



TO: Audits/Budget and Finance Committee
FROM: Sharon Cates-Williams *Sharon Cates-Williams*
SUBJECT: Board of Regents Oversight Financial Accountability
DATE: April 6, 2012

AUTHORIZATION(S):

J. B. J. S. G.
SUMMARY

Issues for Discussion

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

1. Presentation by the New York State School Boards Association (NYSSBA) on Mandatory Board Training (Attachment I)
2. Review of the Monthly Fiscal Report
3. Completed Audits including the Report of the Internal Audit Workgroup (Attachments II & III)

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. Presentation by the New York State School Boards Association (NYSSBA) on Mandatory Board Training

Representatives from New York State School Boards Association will do a presentation to the Members of the Committee on the status of mandatory

training for school district board members on fiscal oversight and governance skills. In addition, they will also discuss available training related to school district audit committees. (Attachment I)

2. Review of the Monthly Fiscal Report
The Committee will be updated on the Department State Operations expenditure and revenue projections.
3. Completed Audits including the Report of the Internal Audit Workgroup
The Committee is being presented with 5 audits this month. (Attachments II & III)

Audits are provided as follows:

Office of Audit Services

Brentwood Union Free School District

Office of the State Comptroller

Croton-Harmon Union Free School District
Glens Falls City School District
Patchogue-Medford Union Free School District
Silver Creek Central School District Follow-up Report

Recommendation

No action required. For discussion only.

Timetable for Implementation

N/A

The following materials are attached:

- Presentation by the New York State School Boards Association (Attachment I)
- Report of the Internal Audit Workgroup (Attachment II)
- Summary of Audit Findings Including Audit Abstracts (Attachment III)

Regents Committee on Audits/Budget and Finance
Presentation by the New York State School Boards Association
Update on Status of Mandatory Board Training
April 2012

Background

School Boards perform a critical role in ensuring appropriate governance of school districts including accountability over the use of public funds. Recent legislation has mandated that school board members receive training in certain areas.

Chapter 263 of the Laws of 2005 require all school board members elected or appointed on or after July 1, 2005 to participate in six hours of training in the financial oversight, accountability, and fiduciary responsibilities of a board member, to be completed within the first year of service.

Chapter 38 of the Laws of 2010 requires all school district and BOCES board members elected or appointed for a first term beginning on or after July 1, 2011 to participate in training within the first year of service. The training will acquaint new board members with the powers, functions and duties of boards of education, as well as the powers and duties of other governing and administrative authorities affecting public education, with consideration given to the board of education role in educating all students, encouraging the attainment of a higher level of student achievement, and ensuring that students have the opportunity to achieve an education that prepares them to succeed in college or career.

New York State School Boards Association

The New York State School Boards Association (NYSSBA) represents more than 700 boards of education across the State. In addition, NYSSBA is an approved provider of the mandatory school board member training. This provides a unique perspective on the effectiveness of the training.

Managers from NYSSBA will update the Committee members on the status of the mandatory training, compliance, and its effectiveness in enhancing accountability.

As part of the law enacted in 2005, school districts are required to establish an audit committee, except districts employing fewer than 8 teachers. The purpose of the audit committee is to oversee and report to the board of education on the annual audit, as well as assist with understanding and implementing corrective action plans. In addition, the audit committee is also responsible for monitoring the performance of the internal audit function. NYSSBA managers will discuss ongoing training related to school district audit committees.

**Regents Committee on Audits/Budget and Finance
April 2012
Review of Audits Presented
Department's Internal Audit Workgroup**

Newly Presented Audits

We reviewed the five audits that are being presented to the Committee this month. One audit was issued by the Office of Audit Services (OAS) and four by the Office of the State Comptroller (OSC). All of the audits were of school districts.

The findings were in the areas of Employment Preparation Education program (EPE), claims processing, and budgeting.

The Department has issued letters to the 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 Croton-Harmon audit for possible follow-up action.

