



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: December 29, 2016
AUTHORIZATION(S): *Mary Ellen Elin*

SUMMARY

Issues for Discussion

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).

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

Completed Audits including the Report of the Internal Audit Workgroup

The Committee is being presented with 41 audits this month. (Attachments I & II)

Audits are provided as follows:

Office of the State Comptroller

Arkport Central School District
Baker Victory Services
Bellmore Union Free School District
Bellmore-Merrick Central High School
Borhava
Bradford Central School District
Caledonia-Mumford Central School District
Childhood Development Council, Inc.
Corning City School District
Depew Union Free School District
East Moriches Union Free School District
Easter Seals New York
Erie 1 BOCES
Erie 2-Chautauqua-Cattaraugus BOCES
Fabius-Pompey Central School District
Genesee Valley BOCES
Gingerbread Learning Center, Inc.
Gouverneur Central School District
Heuvelton Central School District
Indian River Central School District
Irvington Union Free School District
Jamesville-Dewitt Central School District
Jawonio, Inc.
Jefferson-Lewis BOCES
Merrick Union Free School District
Newark Central School District
Norwood-Norfolk Central School District
Oceanside Union Free School District
Olean City School District
Orange-Ulster BOCES
Port Jervis City School District
Port Washington Union Free School District
Rensselaer City School District
Rochester Childfirst Network
Rye Neck Union Free School District
Seaford Union Free School District
Sewanhaka Central School District

Spencerport Central School District
Susan E. Wagner Preschool
Syracuse City School District
Thousand Islands Central School District

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)

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

Newly Presented Audits

The Department's Internal Audit Workgroup reviewed forty-one audits that are being presented to the Committee this month. All forty-one were issued by the Office of the State Comptroller (OSC). Twenty-eight audits were of school districts, five BOCES, and eight providers of special education services.

The findings were in the areas of banking, budget and financial reporting, cash, claims processing, extraclassroom activity fund, information technology, payroll/leave accruals, procurement, Reimbursable Cost Manual compliance, and Tuition Assistance Program.

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 the Gingerbread Learning Center, Inc.'s compliance with the Reimbursable Cost Manual should be brought to the Committee's attention because of the high dollar amount of the disallowance.

**January 2017 Regents Audits/Budget and Finance Committee Meeting
Summary of Audits Requiring Specific Attention**

Audit Summary	Recommendation/Response
<p>Gingerbread Learning Center, Inc. Compliance With the Reimbursable Manual</p> <ul style="list-style-type: none"> • Office of the State Comptroller Audit. • Audited three fiscal years ended June 30, 2013. • Reported costs of \$942,998 did not comply with the Manual's requirements for reimbursement. • Ineligible costs included \$621,356 in personal service costs and \$321,642 in other than personal service costs. 	<p>The report's recommendations focused on SED reviewing the recommended disallowances and making the appropriate adjustments to the costs reported on Gingerbread'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>

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

Audit	Banking	Budgeting/Financial Reporting	Cash	Claims Processing	Extra Classroom Activity Fund	Information Technology	Payroll/Leave Accrual	Procurement	Reimbursable Cost Manual Compliance	Other
Arkport Central School District							√			
Baker Victory Services									√	
Bellmore Union Free School District		√								
Bellmore-Merrick Central High School District		√								
Bornhava									√	
Bradford Central School District		√								
Caledonia-Mumford Central School District	√									
Childhood Development Council, Inc.									√	
Corning City School District								√		
Depew Union Free School District		√								
East Moriches Union Free School District				√						
Easter Seals New York, Inc.									√	
Erie 1 BOCES (Footnote 4)										√
Erie 2-Chautauqua-Cattaraugus BOCES (Footnote 1)								√		√
Fabius-Pompey Central School District						√				
Genesee Valley BOCES								√		
Gingerbread Learning Center, Inc.									√	
Gouverneur Central School District		√								

