



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY,
NY12234

TO: Audits/Budget and Finance Committee
FROM: Sharon Cates-Williams *Sharon Cates-Williams*
SUBJECT: Board of Regents Oversight of Financial Accountability
DATE: March 3, 2014

AUTHORIZATION(S):

J. B. J. G.
SUMMARY

Issues for Discussion

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

1. KPMG New York State Single Audit – State Education Department Findings (Attachment I)
2. Completed Audits including the Report of the Internal Audit Workgroup. (Attachments II & III)
3. Report on Corrective Action Plans received from previously highlighted audits. (Attachment IV)

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

1. New York State Single Audit – State Education Department Findings - Staff from the accounting firm of KPMG will brief the Committee on eleven audit findings related to the Department’s administration of federal funds. (Attachment I)
2. Completed Audits including the Report of the Internal Audit Workgroup
The Committee is being presented with 19 audits this month. (Attachments II & III)
3. Report on Corrective Action Plans Received from Previously Highlighted Audits (Attachment IV)

Audits are provided as follows:

Office of the State Comptroller

Albany Leadership Charter High School for Girls
Binghamton City School District
Brighter Choice Charter Middle School for Boys
Brighter Choice Charter School for Girls
Charter School for Applied Technologies
Eugenio Maria de Hostos Charter School
Frewsburg Central School District
Germantown Central School District
Holley Central School District
Homer Central School District
Letchworth Central School District
Mattituck-Cutchogue Union Free School District
New York Career Institute TAP Audit Report
New York City Department of Education (Management of General School Funds)
Niagara Charter School
Oracle Charter School
Southside Academy Charter School
True North Rochester Preparatory Charter School – West Campus
University Preparatory Charter School for Young Men

Recommendation

No action required for audit initiatives and presentation of audits.

Timetable for Implementation

N/A

The following materials are attached:

- Summary of New York State Single Audit Findings 2012-13 (Attachment I)
- Report of the Internal Audit Workgroup and Summary of Audit Findings Including Audit Abstracts (Attachments II and III)
- Report on Corrective Action Plans Received from Previously Highlighted Audits (Attachment IV)

Regents Committee on Audits/Budget and Finance
Summary of
New York State Single Audit
4/1/12 – 3/31/13
State Education Department Findings

The audit examined the following federal programs;

- Child Nutrition School Lunch, Milk Program and Summer Food Service
- Title I-Grants to LEAs (regular and ARRA)
- Special Education (IDEA) Grants to States (regular and ARRA)
- Preschool Grants (regular and ARRA)
- 21st Century Community Learning Centers
- Improving Teacher Quality State Grants
- ARRA State Fiscal Stabilization Fund – Race to the Top Incentive Grants, Recovery Act
- Rehabilitation Services-Vocational Rehabilitation Grants to States (regular and ARRA)

The following are the 11 findings for the 2012-13 fiscal year and the federal programs each finding applies to:

Finding 13-04 - Title I Grants to LEAs (regular and ARRA), 21st Century Community Learning Centers, Improving Teacher Quality State Grants

Based on a sample of 25 Local Education Agencies (LEAs) tested for maintenance of effort (MOE), three did not meet the maintenance of effort requirement as the LEA did not maintain it's per pupil spending amount. There was no documentation to show that the Department followed up with the three LEAs.

Department's Corrective Action: The Department has sent out notification letters to the two LEAs that did not meet the MOE requirements and are awaiting responses from both. The third LEA found not in compliance does not receive Title I funding.

Finding 13-05 – Title I Grants to LEAs (regular and ARRA), Special Education Grants to States (regular and ARRA), Special Education Preschool Grants (regular and ARRA), 21st Century Community Learning Centers, Improving Teacher Quality State Grants

The Department did not file the required Federal Funding Accountability and Transparency Act (FFATA) report for some of the grants in the sample tested.

Department's Corrective Action: The Department will review and enhance controls and procedures to improve completeness of FFATA reporting. Additional steps will be taken to ensure that all required information including DUNS numbers are obtained from each grantee on a more timely basis.

Finding 13-06 – Child Nutrition-School Lunch, Milk Program and Summer Food Service

The Department did not file the required Federal Funding Accountability and Transparency Act (FFATA) report.

Department's Corrective Action: The Department will review and enhance controls and procedures for completing the required FFATA reporting. Additional steps will be implemented to ensure that all required DUNS numbers are obtained for each grantee.

