



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

**TO:** Audits/Budget and Finance Committee  
**FROM:** Valerie Grey  
**SUBJECT:** Board of Regents Oversight – Financial Accountability  
**DATE:** May 2, 2011  
**AUTHORIZATION(S):**

### **SUMMARY**

#### **Issues for Discussion**

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

1. Review of the Monthly Fiscal Report
2. Process to Implement the 2011-2012 Operations Budget
3. Discussion of Program Efficiencies Underway
4. Completed Audits (Attachment I)
5. Process to Develop the Office of Audit Services Audit Plan

#### **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. **Review of the Monthly Fiscal Report**

The Committee will be updated on the Department State Operations expenditure and revenue projections.

2. Process to Implement the 2011-2012 Operations Budget  
The Committee will be updated on the process for developing operation plans for all General Fund, Special Revenue and federal accounts.
3. Discussion of Program Efficiencies Underway  
The Committee will be updated on the Department-wide efficiencies underway.
4. Completed Audits  
The Committee is being presented with 59 audits this month. (Attachment I)

Audits are provided as follows:

Office of Audit Services

Bright Smile Learning Center  
Evelyn Doughlin Learning Center  
Hoosic Valley Central School District  
Ithaca City School District ARRA Audit  
Rainbow Rhymes Learning Center  
Schalmont Central School District ARRA Audit

Office of the State Comptroller

Accuracy of Reported Discharge Data  
Alden Central School District  
Auburn Enlarged City School District  
Ausable Valley Central School District  
Averill Park Central School District  
Beacon City School District  
Bedford Central School District  
Brockport Central School District  
Bronxville Union Free School District  
Broome-Tioga-Delaware County Health Insurance Consortium  
Cambridge Central School District  
Campbell-Savona Central School District  
Candor Central School District  
Controls Over Online Banking in School Districts (Greater Amsterdam School District, Highland Falls-Fort Montgomery Central School District, Longwood Central School District, Marcellus Central School District, Oneonta City School District, South Colonie Central School District)  
Dunkirk City School District  
East Moriches Union Free School District  
Fabius-Pompey Central School District  
Federal Stimulus Program – Claims Processing in the Western Region of New York State

Geneseo Central School District  
 Greenburgh-North Castle Union Free School District  
 Henry Viscardi School  
 Hinsdale Central School District  
 Holland Central School District  
 Lansingburgh Central School District  
 Livingston Manor Central School District  
 Malone Central School District  
 Mamaroneck Union Free School District  
 Marathon Central School District  
 Massapequa Union Free School District  
 Monroe-Woodbury Central School District  
 Monticello Central School District  
 Moriah Central School District  
 NYC Department of Education Monitoring of Supplemental Educational Services  
 Providers Follow-up  
 New York State Education Department Audit of the Tuition Reimbursement  
 Account  
 North Warren Central School District  
 Northern Adirondack Central School District  
 Patchogue-Medford Union Free School District  
 Pavilion Central School District  
 Schalmont Central School District  
 Scio Central School District  
 Scotia-Glenville Central School District  
 Selected Central New York School Districts' Use of New York State and Board  
 of Cooperative Educational Services Contracts (Central Square Central  
 School District, Jamesville-Dewitt Central School District, Oneida City School  
 District, Oswego City School District, West Genesee Central School District,  
 Whitesboro Central School District)  
 Seneca Falls Central School District  
 Sherrill City School District  
 Shoreham-Wading River Central School District  
 Trumansburg Central School District  
 Tupper Lake Central School District  
 Union Free School District of the Tarrytowns  
 Voorheesville Central School District  
 Waterloo Central School District  
 Wayland-Cohocton Central School District  
 Westfield Academy and Central School District  
 William Floyd Union Free School District Follow-up

5. Process to Develop the Office of Audit Services Audit Plan  
 The Committee will be updated on the Development of the Audit Plan 2011-2012.

## Recommendation

For items one (Review of the Monthly Fiscal Report), and four (Completed Audits) no further action is recommended. For items two (Process to Implement the 2011-2012 Operations Budget), three (Discussion of Program Efficiencies Underway), and five (Process to Develop the Office of Audit Services Audit Plan) Members' comments are sought.

## Timetable for Implementation

N/A

The following materials are attached:

- Summary of Audit Findings Including Audit Abstracts (Attachment I)

Audit	Procurement	Capital Assets	Claims Processing	Payroll	Cash	Financial Reporting	Information Technology	Extraclassroom Activity Fund	Segregation of Duties	Budgeting	Fingerprinting	Medicaid Revenue Enhancements	Energy Management	Post Employment Benefits	Other
<b>Office of Audit Services</b>															
* Hoosic Valley Central School District (footnote 7)															√
* Ithaca City School District (footnote 1)															√
* New York City Department of Education - Bright Smile Center, Inc. (footnote 2)				√							√				√
* New York City Department of Education - Evelyn Doughlin Center for Children's Services, Inc. (footnote 2)	√			√											√
Rainbow Rhymes Learning Center				√	√										
* Schalmont Central School District (footnote 1)															√
<b>Office of the State Comptroller</b>															
* Alden Central School District (footnote 3)															√
Amsterdam (Greater) City School District							√								
Auburn Enlarged City School District												√			
AuSable Valley Central School District				√	√		√		√						
Averill Park Central School District							√								
** Beacon City School District															
Bedford Central School District				√											
* Brockport Central School District (footnote 4)							√								√
Bronxville Union Free School District	√														
Broome-Tioga-Delaware County Health Insurance Consortium									√						
Cambridge Central School District	√			√	√										
** Campbell-Savona Central School District															
Candor Central School District				√	√										

Audit	Procurement	Capital Assets	Claims Processing	Payroll	Cash	Financial Reporting	Information Technology	Extraclassroom Activity Fund	Segregation of Duties	Budgeting	Fingerprinting	Medicaid Revenue Enhancements	Energy Management	Post Employment Benefits	Other
** Central Square Central School District															
Dunkirk City School District				√										√	
** East Moriches Union Free School District															
** Fabius-Pompey Central School District															
* Federal Stimulus Program - Claims Processing in the Western Region of New York State (footnote 9)															√
Geneseo Central School District													√		
Greenburgh-North Castle Union Free School District				√	√										
Henry Viscardi School				√	√	√									
Highland Falls-Fort Montgomery Central School District							√								
Hinsdale Central School District						√							√		
Holland Central School District						√				√					
** Jamesville-DeWitt Central School District															
Lansingburgh Central School District		√													
Livingston Manor Central School District													√		
Longwood Central School District							√								
Malone Central School District				√											
* Mamaroneck Union Free School District (footnote 6)															√
Marathon Central School District	√			√											
Marcellus Central School District							√								
Massapequa Union Free School District												√			
** Monroe-Woodbury Central School District															
** Monticello Central School District															
Moriah Central School District	√		√												
* New York City Department of Education (footnote 7)															√
* New York City Department of Education (footnote 5)											√				√

Audit	Procurement	Capital Assets	Claims Processing	Payroll	Cash	Financial Reporting	Information Technology	Extraclassroom Activity Fund	Segregation of Duties	Budgeting	Fingerprinting	Medicaid Revenue Enhancements	Energy Management	Post Employment Benefits	Other
North Warren Central School District							√								
* Northern Adirondack Central School District (footnote 8)						√		√		√					√
Oneida City School District	√														
Oneonta City School District							√								
Oswego City School District	√														
Patchogue-Medford Union Free School District										√					
Pavilion Central School District						√									
Schalmont Central School District					√										
* Scio Central School District (footnote 6)						√				√					√
Scotia-Glenville Central School District	√		√												
Seneca Falls Central School District													√		
** Sherrill City School District															
Shoreham-Wading River Central School District						√				√					
South Colonie Central School District							√								
** State Education Department - Audit of the Tuition Reimbursement Account															
Trumansburg Central School District						√				√		√			
Tupper Lake Central School District	√						√								
Union Free School District of the Tarrytowns	√		√				√		√						
* Voorheesville Central School District (footnote 4)					√		√								√
* Waterloo Central School District (footnote 10)	√														√
** Wayland-Cohocton Central School District															
** West Genesee Central School District															
Westfield Academy and Central School District						√			√	√					
Whitesboro Central School District	√														
William Floyd Union Free School District		√		√											

