



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 of Financial Accountability

DATE: June 1, 2017

AUTHORIZATION(S): *Mary Ellen Ecia*

SUMMARY

Issues for Discussion and Action

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

1. Completed Audits including the Report of the Internal Audit Workgroup. (Attachments I & II).
2. Office of Audit Services 2017-2018 Audit Plan (Attachment III).

Reason(s) for Consideration

For information.

Proposed Handling

Discussion and guidance.

Procedural History

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

Background Information

1. Completed Audits including the Report of the Internal Audit Workgroup
The Committee is being presented with 16 audits this month. (Attachments I & II)

Audits are provided as follows:

Office of the New York City Comptroller

Educational Services Offered by the Departments of Correction and Education to Young Inmates at Rikers Island

Office of the New York State Comptroller

ACDS, Inc.
Alden Central School District
Beekmantown Central School District
East Aurora Union Free School District
Eden Central School District
Ganormic, Inc.
Hannibal Central School District
Island Park Union Free School District
Kiryas Joel Union Free School District
New York League for Early Learning, Inc.
North Country Kids, Inc.
Rochester City School District
Scio Central School District
Sherburne-Earlville Central School District
Spotted Zebra Learning Center, Inc.

2. Office of Audit Services 2017-2018 Audit Plan

Recommendation

No action required for audit initiatives and presentation of audits.

Timetable for Implementation

N/A

The following materials are attached:

- Report of the Internal Audit Workgroup and Summary of Audit Findings including Audit Abstracts (Attachments I and II)
- Office of Audit Services 2017-2018 Audit Plan (Attachment III)

**Regents Committee on Audits/Budget and Finance
June 2017
Review of Audits Presented
Department's Internal Audit Workgroup**

Newly Presented Audits

The Department's Internal Audit Workgroup reviewed the 16 audits that are being presented to the Committee this month. One audit was issued by the Office of the New York City Comptroller and fifteen audits were issued by the Office of the New York State Comptroller (OSC). Eleven audits were of school districts and five were of providers of special education services.

The findings were in the areas of budget/financial reporting, extra classroom activity funds, information technology, payroll/leave accruals, procurement, Reimbursable Cost Manual compliance, and educational services.

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 Internal Audit Workgroup reviewed all the audits and determined that there are no specific audits to bring to the Committee's attention.

**June 2017 Regents Audits/Budget and Finance Subcommittee Meeting
Summary of Audit Findings**

Audit	Budgeting/Financial Reporting	Extra Classroom Activity Fund	Information Technology	Payroll/Leave Accrual	Procurement	Reimbursable Cost Manual Compliance	Other
Educational Services Offered by DOCs and NYC DOE (footnote 1)							√
ACDS, Inc.						√	
Alden Central School District	√						
Beekmantown Central School District				√			
East Aurora Union Free School District		√					
Eden Central School District				√			
Ganormic, Inc.						√	
Hannibal Central School District	√						
Island Park Union Free School District			√				
Kiryas Joel Union Free School District	√						
New York League for Early Learning, Inc.						√	
North Country Kids, Inc.						√	
Rochester City School District				√	√		
Scio Central School District				√			
Sherburne-Earlville Central School District	√						
Spotted Zebra Learning Center, Inc.						√	
June 2017	4	1	1	4	1	5	1

	July 2016	August 2016	September 2016	October 2016	November 2016	Running Total
Banking	0	0	0	0	0	0
Budgeting/Financial Reporting	13	44	16	9	9	91
Capital Assets	0	1	0	0	0	1
Capital Construction	0	0	0	1	0	1
Cash	0	3	0	4	0	7
Charter School Management/Tuition	0	0	0	0	0	0
Claims Processing	2	3	0	2	1	8
Conflict of Interest/Internal Controls	0	0	0	0	0	0
Data Reliability (Graduation, Attendance, etc.)	0	0	0	0	0	0
Extracurricular Activity Fund	0	2	1	0	0	3
Fuel Accountability/Energy Management	0	2	0	0	0	2
Grant Reporting Compliance	0	0	0	0	0	0
Information Technology	0	3	2	2	3	10
Payroll/Leave Accruals	7	5	6	6	3	27
Procurement	4	6	8	4	2	24
Reimbursable Cost Manual Compliance	3	0	2	0	2	7
Segregation of Duties	3	2	0	2	0	7
Tuition Assistance Program (TAP)	0	0	0	1	0	1
Other	10	20	8	2	5	45
Total	42	91	43	33	25	234