Finding 13-07 – Child Nutrition-School Lunch, Milk Program and Summer Food Service

The Office of General Services (OGS) manages the receipt, inventory and distribution of donated foods on behalf of the Department of Education. OGS did not conduct an annual physical inventory of donated USDA food for three of the nine distribution and warehouse centers. Although a site visit was performed at each of these sites, it was not documented.

Department's Corrective Action: The Department will assist OGS to revise the current warehouse annual review process to ensure that OGS is properly documenting the completion of a physical inventory of USDA food at all nine storage facilities. The revised process will also include a formal notification letter that will be sent to all distributors noting any findings and/or corrective action required as a result of non-compliance with Part 250.14 (c).

Finding 13-08 – Title I Grants to LEAs (regular and ARRA), Special Education Grants to States (regular and ARRA), Special Education Preschool Grants (regular and ARRA), 21st Century Community Learning Centers, Improving Teacher Quality State Grants

The Department does not appear to have met cash management requirements when initial payments are made to subrecipients. The auditors found no procedures to ensure the subrecipients make related disbursements on a timely basis.

Department's Corrective Action: The Department will review procedures for making payments to subrecipients to ensure that the time elapsing between the transfer of funds to the subrecipients and disbursement of funds by the subrecipients is minimized, consistent with 34CFR 80.21. Using a risk-based approach, the Department will continue to monitor cash flow to subrecipients and follow up with agencies that are flagged as potential problems. The Department will request supporting documentation from a sample of agencies as an

additional test to assure that automatic first payments are not being made prior to program expenditure of funds.

Finding 13-09 – Special Education Grants to States (regular and ARRA), Special Education Preschool Grants (regular and ARRA)

The current monitoring procedures do not include a review of the allowability of costs claimed by subrecipients.

Department's Corrective Action: The Department instituted a fiscal field monitoring program for IDEA grants in 2013. This monitoring program includes, as part of the monitoring protocol, a review of LEA expenditures for allowability as required by OMB Circular A-87. The first field monitoring visit of an LEA was completed on May 9, 2013. Since the field monitoring program started, 21 LEA's have had monitoring visits. The Department expects to complete 36 total visits by March 31, 2014. In addition to the field monitoring visits, the Department expects to desk monitor approximately 50 additional LEA's for allowable expenditures through requests for additional information on their final expenditure reports.

Finding 13-10 - Improving Teacher Quality State Grants, ARRA State Fiscal Stabilization Fund – Race to the Top Incentive Grants, Recovery Act

The Department does not perform timely site visits to its subrecipients. This action could result in the inability to timely recognize noncompliance with laws, regulations and provisions of grant agreements or lack of performance goal achievement.

Department's Corrective Actions:

Improving Teacher Quality: In December 2011, the ESEA Title II, Part A Office was assigned to the Title I School and Community Office of SED. Since that assignment, the monitoring of Title II, Part A, has been coordinated with the monitoring cycle of Title I, Parts A & D, which includes the options of Coordinated Monitoring, Targeted Monitoring, and Desk Audits. Representative district samples for Title II, Part A, will now be consistent with Title I, Parts A & D, and will increase the percentage of districts monitored in each year.

Race to the Top: NYSED's Subrecipient Monitoring Plan currently addresses monitoring of both Local Education Agencies (LEAs or public school districts and charter schools) and State level contract vendors and incorporates a comprehensive risk-based assessment of LEA capability to effectively implement RTTT-funded programs. Included are three major levels of review, each corresponding to an increasing level of review intensity, from Level 1 desk review of all required LEA/vendor reports and submissions to Level 2 which consists of fiscal audits and on-site program reviews of the highest risk sub-grantees.

Finding 13-11 - Rehab Services Vocational Rehabilitation Grants (regular and ARRA)

Based on a sample of ACCES VR consumer folders, the auditors determined that the requirements for eligibility determination were not always documented or not done on a timely basis.

Department's Corrective Action: ACCES agrees with the findings regarding the requirement to ensure that all VR applicants are reviewed for eligibility within the 60-day requirement, or that appropriate documentation is completed to support the basis for the extension of time required. The eligibility policy and procedures are based on federal regulations and the expectations are clearly outlined in policy. Consistent implementation will be strengthened by reinforcing the procedures through training of all VR staff and working with the supervisory staff to more carefully monitor compliance through their routine case review processes.