Audit	Procurement	Capital Assets	Claims Processing	Payroll	Cash	Financial Reporting	Information Technology	Extraclassroom Activity Fund	Segregation of Duties	Budgeting	Fingerprinting	Medicaid Revenue Enhancements	Energy Management	Post Employment Benefits	Other
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<b>May 2011</b>	<b>12</b>	<b>2</b>	<b>3</b>	<b>13</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>1</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>15</b>
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1.	American Recovery and Reinvestment Act (ARRA) Funds	7.	Cohort Data
2.	Certification and Licensure	8.	Control Environment, Transportation State Aid
3.	Non-Resident Student tuition	9.	Federal Stimulus Program
4.	Safeguarding Personal Information	10.	Electronic Document Distribution
5.	Supplemental Educational Services	**	No recommendations
6.	Transportation Costs		

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.



<b>Office of Audit Services</b>		
<b>Audit</b>	<b>Major Finding(s)</b>	<b>Recommendation/Response</b>
<p><b>Hoosic Valley Central School District</b>  <b>For the Period July 1, 2005 through June 30, 2009</b>  <b>SD-0610-02</b>  <b>3rd Judicial District</b></p>	<p>District staff were knowledgeable about the requirements for submitting data through the Student Information Repository System (SIRS) and maintaining student records. Documentation supports the accuracy of the 2009 graduation rate and most student data. Some reporting errors were found, such as the understatement of the District's graduation cohort by one student, the District's drop-out rate increased 4 percent from the amount originally reported, 23 examination scores were not supported by district records, and there were differences between the data recorded on student transcripts, and missing final transcripts for 27 students.</p>	<p><b>5 recommendations</b></p> <p>The recommendations focused on strengthening the policies and procedures regarding the accuracy of 2005 cohort data, the accuracy of data reported in SIRS, and the condition of student records.</p> <p><i>The District did not provide a written response to the draft report.</i></p>
<p><b>Ithaca City School District</b>  <b>District Use of American Recovery and Reinvestment Act (ARRA) Funds</b>  <b>ARRA-1010-23</b>  <b>6th Judicial District</b></p>	<p>When the District submitted an FS-25 for ARRA-ESF on July 23, 2010, it claimed 100 percent of the approved budget or \$4,245,967; however, as of that date, only \$4,174,995 of actual expenditures could be supported. The residual amount of \$70,972 represented amounts that had been encumbered but had not yet been spent and therefore, should not have been claimed.</p> <p>The District did not establish appropriations for all of its ARRA-ESF accounts.</p> <p>Personnel activity reports for employees who work on multiple cost objectives did not account for the total activity for which each employee was compensated, did not coincide with payroll, and did not reflect an after-the-fact distribution as required by A-87. In addition, one employee did not have any personnel activity reports and another employee did not have all the required personnel activity reports.</p>	<p><b>5 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to expenditures, appropriations for ESF accounts, and personnel activity reports.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement corrective action.</i></p>

<p><b>New York City Department of Education - Bright Smile Center, Inc. Preschool Program CA-0910-1 1st, 2nd, 11th, 12th, 13th Judicial District</b></p>	<p><b>\$259,250 adjustment</b></p> <p>The Bright Smiles Center (BSC) failed to comply with the Consolidated Fiscal Report (CFR) and the Department's Reimbursable Cost Manual (RCM) guidelines in charging certain costs to the Special Education Itinerant Teacher (SEIT) program that were not reimbursable. Recommended audit disallowances for direct care costs totaled \$228,304, and agency administrative expenses totaled \$259,250.</p> <p>Additionally, four salaried SEIT services providers were providing services without proper licensure or credentials. Three consultants were also unqualified to supervise teachers or provide instructional and related services. The four unqualified service providers' salaries totaled \$100,074.</p> <p>Further, 10 out of 32 employees, and 9 out of 43 consultants did not have fingerprint clearance prior to employment, as required.</p> <p>There were also unsafe playground areas, and unsatisfactory compliance with Department class size staffing ratios.</p>	<p><b>25 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to agency administrative costs, overpayments to employees, certification for SEIT service providers, security clearance for employees and consultants, timekeeping records, and compliance with Department class size staffing ratios.</p> <p><i>Bright Smiles Center agreed with the majority of the recommendations. They did however, challenge certain aspects of the recommendations pertaining to related organizations and individuals in the CFR, the disallowance of \$57,151 for unlicensed providers, and that the Executive Director' employment was unnecessary.</i></p> <p><i>BSC has indicated that they have already implemented a series of modifications to ensure greater accountability.</i></p> <p><b>The Rate Setting Unit will use the results of the audit to establish</b></p>
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		<b>audited tuition rates.</b>
<p><b>New York City Department of Education - Evelyn Doughlin Center for Children's Services, Inc. Preschool Program CA-1210-1 1st, 2nd, 11th, 12th, 13th Judicial District</b></p>	<p><b>\$85,897 adjustment</b></p> <p>For the 2005-06 school year, credentials for 18 Special Education Itinerant Teacher (SEIT) service providers were reviewed, and it was determined that 16 of the 18 providers were not appropriately licensed or credentialed at the time of their service. As a result, there is \$443,593 in questioned salary costs. Additionally, the Evelyn Doughlin Center (EDC) failed to provide credentials in support of salary costs charged for two paraprofessional-social services employees (\$47,853), and these employees also did not perform SEIT service as contemplated by the regulations. As a result, these costs should be disallowed.</p> <p>Additionally, there were \$98,889 in OTPS operating costs, and \$14,449 in OTPS agency administration costs that should be disallowed, because RCM requirements were not met.</p> <p>A few of the other discrepancies found, included; purchases (totaling \$2,438) that were not supported by invoices, over-reported rental expenses (\$20,144), the inability to produce a travel log to support insurance costs (\$45,022), and inaccurate time records.</p> <p>For the 2006-07 school year, 14 out of 42 SEIT providers were not appropriately licensed, which resulted in questionable salary payments of \$289,964.</p> <p>Other discrepancies included incorrectly reported employee Full Time Equivalents (FTE), excessive compensation for the Executive Director's salary (\$46,957), operating expenses</p>	<p><b>37 recommendations</b></p> <p>The recommendations focused on strengthening the policies regarding certification and licensure for service providers, reporting employee FTE, and operating expenses.</p> <p><i>EDC did not respond to the findings or recommendations.</i></p> <p><b>The Rate Setting Unit will use the results of the audit to establish audited tuition rates.</b></p>