Summary of Current and Prior Audit Finding

	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	Running Total
Banking	0	0	0	0	0	1	0	0	0	0	0	0	1
Budgeting/Financial Reporting	13	44	16	9	9	2	10	12	7	2	3	1	128
Capital Assets	0	1	0	0	0	0	0	0	0	0	0	0	1
Capital Construction	0	0	0	1	0	0	0	0	0	0	0	0	1
Cash	0	3	0	4	0	0	1	0	0	0	0	0	8
Charter School Management/Tuition	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims Processing	2	3	0	2	1	2	3	2	0	0	0	0	15
Conflict of Interest/Internal Controls	0	0	0	0	0	0	0	1	0	0	0	0	1
Data Reliability (Graduation, Attendance, etc.)	0	0	0	0	0	0	0	0	0	0	0	0	0
Extracurricular Activity Fund	0	2	1	0	0	0	1	1	0	0	1	0	6
Fuel Accountability/Energy Management	0	2	0	0	0	0	0	0	0	0	0	0	2
Grant Reporting Compliance	0	0	0	0	0	0	0	0	0	0	0	0	0
Information Technology	0	3	2	2	3	0	3	4	3	0	0	1	21
Payroll/Leave Accruals	7	5	6	6	3	0	2	2	1	2	0	4	38
Procurement	4	6	8	4	2	2	4	2	2	0	0	1	35
Reimbursable Cost Manual Compliance	3	0	2	0	2	3	5	3	7	0	1	4	30
Segregation of Duties	3	2	0	2	0	0	0	1	0	0	0	0	8
Tuition Assistance Program (TAP)	0	0	0	1	0	0	0	0	0	2	0	0	3
Other	10	20	8	2	5	0	4	5	3	3	0	1	61
Total	42	91	43	33	25	10	33	33	23	9	5	12	359

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

Definitions of Categories

Banking – includes findings related to electronic banking.

Budgeting/Financial Reporting – includes budget reviews required for school districts that have received approval for deficit financing; poor expenditure and revenue projections; and inaccurate accounting statements, such as, an overstated fund balance, fund balance exceeding the legal limit, general fund transfers without Board and/or voter approval, and improper use of accrued liability reserve funds.

Capital Assets – includes failure to have a manager responsible, lack of policy, and inappropriate disposal.

Capital Construction – includes a lack of detailed accounting records related to a capital project, undocumented expenses, inappropriate and unapproved change orders.

Cash – includes poor control of cash, failure to prepare bank reconciliations, and weaknesses in the treasurer's duties.

Charter School Management/Tuition – includes findings related to audits of charter school's management.

Claims Processing – includes claims being paid without adequate documentation, failure to audit the claim, an untrained claims auditor, and a claims auditor that lacks independence.

Conflict of Interest/Internal Controls – includes personal conflicts of board members, district officials, and district employees where they have an interest in a contract, where they have the power, or may appoint someone who has the power to negotiate, authorize, approve, prepare, and make payment or audit bills or claims of the contract.

Data Reliability/Attendance/Grade Changes – includes findings related to cohort data, graduation rates, drop out data, attendance, and grade changes.

Extra-Classroom Activities – includes poor accounting over funds and no documentation of expenses.

Fuel Accountability/Energy Management – includes findings and observations relate to school districts use of energy and measures to reduce such use.

Grant Reporting/Compliance – includes findings related to grant reporting and compliance.

Information Technology – includes lack of a disaster recovery plan, failure to back up information, inappropriate or undocumented user rights, inappropriate or missing password protection, no policy and procedures, and disposal of computer equipment.

Medicaid Revenue – includes failure to significantly document eligible services or to claim reimbursement.