Finding 13-12 - Rehab Services Vocational Rehabilitation Grants (regular and ARRA)

The Department filed a required federal report (RSA-2) untimely.

Department's Corrective Action: This was a one-time event, and no penalties were assessed. ACCES-VR has already begun preparation of the 2013 RSA-2 and does not anticipate its late submission. Circumstances that led to its late submission in the prior year have been addressed.

Finding 13-13 - 21st Century Community Learning Centers

The Department has no procedures to monitor subrecipient's compliance with the supplement not to supplant requirements.

Department's Corrective Action: 21st Century Community Learning Centers program office will now include a review of subrecipient compliance with the supplement not to supplant as part of its monitoring protocol. Procedures will include adding a relevant indicator to the Administration/Organization section of the Monitoring Report, and conducting onsite review of expenditures in relation to approved FS-10 budget.

Finding 13-36 - ARRA State Fiscal Stabilization Fund – Race to the Top Incentive Grants, Recovery Act

Based on a sample of 40 subrecipients tested for the required registration in the Central Contractor Registry, four are not registered.

Department's Corrective Action: As of July 30, 2012, the federal Central Contractor Registration (CCR) system has been replaced by the System for Award Management (SAM), which is a Web-enabled government-wide application that collects, validates, stores and disseminates business information about the federal government's trading partners in support of the contract award, grants and the electronic payment processes. As with CCR, LEAs and vendors

are required to renew their registration with SAM at least every 12 months from the date they previously registered. The Department will institute a business rule preventing LEAs with expired CCR/SAM registrations from submitting budgets, final expenditure reports and 1512 quarterly reports electronically in the NYSED Business Portal.

Regents Committee on Audits/Budget and Finance
March 2014
Review of Audits Presented
Department's Internal Audit Workgroup

Newly Presented Audits

We reviewed the 19 audits that are being presented to the Committee this month. All 19 were issued by the Office of the State Comptroller (OSC). Seven audits were of school districts, ten were of charter schools, one was a college and one was a NYC Department of Education high school.

The findings were in the areas of budgeting, financial reporting, procurement, conflict of interest, payroll, enrollment and billing, and board oversight.

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 reviewed all the audits and *do not believe there are any specific audits to bring to the Committee's attention*. However, of the seven school district audits that focused on financial condition/management and reserve funds, six showed the districts are not properly managing fund balance or reserve funds resulting in unexpended surplus funds exceeding the statutory limit of four percent and/or maintaining excessive level of reserve funds. Such findings have become commonplace as districts seek to remain fiscally solvent.

Further, of the ten charter school audits presented, seven show findings indicating possible conflict of interest between affiliated parties, lack of competition in awarding contracts, and executed contract agreements that are vague and do not describe in detail the services that the schools will receive. These audits have been referred to the SED charter school program office for their review.

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

Audit	Procurement	Payroll	Financial Reporting	Information Technology	Extracurricular Activity Fund	Segregation of Duties	Budgeting	Conflict of Interest	Fingerprinting	Tuition Assistance Program (TAP)	Other
Office of the State Comptroller											
Albany Leadership Charter High School For Girls	√										
** Binghamton City School District											
* Brighter Choice Charter Middle School For Boys (footnote 2)	√							√			√
* Brighter Choice Charter School for Girls (footnote 2)	√						√	√			√
* Charter School for Applied Technologies (footnote 2)											√
Eugenio Maria De Hostos Charter School	√			√							
Frewsburg Central School District	√	√	√			√		√			
Germantown Central School District			√				√				
Holley Central School District			√				√				
Homer Central School District			√				√				
Letchworth Central School District			√				√				
Mattituck-Cutchogue Union Free School District			√				√				
New York City Department of Education – John F Kennedy HS					√						
* Niagara Charter School (footnote 3)											√
* Oracle Charter School (footnote 2)	√	√									√
* Southside Academy Charter School (footnote 1)											√
SED and Higher Education Services Corporation – New York Career Institute										√	
True North Rochester Preparatory Charter School - West Campus									√		
* University Preparatory Charter School for Young Men (footnote 3)											√
March 2014	6	2	6	1	1	1	6	3	1	1	7