	<p>(\$5,954), and staff development costs (\$3,569) not in accordance with RCM requirements, among others.</p> <p>There is a total of \$85,897 in disallowances, and \$443,593 in questioned costs..</p>	
<p><b>Rainbow Rhymes Learning Center For the Period July 1, 2007 through June 30, 2008</b> <b>SP-0310-4</b> <b>12th Judicial District</b></p>	<p>The majority of the expenditures incurred in operating the 21C program were supported and documented. Specifically, of the \$197,741.20 in expenditures incurred, adequate support existed for all but \$2,761.93 in non-salary expenses and \$7,620.27 in salary related expenses. A few discrepancies were found over the 2007-08 expenditures made with 21C grant funds found; such as insufficient documentation, misclassified expenditures, unsupported payroll records, and incomplete time cards.</p>	<p><b>10 recommendations</b></p> <p>The recommendations focused on strengthening the policies and procedures pertaining to proper supporting documentation, expenditures, and payroll records.</p> <p><i>Rainbow officials agreed with the recommendations and have indicated that they will implement corrective action.</i></p>
<p><b>Schalmont Central School District District Use of American Recovery and Reinvestment Act (ARRA) funds awarded for the July, 1 2009 – June 30, 2010 School Year.</b> <b>ARRA-0111-24</b> <b>4th Judicial District</b></p>	<p>It was found that the District charged ARRA-IDEA 611 funds for \$2,426.18 for sales tax paid on the purchase of computers.</p> <p>We also found the District claimed the full budget amount, but were only reimbursed for 90 percent because Department payment controls prevented the 90 percent threshold from being exceeded.</p> <p>The District did not promptly charge expenditures to ARRA-ESF codes. The relied on a series of manual budget transfers late in the year.</p> <p>The District did not have the required time certifications for four of the five employees paid solely with ARRA-IDEA Section 611 funding. There were also errors found in</p>	<p><b>6 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to the proper use of ARRA funds.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement corrective action.</i></p>

	<p>certifications for employees charged to multiple grant funds.</p> <p>Finally, the District did not have a process for ensuring compliance with federal requirements which included minimizing time elapsing between receipt and disbursement of funds; and remitting interest earned in excess of \$100 annually on federal funds.</p>	
<b>Office of the State Comptroller</b>		
<b>Audit</b>	<b>Major Finding(s)</b>	<b>Recommendation/Response</b>
<p><b>Alden Central School District</b>  <b>Nonresident Tuition</b>  <b>2010M-233</b>  <b>8th Judicial District</b></p>	<p>The District has a process in place to identify nonresident students receiving educational services from the District. Officials effectively identified and billed for qualified foster students during the scope period. However, District officials made several calculation errors in the billing invoices submitted to other school districts for foster students. As a result, the District under-billed approximately \$17,800 for eight foster children during the last two fiscal years (2008-09 and 2009-10).</p> <p>In addition, officials were unaware that they should seek reimbursement from the district of origin for nonresident students attending nonpublic schools within the District and receiving special education services from the District.</p>	<p><b>4 recommendations</b></p> <p>The report's recommendations focused on strengthening the procedures pertaining to non-resident tuition.</p> <p><i>The District agreed with the recommendations and indicated that they will implement corrective action.</i></p>
<p><b>Auburn Enlarged City School District</b>  <b>Internal Controls Over Medicaid Reimbursement</b>  <b>2010M-93</b>  <b>7th Judicial District</b></p>	<p>The District did not process all of the claims for 26 Medicaid-eligible students with IEPs, identify the Medicaid-eligibility status of 12 Medicaid-eligible students with IEPs or submit claims for services they received. It also did not identify the potential Medicaid eligibility status of another six students with IEPs who received free school lunches. The District did not get reimbursed for these services because District officials had not established policies and procedures for controlling the Medicaid reimbursement process. As a result, the District did not claim \$25,751 for IEP-related services provided to these</p>	<p><b>9 recommendations</b></p> <p><i>District officials did not address the recommendations, and generally disagreed with the findings, especially those pertaining to Medicaid claims and requirements, IEP service providers, supporting documentation for services, and record keeping.</i></p>

	students. It is estimated that the District did not claim \$295,660 (25 percent) in potential Medicaid reimbursements for IEP services during the 2008-09 year.	
<b>AuSable Valley Central School District Internal Controls Over Selected Financial Activities 2010M-228 4th Judicial District</b>	Cash receipts were not properly accounted for or deposited in a timely manner. The Board also has not adopted comprehensive written policies and procedures for processing payroll. Specifically, 20 cash receipts totaling \$14,311 did not contain any supporting documentation of the cash collections and cash receipts totaling \$5,770 were not deposited until 10 days or more from the date the funds were received. In addition, there was a lack of segregation of duties, and compensating controls were either not in place, or not operating effectively. As a result, employee time records for additional hourly work were not submitted in a timely manner. Internal controls over the District's fiscal management system and network were also inadequate.	<b>11 recommendations</b>  The report's recommendations focused on strengthening the policies and procedures pertaining to cash receipt policies, the segregation of payroll duties, payroll time records, and IT controls.  <i>The District agreed with the recommendations and has indicated that they will implement corrective action.</i>
<b>Averill Park Central School District Internal Controls Over Information Technology 2010M-229 3rd Judicial District</b>	Internal controls over the District's fiscal management system were inadequate because users were granted access to functions of the financial software applications that they did not need in order to fulfill their day-to-day job responsibilities. In addition, audit logs were not generated and reviewed by someone independent of the business office operations, and the District did not have a formal IT disaster recovery plan.	<b>4 recommendations</b>  The report's recommendations focused on strengthening the policies and procedures regarding software applications, the maintenance of audit logs, and a disaster recovery plan.  <i>The District agreed with the recommendations and is in the process of implementing corrective action.</i>

<p><b>Beacon City School District 2011-2012 Budget Review B6-11-7 9th Judicial District</b></p>	<p>The significant revenue and expenditure projections in the preliminary budget are reasonable.</p>	<p>There are no recommendations.</p>
<p><b>Bedford Central School District Custodial Staffing Levels and Overtime Costs 2010M-188 9th Judicial District</b></p>	<p>The District can save money by decreasing or adjusting their custodial staffing levels to meet the industry average and by hiring part-time employees to provide substitute coverage. Making these staffing changes and ensuring that overtime hours are only used as necessary and the associated costs-closely monitored and controlled, the District could potentially save District taxpayers up to \$712,000 and sharply reduce the \$661,000 in annual overtime costs.</p>	<p><b>2 recommendations</b></p> <p>The recommendations focused primarily on strengthening the policies and procedures regarding efficiency evaluations of custodial services, and the consideration to hire part-time employees to supplement staffing without overtime costs.</p> <p><i>The District generally agreed with the recommendations and has indicated that they will implement corrective action.</i></p>
<p><b>Brockport Central School District Internal Controls Over Personal, Private and Sensitive Information and Information Technology 2010M-213 7th Judicial District</b></p>	<p>The District has not effectively implemented procedures to safeguard personal, private, and sensitive information. Consequently, District personnel were using social security numbers as employee identifiers on paper and electronic correspondence that was routinely prepared and distributed by department managers. In addition, the District's Record Retention Officer was not overseeing District staff to ensure sensitive information was being properly disposed of in a timely manner in accordance with law.</p> <p>Internal controls over IT were not appropriately designed and operating effectively. The District has not established policies</p>	<p><b>7 recommendations</b></p> <p>The recommendations focused on strengthening the policies and procedures regarding the safeguarding and disposing of personal information, internal controls, and a formal disaster recovery plan.</p> <p><i>The District agreed with the recommendations and has</i></p>

	and procedures for acceptable use, granting access rights, and did not adopt a formal disaster recovery plan.	<i>indicated that they will implement corrective action.</i>
<b>Bronxville Union Free School District Health Insurance Costs 2010M-231 9th Judicial District</b>	District officials did not actively monitor the financial operations of the State-Wide Schools Cooperative Health Plan (SWSCHP) or seek competition in acquiring health insurance benefits. We found that had the District considered other options, it could have saved approximately \$1 million in health insurance benefit costs over the past three fiscal years.	<b>3 recommendations</b>  The report's recommendations focused on strengthening the policies and procedures regarding properly monitoring SWSCHP financial statements and other information, establishing a purchasing policy, and considering other options for providing health benefits to employees.  <i>The District generally agreed with the recommendations and has indicated that they will implement corrective action.</i>
<b>Broome-Tioga-Delaware County Health Insurance Consortium Segregation of Duties 2010M-60 6th Judicial District</b>	<p>The Consortium treasurer's cash disbursement duties are not adequately segregated. In addition to receiving and paying claims invoices, the treasurer records those transactions and maintains custody of all Consortium cash assets. She also executes all electronic transfers of Consortium moneys. Further, the administrator is an employee of the law firm, whose salary is paid through the claims audit process, thus providing an interest in the claims he is reviewing. By design, this dilutes his review as a mitigating control for the lack of segregation of the treasurer's duties.</p> <p>In addition, another official does not compare the bank balances to the Consortium's records because the treasurer does not maintain a ledger showing cash activity with a</p>	<b>2 recommendations</b>  The report's recommendations focused on strengthening the procedures pertaining to segregation of duties.  <i>The Consortium agreed with the recommendations and has indicated that they will implement corrective action.</i>