Payroll/Leave Accruals – includes a lack of segregation of duties in the payroll process; no policy and procedures and inappropriate payments to district administrators including leave accruals and health benefits; improper classification of employees; insufficient policies and procedures for the employee retirement system; improper contractual benefit payments; and improper longevity payments to the former superintendent.

Procurement – includes findings related to lack of a contract, failure to competitively bid, failure to use purchase orders, lack of segregation of duties, no approval of the purchase and a lack of documentation.

Reimbursable Cost Manual Compliance – includes findings related to audits of special education providers.

School Lunch Fund – includes findings related to the administration of the School Lunch Fund.

Segregation of Duties – includes weakness in control caused by individuals having responsibility for incompatible functions.

Tuition Assistance Program – includes instances of TAP payments being received for students that did not meet the eligibility criteria.

Other – includes findings related to Violent and Disruptive Incident Reporting (VADIR), Employment Preparation Education (EPE), migrant education program, community college safety reporting, and separation benefits in various audit reports.

Office of the New York City Comptroller

Audit	Major Finding(s)	Recommendation/Response
<p>Educational Services Offered by the Departments of Correction and Education to Young Inmates at Rikers Island</p> <p>Management Audit ME16-066A</p> <p>1st, 2nd, 11th, 12th, & 13th Judicial Districts</p>	<p>The Department of Corrections (DOC) provided insufficient evidence that 66 percent of the 92 inmates 18-21 years of age, in the sample, were informed of the opportunity to request and receive educational services and the NYC Department of Education (DOE) provided insufficient evidence that inmates 18-21 years of age were consistently provided educational services by the 11th day following receipt of requests for educational services. In addition, the DOE did not provide evidence that it prepared Special Education Plans (SEP) for 9 of the 25 enrolled inmates with special needs.</p>	<p align="center">9 recommendations</p> <p>The report's recommendations focused on DOC ensuring that all inmates 18-21 years of age complete a Request for Educational Services form and that DOC maintain the form for a sufficient period; DOE recording the dates it receives requests and preparing policies and procedures detailing the steps to be taken concerning the receipt of requests to ensure timely provision of educational services; and that SEP for students with special needs are prepared on a timely basis.</p> <p>DOE officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

Office of the State Comptroller

Audit	Major Finding(s)	Recommendation/Response
<p>ACDS, Inc.</p> <p>Compliance With the Reimbursable Cost Manual 2016-S-76</p> <p>10th and 11th Judicial Districts</p>	<p>\$30,104 adjustment (0.6% of \$4.75 million reported in reimbursable costs on the CFR)</p> <p>For the fiscal year ended June 30, 2014, \$30,104 in reported costs did not comply with the Reimbursable Cost Manual's requirements. These ineligible costs were for other than personal service costs.</p>	<p align="center">3 recommendations</p> <p>The report's recommendations focused on SED reviewing the recommended disallowances and making the appropriate adjustments to the costs reported on ACDS's CFRs and to their reimbursement rates.</p> <p>The Department agreed with the recommendations and will review and make adjustments as noted in the report and recover any overpayment as appropriate, along with providing technical assistance to the provider.</p>
		<p align="center">5 recommendations</p>

<p>Alden Central School District</p> <p>Financial Management 2016M-372</p> <p>8th Judicial District</p>	<p>The Board and District officials did not prepare accurate budgets for the 2012-13 through 2015-16 fiscal years as appropriations were overestimated by an average of \$5.5 million per year, or 15.8 percent. Furthermore, appropriated fund balance was never used as budgeted because the District's budgeting practices produced operating surpluses in all four fiscal years reviewed.</p>	<p>The report's recommendations focused on Board and District officials developing realistic estimates of appropriations and use of fund balance in the budget; discontinuing the use of contingency, or allowance, accounts within the budget; updating the reserve policy; and reviewing all reserves at least annually to determine if amounts are reasonable and necessary.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Beekmantown Central School District</p> <p>Payroll 2017M-26</p> <p>4th Judicial District</p>	<p>District officials ensured employees were accurately paid their approved salaries and wages.</p>	<p>There were no recommendations</p>