1 Board Oversight

2 Related-Party Transactions

3

Student Enrollment and Billing

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No recommendations

Office of the State Comptroller

Audit	Major Finding(s)	Recommendation/Response
<p>Albany Leadership Charter High School For Girls Professional Service Contract 2013M-283 3rd Judicial District</p> <p><i>[SUNY Board of Trustees authorized charter]</i></p>	<p>The School entered into a three-year compact agreement with the Brighter Choice Foundation (Foundation) in April 2013. During the 2012-13 fiscal year, the School paid the Foundation a fee of \$32,218 to become a member of the charter school network and receive services stated in the compact. The Foundation’s described goals and objectives were broadly stated in the agreement. However the compact document did not identify a specific declaration made by the Foundation that clearly defined what activities it will engage in to achieve the stated goals and objectives. Also, the compact did not contain a specific performance measure to determine whether the services had been received by the School to warrant the School’s payment of the \$32,218.</p>	<p>2 recommendations</p> <p>The report’s recommendations focused primarily on strengthening the policies and procedures regarding professional service contracts.</p> <p><i>School officials generally agreed with the recommendations and have indicated that they plan to implement corrective action.</i></p>
<p>Binghamton City School District Financial Condition 2013M-242 6th Judicial District</p>	<p>District officials developed reasonable budgets and monitored the budgets throughout the year to properly manage the District’s financial condition.</p>	<p>There are no recommendations in the report.</p>
<p>Brighter Choice Charter Middle School For Boys Financial Operations 2013M-348 3rd Judicial District</p> <p><i>[SUNY Board of Trustees authorized charter]</i></p>	<p>The School entered into a three-year compact agreement with a not-for-profit Foundation in June 2011. All Board members voted in favor of the compact agreement, except for the Board Chairman, who recused himself from voting because he is also the Foundation’s Executive Director. The compact does not describe in detail the services that the Foundation will provide and when asked to describe the specific services the Board Chairman stated that the School receives access to short-term loans from the Foundation and access to educational software, among other services. The fee for these services is 1 percent of total pupil revenue from the prior academic year. The total 2012-13 fiscal year fee due to the</p>	<p>3 recommendations</p> <p>The reports recommendations focus primarily on strengthening the policies and procedures regarding procurement and conflicts of interest in contracts.</p> <p><i>School officials generally agreed with the recommendations and have indicated that they plan to implement corrective action.</i></p>

	Foundation was \$14,801.	
<p>Brighter Choice Charter School for Girls Financial Operations 2013M-321 3rd Judicial District</p> <p><i>[Board of Regents authorized charter]</i></p>	<p>On May 27, 2011, the Board approved a compact contract between the School and a not-for-profit Foundation that states that the Foundation will provide the School with access to legal and financial assistance, technical support, and advocacy at State and local levels. The fee for these services is 1 percent of per pupil revenue from the prior academic year. On January 31, 2013, the Board approved a revised compact contract with the Foundation that supersedes the prior compact contract. The revised contract increases the fee from 1 percent for the 2012-13 school year, to 1.5 percent for the following year, and 2 percent for the final year of the contract. The increase in the fee percentage over the next two years will place an additional financial burden on the School. The fee structure of a percentage of per pupil revenue does not appear to be reasonable, as the services being provided do not have any bearing on the number of students at the School or the State Education Department Charter School Tuition rate.</p> <p>The audit found that the School did not budget properly. The School failed to accurately budget a number of expense accounts, including failing to budget some account codes and using unrealistic amounts in others. In addition, the School does not modify its budget during the year. During fiscal years 2011-12 and 2012-13, School officials had budgeted for a \$650,362 surplus; however, the actual net income amounted to only \$89,497, a shortfall of \$560,865. The \$89,497 total net income was less than 14 percent of what School officials had anticipated over that period. The failure to properly prepare,</p>	<p>4 recommendations</p> <p>The reports recommendations focus primarily on strengthening the policies and procedures regarding procurement, conflicts of interest in contracts, and budgeting.</p> <p><i>School officials generally agreed with the findings and have indicated that they plan to implement corrective action.</i></p>