	<p>running cash balance for all Consortium bank accounts.</p> <p>Finally, because the treasurer does not maintain Consortium cash records, Consortium officials were unable to verify that the cash balances per the bank statements were accurate.</p>	
<p><b>Cambridge Central School District Internal Controls Over the Business Office 2010M-225 4th Judicial District</b></p>	<p>The Board did not address Business Office operations to ensure that incompatible duties were properly segregated, nor did they establish sufficient compensating controls to address the lack of segregation. The District did not have comprehensive written policies and procedures in place to provide adequate guidance and internal controls over purchasing and payroll processing, financial software user rights and bank reconciliations. This lack of guidance contributed to the poor segregation of duties and inadequate compensating controls over financial operations, creating an increased risk that errors, irregularities, or fraud could go undetected.</p>	<p><b>6 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures regarding the segregation of duties over payroll and purchasing, and financial software user rights.</p> <p><i>The District agreed with the recommendations and has indicated that they have already begun to implement corrective action.</i></p>
<p><b>Campbell-Savona Central School District 2011-2012 Budget Review B2-11-2 7th Judicial District</b></p>	<p>The significant revenue and expenditure projections in the tentative/proposed budget are reasonable.</p>	<p>There are no recommendations.</p>
<p><b>Candor Central School District Internal Controls Over Business Office Operations 2010M-210 6th Judicial District</b></p>	<p>District officials did not ensure that internal controls over business office operations were adequate to safeguard District assets. The treasurer did not control the use of her signature, user access rights to the financial software were not assigned in accordance with job duties, cash disbursement and payroll duties were not adequately segregated. The District also did not have sufficient bonding insurance for employees responsible for disbursing District</p>	<p><b>5 recommendations</b></p> <p>The recommendations focused on strengthening the policies and procedures regarding the proper segregation of duties over cash disbursements and the payroll process.</p>

	funds.	<i>The District agreed with the recommendations and indicated that they plan to implement corrective action.</i>
<b>Dunkirk City School District Employee Benefit Accrued Liability Reserve Fund and Cost Savings Opportunities 2010M-189 8th Judicial District</b>	<p>In March 2000 the Board, by resolution, established an EBALR and set the maximum amount of the reserve at \$300,000. In June 2003 the Board reviewed the District's potential future obligations for funding unused sick leave benefits for certain employees. Based on the review, they adopted a resolution to increase the amount of the fund. However, the resolution did not state a revised maximum amount and the District could not produce any documentation to substantiate the need to increase the amount of the reserve. The reserve balance as of June 30, 2010 was \$1.75 million. The District's liability for this benefit, based on accrued and unused sick leave balances at June 30, 2010, was estimated to be \$333,046. Therefore, the EBALR is overfunded by \$1.42 million.</p> <p>Additionally, the District has three bus routes in common with neighboring school districts and could potentially realize savings through cooperative bidding for transportation services for these three routes. Furthermore, because District officials did not adequately monitor fuel use, they purchased more fuel than necessary during the 2008-09 and 2009-10 fiscal years. By reducing vendor transportation costs through sharing common routes with a neighboring district, and monitoring fuel purchases and usage, it is estimated that the District could save up to \$100,420 in transportation costs.</p> <p>Finally, the District currently offers a payment in lieu of health insurance to select staff. If the District were to offer this</p>	<p><b>6 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures regarding the EBALR fund, effectively monitoring fuel purchases and usage, and the reduction of vendor transportation costs.</p> <p><i>District officials generally agreed with our recommendations and indicated that they planned to initiate corrective action. The Comptroller's office has certified the District's excess EBALR to be \$1.42 million. This is now available for the District to reduce its future tax levy.</i></p>

	benefit to other employees, there is a potential savings of \$82,890.	
<b>East Moriches Union Free School District 2011-12 Tentative Budget B7-11-6 10th Judicial District</b>	The significant revenue and expenditure projections in the proposed budget, as amended through discussions with District officials, are reasonable.	There are no recommendations.
<b>Fabius-Pompey Central School District 2011-2012 Tentative Budget B3-11-4 5th Judicial District</b>	The significant revenue and expenditure projections in the tentative budget appear reasonable.	There were no recommendations.
<b>Federal Stimulus Program - Claims Processing in the Western Region of New York State (The Cities of Buffalo, Niagara Falls, Salamanca; Cattaraugus, Erie and Niagara Counties; and Erie 2 Chautauqua-Cattaraugus BOCES) 2010-MS-12</b>	<p>Six local governments and 1 BOCES (the Cities of Buffalo, Niagara Falls, Salamanca; Cattaraugus, Erie and Niagara Counties; and Erie 2 Chautauqua-Cattaraugus BOCES) with 21 ARRA-funded highway projects were all reviewed. All of the 166 claims (totaling \$19.3 million) generated by these 21 projects were reviewed, and all appeared to have been for appropriate highway-related project costs, and were made in accordance with project specifications.</p> <p>The BOCES was the only entity audited that did not have copies of any of the project contracts or change orders. BOCES officials could not verify that payments made were allowable and within the terms of project contracts or accompanying change orders.</p>	<p><b>2 recommendations</b></p> <p>It is recommended that BOCES officials ensure the accuracy of claims by completing a claims audit prior to payment. Additionally, BOCES officials should maintain involvement in the project for purposes of monitoring progress and to obtain assurance that the certification of claims is valid.</p> <p><i>Only two of the entities audited responded to the draft report, including Niagara County, and Erie 2-Chautauqua Cattaraugus BOCES.</i></p>

		<i>Both entities agreed with the recommendations and have indicated that they will implement corrective action.</i>
<b>Geneseo Central School District</b> <b>Virtual Desktops: Cost Savings and Energy Conservation</b> <b>2010M-208</b> <b>7th Judicial District</b>	<p>The District had established a proposed computer replacement schedule as part of its 2009-2013 Technology Plan. However, due to budget constraints, the District could not make the computer purchases that had been planned for the 2010-11 fiscal year. With the assistance of the Technology Coordinator, it was determined that of the District's 399 instructional desktop workstations, 270 could reasonably be part of a virtual desktop setup. The District could provide these 270 work stations using 59 computers and 211 virtual workstations, instead of 270 desktop computers. Approximately 90 workstations would be replaced annually, based on a 3-year replacement cycle. The total estimated savings for the District over this three-year cycle would be \$173,862.</p>	<p><b>1 recommendation</b></p> <p>It is recommended that the District consider expanding its use of virtual computing.</p> <p><i>The District agreed with the recommendation and indicated that they will be exploring the use of virtual technology in several offices in the near future.</i></p>
<b>Greenburgh-North Castle Union Free School District</b> <b>Internal Controls Over Payroll and Fundraising</b> <b>2010M-191</b> <b>9th Judicial District</b>	<p>Internal controls over payrolls were not adequate to protect District's assets. The Board neither entered into formal employment agreements with administrative employees nor adopted District-wide policies to define compensation provided to such employees. In addition, although the former Superintendent had a detailed contract with the Board, it was not followed with respect to vacation buyout payments. As a result, questionable payments of more than \$100,000 were made to three administrative employees and the former Superintendent.</p> <p>Further, the District engaged in a golf fundraiser, which is not a permitted fund raising mechanism for the District. The District recorded financial transactions related to this fundraiser, and also used a District bank account for the</p>	<p><b>7 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures regarding employee compensation and benefits, leave records, Board approval on employment agreements, as well as policies pertaining to unused vacation and leave time. It is also recommended that all moneys currently on deposit in the District's bank account from the golf fundraiser, be returned.</p>