<p>East Aurora Union Free School District</p> <p>High School Extra-Classroom Activity Funds 2016M-163</p> <p>8th Judicial District</p>	<p>The Board did not ensure that high school Extra-Classroom Activity (ECA) funds were properly safeguarded. The Board did not adopt an adequate ECA policy to provide comprehensive guidance for District officials and students or appoint a faculty auditor to ensure that receipts were issued, disbursements were supported with adequate documentation and student ledgers were maintained and reconciled with the Central Treasurer's records.</p>	<p style="text-align: center;">10 recommendations</p> <p>The report's recommendations focused on the Central Treasurer depositing cash in a timely manner; preparing checks after receiving payment orders with supporting documentation; faculty advisors ensuring student treasurers maintain ledgers and reconcile funds raising activities; and the Board updating its ECA policy; ensuring District officials establish procedures to supplement policy; and investigating all unaccounted-for ECA funds and questionable disbursements.</p> <p>School officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Eden Central School District</p> <p>Payroll 2017M-11</p> <p>8th Judicial District</p>	<p>While the Board had not established a comprehensive payroll policy and District officials have not updated existing written payroll procedures since October 2011, the audit found that there were no significant exceptions regarding the accuracy of the payment of salaries, wages or stipends. However, the existing payroll procedures do not provide for sufficient management oversight of the payroll clerk's activities.</p>	<p style="text-align: center;">2 recommendations</p> <p>The report's recommendations focused on the Board and District officials developing and adopting a comprehensive written payroll policy and updating written procedures, and providing adequate oversight of payrolls.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

<p>Ganrormic, Inc.</p> <p>Compliance With the Reimbursable Cost Manual 2016-S-58</p> <p>8th Judicial District</p>	<p>\$19,285 adjustment (1.5% of \$1.3 million reported in reimbursable costs on the CFR)</p> <p>For the fiscal year ended June 30, 2014, \$19,285 in reported costs did not comply with the Reimbursable Cost Manual's requirements. These ineligible costs included \$14,431 for the procurement of professional service costs and \$4,854 in other than personal service costs.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report's recommendations focused on SED reviewing the recommended disallowances and making the appropriate adjustments to the costs reported on Ganrormic's CFRs and to their reimbursement rates.</p> <p>The Department agreed with the recommendations and will review and make adjustments as noted in the report and recover any overpayment as appropriate.</p>
<p>Hannibal Central School District</p> <p>Financial Condition 2017M-23</p> <p>5th and 7th Judicial Districts</p>	<p>The Board and District officials did not develop reasonable budgets or effectively manage the District's financial condition to ensure that the unrestricted fund balance was within the statutory limit. Operating expenditures were overestimated in each of the last three fiscal years and nearly \$5 million in fund balance was appropriated, 97 percent of which was not needed. Further, the current liability for compensated absences was understated by an average of \$355,000 in each of the last three fiscal years.</p>	<p style="text-align: center;">5 recommendations</p> <p>The report's recommendations focused on the Board developing realistic estimates of appropriations and the use of fund balance in the annual budget; ensuring the amount of fund balance is within the statutory limits; and ensuring that District officials accurately report the District compensated absences liability.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

<p>Island Park Union Free School District</p> <p>Information Technology Asset Management 2016M-270</p> <p>10th Judicial District</p>	<p>District officials have not sufficiently segregated inventory control responsibilities and do not conduct an annual physical inventory count. In addition, District officials do not immediately identify or tag IT assets as District property upon receipt or immediately enter them into the inventory records. They also did not have sufficient records to account for IT assets the District purchased from Nassau BOCES.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report's recommendations focused on the Board adequately segregating IT asset control functions; implementing a policy to conduct annual physical inventory counts, tag IT assets, maintain sufficient records to account for IT assets, confirm IT assets purchased are received; and requiring the inventory record to include assets identified by the audit not on the District's records and requiring appropriate action on the assets that could not be located.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Kiryas Joel Union Free School District</p> <p>Financial Condition and Selected Employee Reimbursements 2016M-331</p> <p>9th Judicial District</p>	<p>From fiscal years 2011-12 through 2015-16, the Board adopted budgets that resulted in operating surpluses each year ranging from \$216,000 to \$2.6 million. It was also found that the Board did not ensure that employees received only the reimbursements they were entitled to. The District reimbursed three employees \$15,000 for use of personal vehicles to commute from home to work, which was not provided in a written agreement. The District also reimbursed an ineligible employee for \$4,726 in daycare expenses.</p>	<p style="text-align: center;">8 recommendations</p> <p>The report's recommendations focused on the Board ensuring that any appropriation of fund balance is based on need; vehicle allowance do not include nondeductible personal commuting expense; and District officials ensuring that all employees receiving dependent care reimbursements are eligible and payments are properly documented.</p> <p>School officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