	monitor, and modify the budget could lead to the deterioration of the School's financial condition.	
Charter School for Applied Technologies Payments to Affiliated Entities 2013M-300 8th Judicial District <i>[Board of Regents authorized charter]</i>	<p>The audit found that the Board approved transfers of School funds totaling \$425,000 to capitalize two wholly-owned private entities which the Board caused to be established for the purpose of enabling the School to engage in what are essentially commercial ventures. The audit questions whether the Board had authority to approve the transfers. Even if the Board had authority to approve the transfers, the audit was not able to assess the level of risk involved with the School's participation in these ventures because School officials refused to provide access to either entity's financial records. The audit also noted that the School made payments for services to one of the entities without a written contractual obligation to do so.</p>	<p>3 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding transactions involving affiliated entities.</p> <p><i>School officials generally agreed with the recommendations and plan to initiate corrective action.</i></p>
Eugenio Maria De Hostos Charter School Procurement and Information Technology 2013M-136 7th Judicial District <i>[SUNY Board of Trustees authorized charter]</i>	<p>Four building leases and 12 service contracts entered into by the School were reviewed to ascertain if it has procurement procedures and policies designed to obtain the best possible goods and services for the best price. The audit found that the School entered into the leases without any process for determining the fair rental value of the buildings. Similarly, although competitive bidding is not required, the audit found that the School only sought competition for one of the service contracts reviewed. These findings are of particular concern because the leases and contracts were entered into with organizations having various types of business or occupational relationships with members of the Board or their family or friends. Under these circumstances, it is questionable whether the leases and contracts were in the best interest of the School. The audit also found that the School paid for use of a building and for certain services</p>	<p>9 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures regarding procurement and information technology.</p> <p><i>School officials generally agreed with the recommendations and plan on implementing corrective action.</i></p>

	<p>without having entered into a written agreement.</p> <p>Additionally, the School's internal controls over information technology (IT) were reviewed, and it was found that the School lacked appropriate IT policies and procedures. The School did not properly control user access rights to the IT system and did not properly establish a disaster recovery plan. Furthermore, the audit found that the School lacked accurate IT inventory records. As a result, the School's IT assets and information is at risk of misuse.</p>	
<p>Frewsburg Central School District Internal Controls Over Selected Financial Activities 2013M-327 8th Judicial District</p>	<p>District officials did not adopt policies governing the establishment, use and maintenance of reserve funds and could not demonstrate the reasonableness of reserve balances. As a result, two of the District's reserve funds had balances that totaled \$3.19 million in excess of the amounts needed for authorized purposes, and three of the District's reserve funds had balances that totaled \$1 million that were not supported by a written plan or other documentation validating the amounts retained. Further, while resolutions were in place to establish the employee benefit accrued liability and retirement contribution reserves, these resolutions did not address the rationale for establishing them, the objective for each, the optimal or targeted funding levels and the conditions under which the reserve's assets would be used or replenished. Moreover, there were no Board resolutions establishing the unemployment and insurance reserves. This lack of planning suggests that District officials maintained these reserve balances to reduce the District's unexpended surplus funds closer to the legal limit and did not perform any analysis or identify future fiscal needs prior to transferring moneys to these reserves. As a result, the Board and District officials have withheld significant funds from productive use, levied unnecessary taxes and compromised</p>	<p>11 recommendations</p> <p>The report's recommendations focused primarily on strengthening policies and procedures regarding the use of reserves, leave time, segregation of duties in the payroll function, conflicts of interest in contracts, and procurement.</p> <p><i>The District officials generally agreed with the recommendations, and have indicated that they plan to initiate corrective action.</i></p>

	<p>the transparency of District finances to the taxpayers.</p> <p>District officials do not have a comprehensive payroll policy supported by written procedures. As a result, there is no independent review of leave time records and access rights to the payroll and human resource modules within the computerized accounting system are not limited. Furthermore, District officials do not regularly review audit trail reports for inappropriate activity. The audit found discrepancies between timesheets, time request slips and leave accrual records.</p>	
<p>Germantown Central School District Financial Management 2013M-320 3rd Judicial District</p>	<p>Over the last four years, District officials consistently overestimated expenditures in the adopted budgets by a total of \$5.5 million. As a result, the District had operating surpluses totaling \$2.7 million for the period, which caused the accumulated fund balance to exceed the statutory maximum of 4 percent of each ensuing year's budget. During these four years, District officials appropriated \$3.2 million in fund balance that was not needed to fund the budgets, and transferred approximately \$1.1 million to the District's reserves with no documented plan or justification for the excessive funding levels, which effectively allowed it to circumvent the statutory limits. District officials have exceeded the 4 percent fund balance limit by an average of approximately \$1.1 million in the fiscal years 2009-10 through 2012-13, levied more real property taxes than necessary, and retained large amounts of taxpayer dollars without full disclosure of how these funds will be used.</p>	<p>6 recommendations</p> <p>The report's recommendations focus primarily on strengthening policies and procedures regarding budgeting and the use of reserves.</p> <p><i>District officials generally agreed with the report's findings, and have indicated that they plan on implementing corrective action.</i></p>
<p>Holley Central School District Financial Condition 2013M-342 8th Judicial District</p>	<p>For the last five fiscal years ending June 30, 2013, the Board and District officials consistently underestimated revenues by a total of \$7.2 million and overestimated expenditures by a total of \$4.4 million. These budgeting practices generated approximately \$6.7 million in operating surpluses, which caused unexpended surplus funds to significantly exceed the</p>	<p>5 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding budgeting and the use of</p>