	<p>deposits of receipts and disbursements related to this activity. The Superintendent and Director of Finance also reviewed and approved disbursements related to the fundraiser.</p>	<p><i>District officials generally agreed with the recommendations and indicated that they planned to take corrective action.</i></p>
<p><b>Henry Viscardi School Compliance with the Reimbursable Cost Manual 2009-S-70 10th Judicial District</b></p>	<p>Under Article 85 Section 4201 of Education Law, the Henry Viscardi School (HVS) is one of 11 private schools in New York State that receive operating aid directly from the State to provide educational services to disabled students. The aid is provided on the basis of certain claimed expenses that the schools submit to the State Education Department on annual consolidated fiscal reports. To be eligible for reimbursement, the expenses must comply with the guidelines contained in the State Education Department's Reimbursable Cost Manual.</p> <p>The costs reported by the HVS for the two years ended June 30, 2009 were reviewed, and it was determined that some were not appropriate. \$835,074 was disallowed because some of the expenses were unnecessary, unreasonable or not allowable and, therefore, not eligible for State reimbursement. Another \$488,269 in excessive allocations were found for 15 employees in the two years covered by the audit. These costs were not disallowed but are being questioned, and the State Education Department should review them.</p> <p><b>Note:</b> The HVS is one of eleven Section 4201 schools in New York State that, beginning with the 2011-12 school year, receives its operating aid from per pupil charges which are developed by the State Education Department and billed to school districts by the Section 4201 schools. The State reimburses school districts 40 percent in the current school year and 60 percent in the subsequent school year for</p>	<p><b>3 recommendations</b></p> <p>It is recommended that the Department review the adjustments identified by the audit, to make appropriate cost adjustments to costs reported on the CFR and reduce future payments to the School. It is also recommended that the Department review the reasonableness of the methodology used to allocate costs from Abilities! (HVS' Parent Organization) to HVS. It is also recommended HVS ensure that its reporting of reimbursable expenses complies with SED requirements.</p> <p><i>The Department agreed with the recommendations and has indicated that they will implement corrective action. To determine the percent of time the 15 parent organization employees spend working on the HVS, the Department has asked the HVS to do a time study.</i></p>

	<p>payments they make to the Section 4201 schools. The Department develops the per pupil charges for the Section 4201 schools based on the budget requests and Consolidated Fiscal Reports of the Section 4201 schools and the Reimbursable Cost Manual.</p>	
<p><b>Hinsdale Central School District</b>  <b>Financial Condition and Energy Savings</b>  <b>2010M-212</b>  <b>8th Judicial District</b></p>	<p>The District has not taken adequate action to address the excessive general fund balance or adopt realistic budgets. As a result, at June 30, 2010, the District reported an unreserved, unappropriated general fund balance of approximately \$1.7 million. This amount is approximately 18 percent of the ensuing year's appropriations and exceeds the statutory limit by more than \$1.3 million. The District could potentially achieve cost savings by using reduced-watt fluorescent lamps and high efficiency ballasts for lighting. It is estimated that the District could potentially save more than \$162,000 over the life of the upgrades.</p>	<p><b>4 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures regarding the unreserved fund balance, the development of realistic expenditure estimates, and upgrading to high-efficiency lighting for energy saving purposes.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement corrective action.</i></p>
<p><b>Holland Central School District</b>  <b>Financial Condition and Public High Cost Aid</b>  <b>2010M-181</b>  <b>8th Judicial District</b></p>	<p>District officials did not prepare reasonable budgets for the 2005-06 through the 2009-10 fiscal years. District officials underestimated revenues by \$3.6 million and overestimated appropriations by \$6.5 million over this period. As of June 30, 2010, it is estimated that the District has more than \$1.5 million in excess funds that could be used to benefit taxpayers. In addition, District officials have not properly filed State aid claims for public high cost aid in a timely manner and as a result the District has lost more than \$401,000 in aid. Furthermore, it could have potentially lost an additional \$189,000 for the 2008-09 fiscal year. However, because District officials were notified of this during the audit, they were able to submit the required forms by the deadline.</p>	<p><b>8 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures regarding revenue and appropriation estimates, the surplus fund balance, and the unemployment insurance reserve.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement</i></p>

		<i>corrective action.</i>
<b>Lansingburgh Central School District Internal Controls Over Capital Assets 2010M-223 3rd Judicial District</b>	The District has improved its centralized control system over the District's inventories.	<b>2 recommendations</b>  It is recommended that the District update its capital asset policy and compare the annual physical status reports to their records and investigate all differences.  <i>The District agreed with the recommendations and has agreed to implement corrective action.</i>
<b>Livingston Manor Central School District Virtual Desktops: Cost Savings and Energy Conservation 2010M-144 3rd Judicial District</b>	The District currently uses a traditional desktop configuration for the computers in its computer labs. This includes nine locations that have multiple stations with a total of 60 computers. We found that if the District were to replace all 60 computers with virtual desktop technology, the District would save \$23,292 over a three-year period.	<b>1 recommendation</b>  It is recommended that the District investigate implementing a virtualized technology configuration for all District computer labs.  <i>The District agreed with the recommendation and stated that they plan to introduce and evaluate virtual desktops in one of their computer labs starting with the next replacement cycle.</i>
<b>Malone Central School District Internal Controls Over Payments to Substitute Employees 2010M-258</b>	The District generally followed the policies and procedures for paying substitute employees and paid the proper amounts. However, there was one instance where a retired teacher who earned substitute teacher wages in 2009, from which the District purposely withheld \$4,100 in wages in order to avoid exceeding the threshold established by Retirement and Social	<b>1 recommendation</b>  It is recommended that the Board revise written policies and procedures over the substitute employee payroll process, ensuring

<p><b>4th Judicial District</b></p>	<p>Security Law.</p>	<p>that payments are correct, timely, and in accordance with laws and regulations.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement corrective action.</i></p>
<p><b>Mamaroneck Union Free School District Transportation Cost Savings 2010M-192 9th Judicial District</b></p>	<p>District officials contracted with a consulting firm to perform a study that included an analysis of the efficiency of the District's transportation operation. As of December 2010, District officials were in the process of evaluating the recommendations in the study report, but had not yet developed performance measures. The audit determined that the District can save money by reducing excess capacity on buses, eliminating school runs, and sharing transportation for students with disabilities with neighboring Districts. By making these changes, the District could save \$1,282,692.</p>	<p><b>4 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures regarding transportation performance measures, bus routes, special education bus runs, and performing a cost benefit analysis.</p> <p><i>The District agreed with the recommendations and has agreed to implement corrective action.</i></p>
<p><b>Marathon Central School District Cost Savings 2010M-252 6th Judicial District</b></p>	<p>The District replaced 76 of its laptops with netbooks, creating cost savings of approximately \$38,000 during our audit period. District officials could realize approximately \$50,000 in additional savings if they continue to replace laptops with netbooks. The District purchased and installed wireless routers in-house instead of contracting out for the purchase and installation of this service, achieving savings of approximately \$36,000 during the audit period.</p> <p>In addition, it was determined that the District could have achieved an additional \$46,500 in cost savings over the past three years by offering a health insurance buyout incentive to</p>	<p><b>1 recommendation</b></p> <p>The report recommends working with collective bargaining units to expand the health insurance buyout incentive.</p> <p><i>The District agreed with the recommendation and has agreed to implement corrective action.</i></p>



	more employees.	
<b>Massapequa Union Free School District Medicaid Revenue Enhancements 2010M-218 10th Judicial District</b>	It was found that District officials did not claim a total of \$255,285 in costs, and therefore did not realize a total of at least \$63,821 in reimbursement revenues, for IEP-related services, special transportation, and ongoing service coordination provided to Medicaid-eligible students in the 2008-09 fiscal year.	<b>4 recommendations</b>  The report's recommendations focused on strengthening the policies and procedures pertaining to Medicaid requirements, parental consent of Medicaid-eligible students, appropriate documentation, and Medicaid claiming activity.  <i>The District disagreed with the recommendations regarding the submission of claims for ten students for whom parental consent was available, transportation provided to 15 students, and the submission of claims for on-going service coordination.</i>
<b>Monroe-Woodbury Central School District 2011-2012 Budget Review B8-11-8 9th Judicial District</b>	The significant revenue and expenditure projections in the proposed budget, as amended through discussions with District officials, are reasonable.	There are no recommendations.
<b>Monticello Central School District Information Technology Cost Savings 2010M-184</b>	District officials recognize that although computer networks are essential to today's educational programs, they are major consumers of electricity. The IT department's staff has taken a number of steps to lower the costs associated with operating the District's information technology infrastructure,	There are no recommendations.