<p>New York League for Early Learning, Inc.</p> <p>Compliance with the Reimbursable Cost Manual 2015-S-43</p> <p>1st, 2nd, 11th, 12th, & 13th Judicial Districts</p>	<p>\$5,771,008 adjustment (4.2% of \$138 million reported in costs)</p> <p>The audit identified \$5,771,008 comprising of \$3,676,434 in personal service costs and \$2,094,574 in other than personal service costs that were not in compliance with SED's requirements.</p>	<p>3 recommendations</p> <p>The report's recommendations focused on SED officials reviewing the recommended disallowances and making the appropriate adjustments to New York League for Early Learning, Inc's (NYL) CFRs and reimbursement rates; and NYL officials ensuring costs reported on future CFRs comply with all Manual requirements.</p> <p>The Department agreed with the recommendations and will review and make adjustments as noted in the report and recover any overpayment as appropriate.</p>
<p>North Country Kids, Inc.</p> <p>Compliance With the Reimbursable Cost Manual 2016-S-53</p> <p>4th Judicial District</p>	<p>\$79,084 adjustment (3.0% of \$2.6 million reported in reimbursable costs on the CFR)</p> <p>For the two fiscal years ended June 30, 2014, \$79,084 in reported costs did not comply with the Reimbursable Cost Manual's requirements. These ineligible costs included \$9,812 in personal service costs and \$69,272 in other than personal service costs.</p>	<p>3 recommendations</p> <p>The report's recommendations focused on SED reviewing the recommended disallowances and making the appropriate adjustments to the costs reported on North Country Kids' CFRs and to their reimbursement rates.</p> <p>The Department agreed with the recommendations and will review and make adjustments as noted in the report and recover any overpayment as appropriate.</p>

<p>Rochester City School District</p> <p>Payroll and Procurement 2016M-435</p> <p>7th Judicial District</p>	<p>The District's salary payments made to 41 of the 45 employees selected in the sample were either incorrect or unsupported. Also, the District did not comply with statutory bidding requirements for \$293,279 of \$396,000 purchases made using p-cards. Purchase orders for four of eleven vendors, failed to follow the competitive bidding requirements. The District did not seek competition for contracts with six providers totaling \$352,000.</p>	<p style="text-align: center;">16 recommendations</p> <p>The report's recommendations focused on the Board and District officials establishing written payroll procedures; developing monitoring procedures verifying accurate payroll payments; directing the District attorney to review identified overpayments to recover funds; requiring the claims auditor to comply with p-card manual requirements; ensuring that staff comply with competitive bidding requirements; the claims auditor making sure p-card purchases are in compliance with the manual and that bidding, requests for information, and Requests for Proposal requirements are met.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Scio Central School District</p> <p>Payroll 2017M-10</p> <p>8th Judicial District</p>	<p>The Board has not adopted written policies and District officials have not developed written procedures over the payroll function. However, no significant exceptions with the accuracy of the payment of salaries, wages or separation payments were found.</p>	<p style="text-align: center;">1 recommendation</p> <p>The report's recommendation focused on the Board and District officials developing and adopting written payroll policies and procedures.</p> <p>District officials generally agreed with the report's recommendation and have indicated that they planned to take corrective action.</p>
<p>Sherburne-Earlville Central School District</p> <p>Fund Balance 2017M-19</p>	<p>The District's unrestricted fund balance for the 2013-14, 2014-15 and 2015-16 fiscal years exceeded the statutory maximum of 4 percent of the ensuing year's appropriations. However, from</p>	<p style="text-align: center;">2 recommendations</p> <p>The report's recommendations focused on Board and District officials developing a plan to reduce the amount of available fund balance that benefits taxpayers and adopting a fund balance</p>