	<p>statutory limit each year. Although District officials annually appropriated fund balance to reduce the tax levy, these funds were not needed because the budgeting practices generated operating surpluses. As a result, the District's unexpended surplus funds exceeded the statutory limit of 4 percent of the ensuing year's budget by more than \$7 million, or 35 percent, as of June 30, 2013. Furthermore, District officials improperly accounted for certain financial activity which understated unexpended surplus funds by approximately \$1 million. Consequently the District has accumulated more than \$8 million in unexpended surplus funds. Due to these practices, the Board and District officials have withheld significant funds from productive use, levied unnecessary taxes and compromised the transparency of District finances to the taxpayers.</p>	<p>fund balance.</p> <p><i>District officials generally agreed with the recommendations and have indicated that they plan to initiate corrective action.</i></p>
<p>Homer Central School District Financial Condition 2013M-306 6th Judicial District</p>	<p>The Board did not ensure budget estimates were reasonable. Over the last five fiscal years, the District appropriated a total of almost \$3.6 million of unexpended surplus funds and budgeted for expenditures from its reserves in its budgets. Although unexpended surplus and reserve funds were included in the budgets as financing sources, the District did not actually use the surplus funds or all of the budgeted reserve fund amounts as planned in the 2008-09 to 2009-10 fiscal years, and the 2011-12 to 2012-13 fiscal years. District expenditures were significantly less than what had been estimated for those years. In addition, two of the District's reserve fund balances are excessive. Finally, when the audit considers the total operating surpluses and planned use of fund balance over the last five fiscal years, the District raised \$2.4 million more in taxes than necessary for operations.</p>	<p>3 recommendations</p> <p>The report's recommendations focused primarily on strengthening policies and procedures regarding budgeting and the use of reserves.</p> <p><i>The District officials generally agreed with the recommendations, and have agreed to implement corrective action as soon as possible.</i></p>

<p>Letchworth Central School District Financial Management 2013M-332 8th Judicial District</p>	<p>For the five fiscal years ending June 30, 2013, District officials consistently over-estimated expenditures by a total of \$8.3 million. These budgeting practices generated approximately \$3.9 million in operating surpluses. Although District officials appropriated \$300,000 of fund balance in each of the last five fiscal years to reduce the tax levy, the Board over-estimated expenditures by an average of \$1.7 million annually, thus negating any benefit the appropriation of fund balance would have in reducing the property tax levy. District officials also used some of the annual operating surpluses to fund eight general fund reserves and one debt reserve that, as of June 30, 2013, totaled \$10.5 million and \$1.4 million, respectively. Five of these reserves are over-funded.</p>	<p>3 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding budgeting and the use of reserves.</p> <p><i>District officials generally agreed with the recommendations and plan on implementing corrective action.</i></p>
<p>Mattituck-Cutchogue Union Free School District Financial Condition 2013M-322 10th Judicial District</p>	<p>Over the last three fiscal years, the District's conservative budgeting practices generated more than \$5 million in budget surpluses. To reduce fund balance and stay within the year-end statutory limit for unrestricted funds, District officials transferred moneys to the District's reserves and repeatedly appropriated fund balance to reduce the tax levy. However, because of the District's surpluses, the combined \$3.2 million in fund balance appropriations over the three years went unused. These practices gave the appearance that the District's unrestricted fund balance was essentially within the legal limit, whereas in fact, it exceeded that limit each year. The audit also found that the amounts retained in three of the District's four reserves, totaling approximately \$5 million, were excessive and were not used; rather, the District made related payments out of the general fund totaling over \$1.2 million. These ongoing budgeting practices resulted in taxpayers paying more than necessary to sustain District operations. Further, in the 2011-12 fiscal year, over \$48,000 in excess funds was improperly transferred from the employee benefits accrued liability reserve to the retirement contribution reserve</p>	<p>3 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding budgeting and the use of fund balance.</p> <p><i>District officials generally agreed with the recommendations and indicated that they plan on implementing corrective action.</i></p>