April 2012 Regents Audits/Budget and Finance Committee Meeting Summary of Audit Findings

Audit	Claims Processing	Budgeting	Other
Office of Audit Services			
*Brentwood Union Free School District (footnote 1)			√
Office of the State Comptroller			
Croton-Harmon Union Free School District		√	
Glens Falls City School District	√		
Patchogue-Medford Union Free School District		√	
** Silver Creek Central School District			
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- 1 Employment Preparation Education (EPE)
 Program
- ** 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
Brentwood Union Free School District Employment Preparation Education (EPE) Program EPE-0811-01 10th Judicial District	<p>\$176,912 adjustment</p> <p>The District claimed \$138,151 in excess EPE classroom contact hours based on the results of statistical sampling, and could not support \$38,761 in intake and assessment hours based on missing records, ineligible students, and undocumented hours.</p> <p>Further, the District failed to secure student files prior to an asbestos abatement project resulting in missing student files. The District also did not obtain a waiver for two classes that were offered for less than the required six hours per week and not all teachers had received the required five-and-a-half hours of staff development training.</p> <p>The EPE program expenditures were overstated by a total of \$938 in fringe benefits. However, this will not result into any additional disallowance. The EPE aid is based on the lesser of revenue (contact hours) or expenditures. Since the District received its aid based on contact hours, all audit adjustments were made therein.</p>	<p>9 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to contact hours, intake documentation, EPE expenditures, waivers, and staff development.</p> <p><i>The District agreed with the recommendations and have indicated they will implement corrective action and reimburse the \$176,912 disallowance.</i></p>
Office of the State Comptroller		
Audit	Major Finding(s)	Recommendation/Response
Croton-Harmon Union Free School District Budgeting Practices 2011M-269 9th Judicial District	<p>In 2008, the Office of the State Comptroller audited the District and found that the District had more than double the unassigned fund balance permitted by law. Although the report recommended keeping the unassigned fund balance within legal limits, the Board has failed to do so. Since then, the Board and District officials repeatedly overestimated expenditure items, which resulted in the continued accumulation of unassigned fund balance at year-end in</p>	<p>3 recommendations</p> <p>The recommendations focused on strengthening the policies and procedures pertaining to the adoption of realistic budgets, properly maintaining the unassigned fund balanced, and the</p>

	<p>excess of what is permitted by real property tax law. For the school year 2011-12, the District exceeded its legal limit by 4.74% or \$1.6 million.</p>	<p>development of a plan to utilize the surplus in a way that is beneficial for taxpayers.</p> <p><i>The District agreed with the recommendations and indicated they will implement corrective action.</i></p>
<p>Glens Falls City School District Internal Controls Over Claims Processing 2011M-273 4th Judicial District</p>	<p>During the last audit of the District, claims processing weaknesses were found. Subsequent to that audit, the Board delegated the responsibility of auditing claims to a claims auditor and as a result, the District's internal controls over claims processing have improved.</p> <p>The District did not take full corrective action. The District continued to utilize an inadequate practice for processing and paying claims prior to audit. According to District officials, they have an informal policy to pay certain claims prior to audit each month to meet payment deadlines; however, not all of these payments are allowed by Education Law to be paid prior to audit.</p>	<p>1 recommendation</p> <p>It is recommended that the Board ensure no claim against the District, other than those allowed under Education Law, is paid prior to audit and approval by the claims auditor.</p> <p><i>The District agreed with the recommendation and indicated they will implement corrective action.</i></p>
<p>Patchogue-Medford Union Free School District 2012-2013 Budget Review B7-12-1 10th Judicial District</p>	<p>Based on the review of the tentative budget, the significant revenue and expenditure projections appear reasonable.</p>	<p>1 recommendation</p> <p>It is recommended that District officials closely monitor the District's fund balance to ensure that action is taken, if necessary, to identify other funding sources that can be used if fund balance is no longer available to fund District operations.</p>

<p>Silver Creek Central School District Internal Controls Follow-up 2006M-137F 8th Judicial District</p>	<p>An audit was conducted to assess the internal controls of the Silver Creek Central School District in March 2007. Certain conditions and opportunities for District management’s review and consideration were identified.</p> <p>The findings pertained to split-dollar life insurance policies, guidance, expectations and segregation of duties for the Claims Auditor, off-site storage, credit card policies, and access rights for financial software.</p> <p>The District was revisited on November 28, 2011, and again on January 24, 2012 to review its progress in implementing the recommendations. The District had implemented all eight of the recommendations.</p>	<p>There were no additional recommendations.</p>
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