6th Judicial District	2013-14 through 2015-16, the unrestricted fund balance declined from \$4,079,523 (13.0 percent of the ensuing year's appropriations) to \$3,777,439 (11.3 percent of the ensuing year's appropriations).	policy that provides guidelines for the maintenance and use of fund balance. District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.
<p>Spotted Zebra Learning Center, Inc.</p> <p>Compliance With the Reimbursable Cost Manual 2016-S-81</p> <p>3rd and 4th Judicial Districts</p>	<p>\$13,058 adjustment (0.5% of \$2.5 million reported in reimbursable costs on the CFR)</p> <p>For the three fiscal years ended June 30, 2014, \$13,058 in reported costs did not comply with the Manual's requirements. These ineligible costs were for other than personal service costs.</p>	<p>3 recommendations</p> <p>The report's recommendations focused on SED reviewing the recommended disallowances and making the appropriate adjustments to the costs reported on Spotted Zebra Learning Center's CFRs and to their reimbursement rates.</p> <p>The Department agreed with the recommendations and will review and make adjustments as noted in the report and recover any overpayment as appropriate.</p>

AUDIT PLAN

July 1, 2017
Through
June 30, 2018

June 2017

**The University of the State of New York
The State Education Department
Office of Audit Services
Albany, New York 12234**



Executive Summary

This Audit Plan (Plan) defines the initiatives the Office of Audit Services (OAS) plans to pursue during the period July 1, 2017 through June 30, 2018. In developing the Plan, consideration was given to State Education Department (Department) executive managers' input and requests for audits, coverage provided by other audit organizations, audit staff, and information from the Department's risk assessment. The audit areas are outlined in the following pages.

OAS conducts audits of external providers of services in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Internal audits of Department programs, activities and functions are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. The audits focus on assessing risk, compliance and identifying improvement opportunities. The audits result in written reports that are provided to the auditee and appropriate Department managers and staff. External audits are also presented to the Regents Committee on Audits/Budget and Finance, representatives of the Office of the State Comptroller (OSC), and the Division of the Budget.

OAS anticipates having ten audit professionals, and one support staff to address the priorities and activities defined by this Plan. If additional audit staff becomes available, OAS will assess priorities and use the resources to expand to those areas with limited or no audit coverage. Likewise, as special audit requests arise, some initiatives in this Plan will be dropped or rescheduled for future years.

Areas Recommended for Audit Based on Expected Staffing July 1, 2017

Audits of School Districts/BOCES/Charter Schools

- Employment Preparation Education (EPE) Program – The OAS plans an EPE audit that will determine if EPE funds were used exclusively for the EPE program; if the program was conducted in compliance with applicable laws, rules and regulations; if the program has the necessary supporting documentation/files; if reported contact hours are accurate; and if EPE service providers have the necessary certifications.
- Child Nutrition – Audits will verify districts have sufficient control systems in place to oversee the school lunch fund, the district has correctly recorded and accounted for school lunch fund revenues, and expenditures from the school lunch fund are both accurately documented and allowable.
- Re-evaluation of Charter Schools – The New York State Board of Regents, through its administrative body, the New York State Education Department, is authorized to oversee and monitor each charter school authorized by the Regents in all respects, including the right to visit, examine and inspect the charter school and its records. Audits will ensure that each charter school is in compliance with all applicable laws and regulations, and the terms and conditions of the Charter.

Community Based Organizations Recipients of Federal Funds

- 21st Century Title IV Funds – The Department has oversight responsibilities for these funds. Audits will focus on community based organizations that are at risk of claiming reimbursement for inappropriate expenditures and lack accounting systems to appropriately account for the funds.

Internal Audits of Department Operations

- OAS is responsible for conducting internal audits of Department programs, activities, and functions. Planning of internal audit initiatives is based on input from Department executive managers and other government audit agencies because of audit(s) conducted of the Department. In addition, OAS, in conjunction with the internal control officer, conducts a risk assessment of Department offices, key functions, and processes, which may be used to determine the areas to audit.