	without the State Comptroller's certification as required by State legislation. Therefore, the District was not in compliance with the law in making this transfer.	
New York City Department of Education John F. Kennedy High School: Management of General School Funds - Follow-Up 2013-F-33 1st, 2nd, 11th, 12th, 13th Judicial District	<p>An initial report was issued in June 2010, to assess the management of general school funds (GSF) at John F. Kennedy High School (Kennedy HS) within the New York City Department of Education (DOE). The audit found that Kennedy HS had poor controls over its GSF bank account. In addition, the school principal had not established basic accountability for student funds and that DOE's guidelines had been ignored. The initial audit contained eight recommendations for improving accountability over fund managed by Kennedy HS.</p> <p>A follow-up report was then conducted in December 2013 to evaluate the extent of implementation of the previous report's recommendations. It was determined that DOE officials have made limited progress in correcting the problems identified in the initial report. Of the eight prior audit recommendations, two recommendations had been implemented, two recommendations had been partially implemented, and four recommendations had not been implemented.</p>	<p>The two 2010 audit's recommendations that were only partially implemented were those pertaining to reviewing the activities related to GSF accounts and monitoring compliance with DOE procedures.</p> <p>The four recommendations that were not implemented were those regarding reimbursing the GSF account for the cost of inappropriate expenditures; performing an independent review of all remaining expenditures from the GSF account; arranging for payment of the past due senior graduation expenses; and establishing financial management procedures for school stores.</p> <p>The remaining two of the recommendations have been implemented.</p>
Niagara Charter School Student Enrollment and Billing 2013M-294	<p>The audit found that certain billings were not accurate and enrollment was not always adequately supported. In some instances, for students with less than full-time enrollment, School officials incorrectly calculated the FTEs, which</p>	<p>5 recommendations</p> <p>The report's recommendations focused primarily on strengthening</p>

<p>8th Judicial District</p> <p><i>[Board of Regents authorized charter]</i></p>	<p>resulted in over-billing school districts by more than \$10,200. The audit also reviewed the 2012-13 fiscal year FTE report prepared by School officials and found that the School may be owed approximately \$13,500 from one of the school districts. However, due to the incorrect calculations of FTEs identified in the testing, it is unclear whether this amount owed to the School is entirely accurate. The audit also found that the School's system of collecting and reporting student data could be improved. In addition, of the 22 students' files sampled, the proof of residency on file for five students was either inaccurate or missing.</p>	<p>the policies and procedures regarding student billing and enrollement.</p> <p><i>School officials generally agreed with the recommendations and plan on implementing corrective action.</i></p>
<p>Oracle Charter School School Building Acquisition and Leave Accrual Records 2013M-290 8th Judicial District</p> <p><i>[SUNY Board of Trustees authorized charter]</i></p>	<p>The Board did not demonstrate that it used an appropriate process to ensure it obtained a suitable site at a reasonable cost. School officials did not document that the Board performed an appropriate cost analysis of the selected site or alternative sites. Consequently, the School agreed to an arrangement requiring it to pay more than \$5.1 million for the acquisition and renovation of its building financed at a 20 percent interest rate. The audit found that the building was acquired and renovated for approximately \$1.4 million, and that a developer fee and interest costs will total more than \$3.7 million over the term of the School's 15-year lease. As a result of a recent decision to prepay a portion of the debt, the School was able to save approximately \$136,000.</p> <p>The business office did not maintain accurate and supported leave accrual records for all School employees. The School does not require that all employees submit leave request forms. Those employees required to submit forms did not do so consistently, and the forms did not always include evidence of required approvals. In addition, there was no reconciliation process in place to ensure that all leave time usage was correctly recorded on an employee's leave</p>	<p>8 recommendations</p> <p>The report's recommendations focused primarily on strengthening policies and procedures regarding acquisition of the school building and leave accruals.</p> <p><i>School officials generally agreed with the findings in the report and plan on implementing corrective action.</i></p>