<p><b>3rd Judicial District</b></p>	<p>including programming computers to shut down automatically every day and consolidating physical servers. We estimated these actions saved the District \$11,000 in annual software costs and at least \$9,700 in annual electricity costs.</p>	
<p><b>Moriah Central School District</b>  <b>Internal Controls Over Professional Services and Claims Auditing</b>  <b>2010M-238</b>  <b>4th Judicial District</b></p>	<p>The Board has adopted a comprehensive purchasing policy that requires the use of a request for proposal (RFP) to procure professional services; however, RFPs were not always used to obtain professional services. Additionally, the District paid certain professional service providers without the benefit of written agreements. As a result, the District may have paid more than necessary when obtaining these services.</p> <p>Finally, the claims auditor also did not perform his duties in accordance with the District's claims auditor policy. As a result, the District paid 45 claims totaling \$191,742 prior to the review and approval of the claims auditor.</p>	<p><b>4 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies pertaining to the use of RFPs to obtain professional services, and the claims auditor.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement corrective action.</i></p>
<p><b>New York City Department of Education</b>  <b>Accuracy of Reported Discharge Data</b>  <b>2009-N-9</b>  <b>1st, 2nd, 11th, 12th, 13th Judicial District</b></p>	<p>The New York City Department of Education distinguishes between students who dropout and those who are discharged. Discharged students include those who transfer to another school or educational program, leave the country or die, and are not counted when a school's graduation or dropout rate is calculated. The Department of Education classified some students as discharged without sufficient required documentation. For example, records were examined for 500 randomly selected students who were classified as discharged and found that 74 (14.8 percent) should have been classified as dropouts. As a result of the misclassification, the reported graduation rate was higher than it actually was and the dropout rate was lower. However, the recalculated graduation rate was within five percentage points of the reported rate, so the reported rate was considered to be generally accurate.</p>	<p><b>3 recommendations</b></p> <p>Three recommendations for improving the accuracy of DoE's reported discharge data were contained in the report.</p> <p><i>DoE officials generally agreed with the recommendations and indicated they have taken action or will be taking action to implement them. Most notably, DoE's guidelines were amended before the 2009-10 school year to better align with SED's guidelines on required</i></p>

		<i>documentation to support a discharge classification.</i>
<p><b>New York City Department of Education Monitoring of Supplemental Educational Services Providers - Follow-up Report 2010-F-38 1st, 2nd, 11th, 12th, 13th Judicial District</b></p>	<p>An initial report was issued in July 2009, to assess the Department of Education's contracted tutoring services. A follow-up report was then conducted in December 2010 to evaluate the extent of corrective action based on the previous report's recommendations.</p> <p>It was determined that Department officials have made significant progress in correcting the problems identified in the initial report. Of the eleven prior audit recommendations, six recommendations had been implemented, two recommendations had been partially implemented, and three recommendations had not been implemented.</p>	<p>The recommendations that were only partially implemented were those pertaining to visiting providers both on and off-site, and the providers' compliance with criminal history checks.</p> <p>The recommendations that were not implemented were those regarding attendance records for on-line sessions, and taking the appropriate course of action with the provider who stopped providing services without advance notice.</p> <p>The remainder of the recommendations have been implemented.</p>
<p><b>North Warren Central School District Internal Controls Over Information Technology 2010M-196 4th Judicial District</b></p>	<p>The Board has adopted an IT policy; however, it needs to be modified to address certain IT risks, such as those arising from the use of external hardware devices or Internet browsing to prohibited sites. Further, the District's Internet filtering device does not sufficiently limit access to sites without a discernible business purpose, and can be overridden by the business staff. Computers with access to the financial accounting software can also download files, such as streaming videos that could introduce malicious software and place the District's IT system and data at risk.</p>	<p><b>5 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures regarding the modification of the District's IT policy, and effectively monitoring internet controls.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement</i></p>

		<i>corrective action.</i>
<b>Northern Adirondack Central School District Fund Balance and Internal Controls Over Selected Financial Activities 2010M-193 4th Judicial District</b>	District officials have retained fund balance in excess of the legal limit over the last five fiscal years, which has resulted in the District raising over \$3 million more in taxes than were needed to fund District operations. In addition, the Business Manager did not submit the appropriate forms with the State Education Department (SED) for the District to receive transportation aid for six buses purchased during the 2007-08 and 2008-09 fiscal years, and therefore the District could have lost approximately \$464,000 in transportation aid. Weaknesses also exist in the controls over the Business Office's financial operations. Finally, internal controls over extra-classroom activity funds were inadequate.	<b>20 recommendations</b>  The report's recommendations focused on strengthening the policies and procedures regarding fund balance, transportation state aid, financial operations, and extra-classroom activities.  <i>The District agreed with the recommendations and has indicated that they will implement corrective action.</i>
<b>Patchogue-Medford Union Free School District 2011-2012 Budget Review B7-11-3 10th Judicial District</b>	The significant revenue and expenditure projections in the tentative budget appear to be reasonable.	There were no recommendations.
<b>Pavilion Central School District Internal Controls Over Financial Condition 2010M-201 8th Judicial District</b>	The District has accumulated more than \$2.6 million in excess reserves. District officials routinely overestimated expenditures and underestimated revenues even though data was available to develop more accurate budget estimates. As a result of these practices, the District generated more than \$3 million in operating surpluses over a four-year period. Over the past four fiscal years, District officials have made more than \$2.8 million in unbudgeted transfers to various reserves. As of June 30, 2010, balances in the District's seven general fund reserves totaled \$6.6 million.	<b>4 recommendations</b>  The report's recommendations focused on strengthening the policies and procedures regarding financial condition, budgeting procedures, reserves, the general fund balance, and the surplus fund balance.