Review of Financial Statements, Single Audit Reports, and Other Fiscal Data

- Financial Statements and Single Audit Reports – financial condition, and compliance with reporting requirements. A management decision is issued by OAS on behalf of the Department for all applicable single audit findings.
- Other analyses of school districts, charter schools, and colleges and universities are provided upon request from Department staff.

- Collection and review of corrective action plans issued by school districts and BOCES in response to audits.

Other Activities - Technical Assistance and Training

- Continue to provide technical assistance and information to Department staff, SUNY institutions, government officials, and others.
- Continue to collaborate with various organizations (OSC, Association of School Business Officials, NYS Society of CPAs, NYS School Boards Association, and others) to improve fiscal accountability.
- Upon request, continue to provide training sessions to school business officials, school board members, superintendents, CPAs, and others (in conjunction with Department program staff).
- Professional auditing standards require that auditors receive Continuing Professional Education (CPE) to maintain and enhance their skills and proficiency. The Department has been supportive of the need for CPEs and has made resources available. OAS will continue to monitor CPEs for each of its auditors and seek cost-effective training.

Audits of School Districts/BOCES/Charter Schools

Introduction

The Department has the responsibility of administering both federal and State funding to education agencies in New York State, including school districts, BOCES, and charter schools. This responsibility entails the Department monitoring the activities of funding recipients to ensure that federal or State awards are used for authorized purposes in compliance with laws, regulations, contracts or grant agreements. This plan includes audits of both federal and State funding to school districts, BOCES, and charter schools. The Plan calls for audits of Child Nutrition grants, and charter schools.

Audit Areas

Employment Preparation Education (EPE) Program

Historically, audits of this program showed significant non-compliance by providers and have resulted in millions of dollars of disallowance. The audit will determine if EPE funds were used in compliance with applicable laws, rules and regulations. The program area identified a provider that is problematic and requires further review.

The OAS plans to conduct one EPE audit that will examine financial records and documentation to support the total amounts received by the provider in EPE aid.

Child Nutrition

The OAS has recently completed an audit of the school lunch fund at a district that proved very valuable to the Department and other districts have used it for guidance. The Child Nutrition Office has suggested that we perform additional audits at districts.

The OAS plans to conduct one audit that will examine district records to ensure that they have sufficient control systems in place to oversee the school lunch fund, and that revenues and expenditures are accurately documented and allowable.

Charter Schools

During the re-evaluation process for Charter Schools, it is important to ensure that each charter school is in compliance with all applicable laws and regulations and the terms and conditions of the Charter to recommend continuance of the Charter. The OAS' Charter School Risk Assessment and the Charter School Office identified several Charter Schools for possible audits.

The OAS plans to conduct two audits of Charter Schools that will determine that governance is strong and operating in compliance with laws and regulations; fiscal controls are adequate; and that expenditures are appropriate and adequately documented.

Community Based Organizations

Introduction

The Department is the organization that has oversight responsibilities for these federal 21st Century Title IV funds. The request for oversight from the federal government of this program has recently increased because previous audits have led to significant disallowances.

Audit Areas

21st Century Community Learning Center Title IV Funds

Previous audits issued by the OSC have identified serious instances of disallowed funding provided to community based organizations. These audits have identified occurrences of lack of documentation to support reimbursements claimed and inappropriate use of funds. The Student Support Services Office's risk assessment identified several organizations as high risk for claiming reimbursement for inappropriate expenditures and lacking accounting systems to appropriately account for the funds.

An audit of community based organizations that receive funds for after school activities will be done under this Plan. The focus of the audit will be to ensure that expenditures reimbursed were appropriately documented and consistent with federal and State requirements.

Internal Audit

Introduction

OAS is responsible for conducting internal audits of Department programs, activities, and functions. Planning of internal audit initiatives is based on input from Department executive managers and other government audit agencies because of audit(s) conducted of the Department. In addition, OAS, in conjunction with the internal control officer, conducts a risk assessment of Department offices, key functions, and processes, which may be used to determine the areas to audit.

Internal Audits are not available to the public.