	summary. These weaknesses could result in the School making improper salary and/or leave payouts and incurring unnecessary substitute personnel costs.	
Southside Academy Charter School Board Oversight 2013M-318 5th Judicial District <i>[Board of Regents authorized charter]</i>	<p>While the Board meets regularly to deal with a range of issues, its oversight of the School's fiscal affairs could be improved. National Heritage Academies (NHA) provides the Board with projected budgets, budget amendments and quarterly financial statements for its review. Although the Board reviews and approves budgets and budget amendments, the budgetary information and the quarterly financial statements lack transparency to allow the Board to identify the fee for services paid to NHA, to distinguish indirect from direct costs, and to determine how indirect costs are allocated by NHA to the School. For example, \$2.9 million in indirect costs have been allocated to the School by NHA, but the Board has not received support for how the costs are allocated. As a result, this limits the Board's ability to adequately monitor NHA and verify that indirect costs allocated to the School are accurate and appropriate.</p>	<p>3 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding the Board's oversight of their management company.</p> <p><i>School officials generally agreed with the recommendations, and plan on submitting a corrective action plan.</i></p>
State Education Department and Higher Education Services Corporation Audit of the Tuition Assistance Program at the New York Career Institute 2013-T-1 1st Judicial District	<p>\$27,964 disallowance (1.3% of total award of \$2.2 million for the period)</p> <p>A random sample of 50 TAP certifications was reviewed during the three-year period ended June 30, 2011, to determine whether only eligible students were certified for TAP by New York Career Institute (Institute) officials. The audit determined that the Institute was overpaid \$27,964 as a result of inappropriate TAP certifications made on behalf of ineligible students.</p>	<p>1 recommendation</p> <p>It is recommended that HESC recover \$27,964, plus applicable interest, from the Institute for its incorrect TAP certifications, and to ensure that Institute officials comply with requirements relating to the certification of enrolled and attending students, and the crediting of awards cited in this report.</p>

		It is recommended that the Department ensure Institute officials comply with Department requirements relating to full-time attendance, and good academic standing cited in this report.
<p>True North Rochester Preparatory Charter School - West Campus Employee Fingerprinting 2013M-286 7th Judicial District</p> <p><i>[SUNY Board of Trustees authorized charter]</i></p>	<p>The audit found that the School did not consistently comply with the Law and guidance regarding fingerprint-supported criminal background checks. The School has a policy entitled “Fingerprint Process” in its Onboarding Guide, which stated that “All school employees must be fingerprinted before they are authorized to work in a school in New York State.” Documentation was requested to support that all adults working on site have been properly fingerprinted. Two of the 25 workers tested did not have complete background checks performed prior to working at the School.</p>	<p>1 recommendation</p> <p>The report's recommendation focused primarily on strengthening the policies and procedures regarding employee fingerprinting.</p> <p><i>School officials generally agreed with the recommendation and plan on implementing corrective action.</i></p>
<p>University Preparatory Charter School for Young Men Student Enrollment and Billing 2013M-292 7th Judicial District</p> <p><i>[SUNY Board of Trustees authorized charter]</i></p>	<p>The audit found that the School did not maintain adequate supporting documentation regarding students’ residency.</p>	<p>1 recommendation</p> <p>The report's recommendation focused primarily on strengthening the policies and procedures regarding student enrollment and billing.</p> <p><i>The School agreed with the recommendation and plans on implementing corrective action.</i></p>

**Regents Committee on Audits/Budget and Finance
March 2014**

Summary of Corrective Action Plans Received from Previously Presented Audits

NOTE: The requirement for submission of the corrective action plan (CAP) as per Commissioner's Regulations 170.12 applies to school districts and BOCES.

Auditor	Auditee-Scope	Judicial District# - Regent	Month Presented	Result of CAP review
OAS	Kiryas Joel – Race to the Top	9 th - Phillips	September	Sufficient
OAS	Niagara Falls –Race to the Top	8 th - Bennett	September	Sufficient
OSC	Ticonderoga – Financial Condition	4 th -Dawson	October	Sufficient

Kiryas Joel's CAP

The corrective action plan indicated that District officials agreed with all the audit recommendations. The District addressed the audit disallowance by revising the District's final expenditure report and repaid the funds from the General Fund. Policies and procedures were expanded to address remaining recommendations.

Niagara Falls's CAP

Niagara Falls officials agreed with all the audit recommendations. The audit disallowance was addressed by revising the District's final expenditure report and repaid the funds from the General Fund. Payment procedures were revised to address other recommendations. Purchasing policy was also updated to allow for increased competition among vendors.

Ticonderoga's CAP

Ticonderoga officials agreed with all the audit recommendations. The Board of Education will continue to monitor District's budget and financial operations. District officials have updated the multi-year financial plan as recommended by the audit.