		<i>The District agreed with the recommendations and agreed to implement corrective action.</i>
<b>Schalmont Central School District Internal Controls Over Cash Receipts and Disbursements 2011M-8 4th Judicial District</b>	<p>The Board has not adopted sufficient formal policies and procedures that address the collection and deposit of all District moneys, online banking, and electronic and wire transfers. Consequently, District personnel did not issue pre-numbered receipts, as required, and did not deposit 20 of the 40 receipts, totaling \$8,900, in a timely manner. In addition, the District did not have an online banking agreement with one bank that processes its electronic transfers, and its online banking agreement with the other bank was incomplete and contained deficiencies. Finally, there were no requirements for secondary or independent authorization for intra-bank transfer, and there were also no written confirmations for four of the five inter-bank wire transfers that were tested.</p>	<p><b>4 recommendations</b></p> <p>The recommendations focused on strengthening the policies and procedures pertaining to cash receipts and disbursements.</p> <p><i>The District agreed with the recommendations and indicated that they will implement corrective action.</i></p>
<b>Scio Central School District Transportation Cost Savings and Financial Condition 2010M-187 8th Judicial District</b>	<p>The District could save \$21,300 in salary-related costs annually and \$98,000 for replacing a bus by consolidating and eliminating bus routes. It could also save \$1,200 annually by using the State bid for diesel fuel.</p> <p>The District has failed to follow proper budgeting practices. As of June 30, 2009, the unreserved, unappropriated general fund balance totaled \$1,021,550, which represented 10.8 percent of the \$9.5 million in appropriations for 2009-10. This was approximately two and a half times the amount allowed by law.</p> <p>Further, approximately \$867,000 was held in reserves at June 30, 2009 that are funded in excess of documented needs. The 2009-10 fiscal year ended with an operating surplus of about \$246,000. After transferring \$529,728 into reserves, \$394,000 into capital projects, and increasing the amount of</p>	<p><b>5 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to consolidating bus routes for transportation cost savings, proper budgeting practices, the fund balance, and reserves.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement corrective action. The District has also requested the Comptroller's office certification of the excess EBALR to be used to reduce the</i></p>

	<p>fund balance appropriated for the subsequent year's budget by \$221,427, the unreserved and unappropriated fund balance decreased to \$206,112, representing approximately 2 percent of the 2010-11 budget. However, \$700,000 was held in reserves at June 30, 2010 that continue to be funded in excess of documented needs.</p>	<p><i>tax levy.</i></p>
<p><b>Scotia-Glenville Central School District Internal Controls Over Selected Financial Activities 2010M-219 4th Judicial District</b></p>	<p>Regarding the District's cash disbursement procedures, the claims auditor generally certified warrants after the checks were released, and did not provide adequate documentation to indicate when she actually audited the District's claims. Eighty-nine claims (totaling \$571,960) were reviewed, and it was determined that the checks for 69 claims (totaling \$451,805) were cashed prior to the warrant being signed. Additionally, 28 warrants with claims (totaling \$18 million) were reviewed, and it was found that the certification for one warrant with 95 claims (totaling \$438,714) was not signed or dated to provide authorization for the treasurer to pay the claims.</p> <p>Finally, the District did not use a competitive Request for Proposal (RFP) process for selecting audit firms at least every five years, as required by law.</p>	<p><b>4 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to the cash and disbursements process (specifically concerning warrants, and proper documentation), and the use of RFPs.</p> <p><i>The District disagreed with the recommendations regarding the cash disbursements process. District officials stated that the warrant was signed, a copy was provided to the auditors at the exit conference, and that the warrants are always signed prior to the release of checks.</i></p> <p><i>The District agreed and complied with the remainder of the recommendations.</i></p>
<p><b>Selected Central New York School District's Use of New York State</b></p>	<p>West Genesee, Central Square, Oswego, Whitesboro, Oneida, and Jamesville-Dewitt School Districts were all reviewed in order to assess whether or not they have been</p>	<p><b>2 recommendations</b></p> <p><b>(6 recommendations for 3 of the 6</b></p>

<p><b>and Board of Cooperative Educational Services Contracts 2010-MR-6</b></p> <p><b>Central Square Central School District (P3-10-55), Jamesville-DeWitt Central School District (P3-10-56), Oneida City School District (P3-10-54), Oswego City School District (P3-10-58), West Genesee Central School District (P3-10-57), Whitesboro Central School District (P3-10-53)</b></p> <p><b>5th and 6th Judicial Districts</b></p>	<p>properly procuring necessary goods and services in a cost-efficient manner.</p> <p>It was found that the Districts saved a total of at least \$152,000 on purchases by using the contract that provided the lower price. Two Districts (Whitesboro and Oneida) potentially could have saved about \$48,000 more, in total, on milk purchases, over a three-year period by procuring milk through an OGS contract rather than through cooperative purchasing with BOCES.</p> <p>Five of the six districts paid the correct prices in accordance with contract terms, for purchases of the six goods and services tested. However, it was found that Oswego overpaid \$13,445 for trash and recyclable removal services because the Districts purchasing agent did not verify that the prices for services received were consistent with contact terms.</p>	<p><b>districts)</b></p> <p>The report's recommendations focused on strengthening the policies and procedures regarding the proper procurement of necessary goods and services in a cost-efficient manner.</p> <p><i>Four of the six districts responded and agreed with the recommendations.</i></p>
<p><b>Seneca Falls Central School District Energy Cost Savings 2010M-215 7th Judicial District</b></p>	<p>The District was offered donated natural gas by the local landfill. The cost to the District of accepting this donated gas would include construction costs for laying pipeline to the gas supply. District officials indicated they will not accept this offer until they have determined that the initial outlay of capital required for the project will have a reasonable payback period, and that the landfill has acquired the equipment necessary to transform the methane gas into a useable supply, which is expected in 2012. The District would save approximately \$84,800 annually by accepting the donated gas for its three schools.</p>	<p><b>2 recommendations</b></p> <p>It is recommended that the District execute a full commitment with the landfill to obtain a long-term supply of natural gas, as well as to identify and apply for grants available to help fund the costs of the pipeline installation.</p> <p><i>The District agreed with the</i></p>

		<i>recommendations and has indicated that they will implement corrective action.</i>
<b>Sherrill City School District Internal Controls Over Cash Disbursements 2010M-235 5th Judicial District</b>	The District's internal controls over cash disbursements are appropriately designed and operating effectively. The District has established an adequate system of checks and balances for both accounts payable and payroll disbursements.	There were no recommendations.
<b>Shoreham-Wading River Central School District Financial Condition 2010M-167 10th Judicial District</b>	The District's fund balance declined significantly from an unreserved general fund balance of approximately \$4.1 million at June 30, 2006 to an unreserved fund deficit of approximately \$2.8 million at June 30, 2008. This was a decline of approximately 167 percent. Although the District overexpended certain of its appropriations during the 2006-07 fiscal year, such as employee benefits by a total of \$837,000, which reduced the unreserved fund balance to about \$1.5 million, the deficit occurred primarily because the District did not receive approximately \$3.3 million of prior years' State aid that it had expected to collect in the 2007-08 fiscal year, and about \$1.8 million in 2008-09. However, by closely monitoring the budget, reducing expenditures, utilizing reserve funds, and increasing real property taxes, the District was able to improve its financial position and achieve a positive \$2.5 million fund balance at June 30, 2010.	<b>1 recommendation</b>  It was recommended that the District continue to develop realistically structured budgets that do not rely on recurring operating expenditures, and to continue to monitor revenues and expenditures.  <i>The District agreed with the recommendation and will implement corrective action.</i>
<b>State Education Department Audit of the Tuition Reimbursement Account 2010-S-39</b>	The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance and the related Balance Sheets (Statements) for the Tuition Reimbursement Account (TRA) for the three fiscal years ended March 31, 2010, were reviewed.  The Statements fairly present, in all material respects, the TRA's financial position	There were no recommendations.