Review of Financial Statements, Single Audit Reports, and Other Fiscal Data

Introduction

Districts, BOCES, charter schools, private colleges and universities, and certain non-profit organizations are required to submit audited financial statements and, where applicable, audits required by the federal Single Audit Act (Uniform Grants Guidance). OAS receives, processes, and reviews over 1,500 reports annually.

Areas of Review

Financial Statements and Single Audit Reports

Reports are reviewed to assess the following:

- Financial condition of the institution.
- Quality, accuracy, and completeness of the audit reports.
- Significance of any reported management control weaknesses.
- Compliance with the requirements of the Uniformed Grants Guidance and the adequacy of management's action related to any single audit findings, where appropriate.
- Accuracy of key ST-3 data used for State aid and reporting purposes for districts.

The financial statements of each district are evaluated to assess its financial condition, compliance with GASB 34, and the Department's Audit Reference Manual.

OAS provides a significant compliance function for the Department by issuing a determination (management decision) for all applicable single audit findings identified in audits of sub-recipients.

Other Fiscal Data

The financial statements of all private colleges and universities in New York State are analyzed to determine the financial strength of the institution. The Office of Higher Education (OHE) requests that OAS provide reviews periodically when scores are not financially healthy and for accreditation purposes. In addition, financial projections for start-up colleges and proprietary schools are analyzed for reasonableness and

information is provided to the OHE to assist in evaluating financial viability and the reasonableness of projections. In some cases, the colleges and proprietary schools are required to submit budgets and quarterly reports that are reviewed and commented on. When appropriate, OAS may participate in on-site reviews and hearings. Similarly, charter schools are also required to submit budgets that are reviewed for reasonableness.

Collection and Review of Corrective Action Plans

The school district financial accountability regulations require that each school district and BOCES file a corrective action plan to address findings contained in audit reports. The corrective action plan must be approved by their board and submitted to the Department. OAS collects and reviews these plans.

Other Activities

Introduction

OAS has developed an expertise in many areas of Department operations, and as a result, is called upon to provide technical assistance to other Department staff, school district personnel, CPAs, and others.

Technical Assistance

OAS will continue to provide technical assistance and information to Department staff, SUNY institutions, government officials, and others.

Partner with Organizations

OAS will continue to collaborate with organizations such as the Office of the State Comptroller, Association of School Business Officials, NYS Society of CPAs, NYS School Boards Association, and others to improve fiscal accountability.

Provide Training Sessions

OAS will continue to provide periodic training sessions to school business officials, school board members, superintendents, CPAs, and others (in conjunction with Department program staff).

Continuing Professional Education (CPEs)

Professional auditing standards require that auditors receive continuing professional education to maintain and enhance their skills and proficiency. The Department has been supportive of the need for CPEs and has made resources available. OAS will continue to monitor CPEs for each of its auditors and seek cost-effective training.

Appendix A
Office of Audit Services
July 1, 2017 through June 30, 2018

Audit Initiatives	Estimated Number of External Audits
Employment Preparation Program	1
Child Nutrition	1
Charter Schools	2
21 st Century Community Learning Center Title IV Funds	1
Total Audits (Internal Audits are not included)	5
Other Activities	2016-17 School Year*
Fraud, Waste, and Abuse Hotline Follow-up	251
Review of Financial Statements, Single Audit Reports, and other Fiscal Duties**	
Colleges/Universities	181
Schools/Districts	685
Charter Schools/BOCES	123
Single Audits	968
Management Decisions	89
Corrective Action Plans	392
Preschool Applications	79
Audit Reports Reviewed for Board of Regents	337
Audit Services Staff Resources	Number of Staff
Audit Director	1
Principal Audit Managers	2
Principal Internal Auditor	1
Auditors	6
Internal Audit	0
Accountant - Financial Statements & Single Audits	0
Support Staff	1
Total FTE	11

*These activity figures are actual figures for 10 months (July 2016-April 2017) plus estimated activities for the months of May and June 2017.

**This initiative results in the analysis of the financial statements of school districts, BOCES, charter schools, private colleges, and universities. It also includes collecting required corrective action plans related to any audits of school districts and BOCES.