holidays; lack of a uniform and comprehensive system that maintains an ongoing tally of each consultant's billings; and failure to track, log, and review parent verification letters.</p>	<p>who receive tutoring services are also mailed verification letters.</p> <p><i>DOE officials agreed with the majority of the recommendations and have already implemented several of the recommendations.</i></p>
<p>Department of Education Audit Report on the Department of Education's Controls Over the Use of Procurement Cards at Schools Supported by Children's First Network 106 MD12-106A 1st, 2nd, 11th, 12th, 13th Judicial District</p>	<p>The audit found that the Department of Education (DOE) does not have adequate controls in place to ensure that the schools supported by Children's First Network (CFN) 106 compiled with procurement card (P-card) policies and procedures. The audit sample consisted of five schools and 541 transactions totaling \$85,551 that had one or more deficiencies; these transactions represent 64 percent of the total dollar amount reviewed. The following deficiencies were identified in the audit; required bids were not obtained, lack of evidence of receipt of goods for services, missing supporting documentation, no justification for purchases, questionable food purchases, and inappropriate payment of sales tax.</p> <p>The audit also found that cardholders routinely loaned their P-cards to other staff members and the required reconciliation of purchases was not consistently performed.</p> <p>At the exit conference for this audit, DOE provided additional documentation in support of the aforementioned questionable transactions. However, our examination of these documents revealed that some appear to have been fraudulently created. This matter has been referred to the Special Commissioner of Investigation for the New York City School District for possible further investigation. A copy of DOE's referral was also sent to the Chancellor.</p>	<p>13 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to the P-card process.</p> <p><i>DOE agreed with 10 of the 13 recommendations and disagreed with the remaining three pertaining to independent P-card reconciliations and restricting the purchases to authorized card holder only. DOE indicated that these recommendations are impractical given the size, location, and day-to-day operation of the schools.</i></p>