	as of March 31, 2008, March 31, 2009 and March 31, 2010, and the results of its operations for the fiscal years then ended, in conformity with the modified accrual basis of accounting.	
<p><b>State Education Department Controls Over Online Banking in School Districts 2010-MS-11</b></p> <p><b>Greater Amsterdam City School District (S9-10-44), Highland Falls-Fort Montgomery Central School District (S9-10-49), Longwood Central School District (S9-10-48), Marcellus Central School District (S9-10-47), Oneonta City School District (S9-10-46), South Colonie Central School District (S9-10-45)</b></p> <p><b>3rd, 4th, 5th, 6th, 9th, and 10th Judicial Districts</b></p>	<p>Tests of 1,817 online transfers at six school districts; including Greater Amsterdam, Highland Falls-Fort Montgomery, Longwood, Marcellus, Oneonta, and South Colonie School Districts; indicated that all transfers made were appropriate and properly recorded.</p> <p>However, risks were still identified in online processing activities at all of the districts. For example, while varying levels of online banking controls were in place at all six districts, five districts lacked a comprehensive online banking policy that clearly describes each district's online banking activities, identifies the employees who are authorized to perform them, and provides for verification of the accuracy and legitimacy of transfer transactions. Each district had properly segregated the critical duties of initiating, authorizing and recording online fund transfers; however, four districts allowed employees to perform online transfers from non-district computers that are not subject to district security protections.</p>	<p><b>3 recommendations</b></p> <p><b>(14 recommendations for the 6 districts)</b></p> <p>The recommendations focused on strengthening the policies pertaining to online banking operations and user-access privileges.</p> <p><i>Each of the six districts agreed with the recommendations and have indicated that they will implement corrective action.</i></p>
<p><b>Trumansburg Central School District Financial Condition and Special Education</b></p>	<p>District officials adopted budgets that were overstated during the 2008-09 and 2009-10 fiscal years and maintained inaccurate account balances in the District's accounting records at the end of the year. As a result, the District had</p>	<p><b>7 recommendations</b></p> <p>The report's recommendations focused on strengthening the</p>

<p><b>Services 2010M-214 6th Judicial District</b></p>	<p>more than \$9 million in unreserved fund balance in the general fund at June 30, 2010. This represents approximately \$8.1 million more than the amount allowed by law.</p> <p>In addition, the District does not submit claims for Medicaid reimbursement. If the District submits Medicaid claims for reimbursement going forward, it could enhance its revenue by \$244,707 over the next three years. Alternatively, the District would save \$224,292 over the next three years if it continued with the decision to not submit claims for services provided and discontinued its service contracts with BOCES.</p>	<p>policies pertaining to annual budget appropriation estimates, the debt service fund, encumbrances, reserve fund balances, and accurately reporting in the liability account.</p> <p><i>District officials agreed with the recommendations and have indicated that they will implement corrective action.</i></p>
<p><b>Tupper Lake Central School District Internal Controls Over the Internal Audit Function and Information Technology 2010M-205 4th Judicial District</b></p>	<p>The Board did not establish an internal audit function as required by Education Law. First, in February 2007, the Board appointed a local CPA firm as their internal auditors without seeking the competitive proposals that are legally required. Further, despite the fact that the Board paid the CPA a nominal fee in 2007, and reappointed the same CPA firm as internal auditors from 2008 through 2010, the Board never required an actual annual risk assessment, audit plan, or actual internal audit to be performed.</p> <p>In addition, although procedures have been developed for establishing and disabling user accounts, the procedures do not address the timeliness of disabling the accounts, and management does not monitor the roster of network users to ensure that user accounts have been disabled in a timely manner.</p>	<p><b>6 recommendations</b></p> <p>The recommendations focused on strengthening the policies and procedures regarding internal audits and hiring auditors, amend IT policies for user-access privileges, and the establishment of a disaster recovery plan.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement corrective action.</i></p>
<p><b>Union Free School District of the Tarrytowns Internal Controls Over Selected Financial Operations - Follow-up</b></p>	<p>A report was issued in August 2008 identifying certain conditions and opportunities for District management's review and consideration. The District was revisited in August 2010 to assess the progress with implementing the recommendations.</p>	<p>The recommendations that were not implemented were those pertaining to obtaining quotations for vendors, approval of claims, comprehensive written reports to be submitted to the Board, missing</p>

<p><b>2008M-117-F</b>  <b>9th Judicial District</b></p>	<p>Of the 16 audit recommendations, nine recommendations were implemented, two recommendations were partially implemented and five recommendations were not implemented.</p>	<p>laptop computers, and a disaster recovery plan.</p> <p>The recommendations that were only partially implemented were those regarding self-created passwords, and user access rights.</p> <p>The remainder of the recommendations have been fully implemented.</p>
<p><b>Voorheesville Central School District</b>  <b>Internal Controls Over Online Banking and Personal, Private, and Sensitive Information</b>  <b>2010M-195</b>  <b>3rd Judicial District</b></p>	<p>The District did not have a banking agreement with each bank that it uses for electronic transfers. In addition, the treasurer's method of accessing the banking websites is not secure, although there were no inappropriate or unauthorized transfers of District funds found.</p> <p>District officials also have not developed procedures to properly sanitize computer equipment before disposal. As a result, personal, private, and sensitive information under the District's control is at risk of misuse.</p>	<p><b>3 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures regarding electronic transfers, secure access to banking websites, and the proper disposal of computer equipment.</p> <p><i>District officials agreed with the recommendations and indicated they have already begun to initiate corrective action.</i></p>
<p><b>Waterloo Central School District</b>  <b>Electronic Document Distribution and Purchasing</b>  <b>2010M-240</b>  <b>7th Judicial District</b></p>	<p>The District could achieve cost savings and reduce its impact on the environment by distributing more information, such as the annual school calendar, staff directory, school newsletters and student progress reports electronically rather than using the traditional paper method. For example, it was determined that the District could have realized cost savings of approximately \$18,500 by providing its 2009-10 calendar information in an electronic format. In total, it is estimated that</p>	<p><b>9 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to electronic document distribution, and purchasing.</p>

	<p>the District could save approximately \$24,000 annually and be more environmentally friendly by distributing certain information in an electronic format. In addition, the Board and District officials did not effectively monitor District purchasing.</p>	<p><i>The District agreed with the recommendations and have indicated that they will implement corrective action.</i></p>
<p><b>Wayland-Cohocton Central School District Energy Management 2011M-10 7th Judicial District</b></p>	<p>District administration and management have taken a number of steps to reduce utility expenditures in the District's three main buildings which have resulted in a reduction in the kilowatt hours (kWh) and therms used to facilitate normal day-to-day operations. The District's reduction of energy consumption also reduced total utility expenditures, despite the fact that, according to the New York State Energy Research and Development Agency (NYSERDA), since 2003, the price of natural gas has increased by 123 percent and the price of electricity has increased by 32 percent.</p>	<p>There were no recommendations.</p>
<p><b>Westfield Academy and Central School District Financial Condition and Business Office Cost Savings 2010M-183 8th Judicial District</b></p>	<p>District officials consistently overestimated certain budgeted appropriations, which resulted in operating surpluses totaling \$2 million for the three year period ending June 30, 2010. To stay within the legal limit for retaining fund balance, District officials transferred excess fund balance to its reserves at year-end. These transfers were not part of the budget process, and taxpayers were therefore unaware that they had occurred.</p> <p>The District's Employee Benefit Accrued Liability Reserve was overfunded by \$1.7 million at June 30, 2010. The District also funded four additional reserves that had questionable balances totaling \$1.2 million at June 30, 2010. The District's outsourcing of their accounts payable service to BOCES cost over \$45,000 more during 2009-10 than if the District had performed this function in-house.</p> <p>In addition, the District's internal controls over the check signing process were reduced by transferring this function to</p>	<p><b>5 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies pertaining to reserve fund balances, reevaluating costs associated with the central business office, and bill payment in a timely manner.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement corrective action.</i></p>

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<p><b>William Floyd Union Free School District Controls Over District Assets Follow-up 2006M-36-F 10th Judicial District</b></p>	<p>An initial report was issued in August 2006 in order to identify certain conditions and opportunities for District management's review and consideration. In June 2009, the District was revisited to assess the progress in implementing the recommendations identified in the initial report.</p> <p>It was determined that the District has made significant progress in correcting the problems identified in the initial report. Of the 35 audit recommendations, 32 recommendations were implemented, two recommendations were partially implemented, and one recommendation was not implemented.</p>	<p>The recommendations that were partially implemented were those pertaining to timesheet approval, and capital asset inventory items.</p> <p>The recommendation that was not implemented regarded the completion of daily records of hours worked.</p> <p>The remainder of the recommendations have been implemented.</p>