Heuvelton Central School District										
Indian River Central School District		√								
Irvington Union Free School District						√				
Jamesville-Dewitt Central School District								√		
Jawonio, Inc									√	
Jefferson-Lewis BOCES							√			
Merrick Union Free School District		√								
Newark Central School District		√		√						
Norwood-Norfolk Central School District				√						
Oceanside Union Free School District								√		
Olean City School District		√								
Orange-Ulster BOCES (Footnote 2)										√
Port Jervis City School District		√								
Port Washington Union Free School District (Footnote 3)				√						√
Rensselaer City School District		√								
Rochester Childfirst Network									√	
Rye Neck Union Free School District						√				
Seaford Union Free School District					√					
Sewanhaka Central High School District			√							
Spencerport Central School District		√								
Susan E. Wagner Preschool									√	
Syracuse City School District				√						
Thousand Islands Central School District								√		

December 2016/January 2017	1	12	1	5	1	3	2	6	8	4
----------------------------	---	----	---	---	---	---	---	---	---	---

- Adult Education Function 1
- Fixed Assets 2
- Inventory Control 3
- Special Aid Fund 4

Summary of Current and Prior Audit Findings

	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	Running Total
Banking	0	0	0	0	0	1	0	1
Budgeting/Financial Reporting	13	44	16	9	9	2	10	103
Capital Assets	0	1	0	0	0	0	0	1
Capital Construction	0	0	0	1	0	0	0	1
Cash	0	3	0	4	0	0	1	8
Charter School Management/Tuition	0	0	0	0	0	0	0	0
Claims Processing	2	3	0	2	1	2	3	13
Conflict of Interest/Internal Controls	0	0	0	0	0	0	0	0
Data Reliability (Graduation, Attendance, etc.)	0	0	0	0	0	0	0	0
Extraclassroom Activity Fund	0	2	1	0	0	0	1	4
Fuel Accountability/Energy Management	0	2	0	0	0	0	0	2
Grant Reporting Compliance	0	0	0	0	0	0	0	0
Information Technology	0	3	2	2	3	0	3	13
Payroll/Leave Accruals	7	5	6	6	3	0	2	29
Procurement	4	6	8	4	2	2	4	30
Reimbursable Cost Manual Compliance	3	0	2	0	2	3	5	15
Segregation of Duties	3	2	0	2	0	0	0	7
Tuition Assistance Program (TAP)	0	0	0	1	0	0	0	1
Other	10	20	8	2	5	0	4	49
Total	42	91	43	33	25	10	33	277

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 schools 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.

**Audit Report Abstracts
Regents Subcommittee on Audits/Budget and Finance
January 2017**

Office of the State Comptroller		
Audit	Major Finding(s)	Recommendation/Response
<p>Arkport Central School District</p> <p>Payroll 2016M-338</p> <p>7th & 8th Judicial Districts</p>	<p>The Board has not adopted written policies and District officials have not developed written procedures over the payment of salaries, wages or separation payments. In addition, no review is conducted of the District Clerk’s calculations of unused leave or the payroll clerk’s calculations of separation payments.</p>	<p style="text-align: center;">2 recommendations</p> <p>The report’s recommendations focused on the Board and District officials developing and adopting written payroll policies and procedures and the Superintendent reviewing the calculations for separation payments prior to the payments being made.</p> <p>District officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>
<p>Baker Victory Services</p> <p>Compliance With the Reimbursable Cost Manual 2015-S-57</p> <p>8th Judicial District</p>	<p>\$155,303 adjustment (2.2% of \$6.9 million reported in reimbursable costs on the CFR)</p> <p>The audit identified \$155,303, comprising of \$85,736 in personal service costs and \$69,567 in other than personal service costs that were not in compliance with SED's requirements.</p>	<p style="text-align: center;">4 recommendations</p> <p>The report’s recommendations focused on SED officials reviewing the recommended disallowances and making the appropriate adjustments to Baker Victory’s CFRs and reimbursement rates; and Baker Victory officials ensuring costs reported on future CFRs comply with all Manual requirements.</p> <p>School officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
Regents Subcommittee on Audits/Budget and Finance
January 2017**

<p>Bellmore Union Free School District</p> <p>Financial Condition 2016M-276</p> <p>10th Judicial District</p>	<p>The Board overestimated expenditures by an average of \$4.4 million per year from 2012-13 through 2014-15.</p>	<p style="text-align: center;">2 recommendations</p> <p>The report's recommendations focused on District officials developing general fund budgets that include reasonable estimates for expenditures and appropriated fund balance.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Bellmore-Merrick Central High School District</p> <p>Financial Condition 2016M-341</p> <p>10th Judicial District</p>	<p>The Board and District officials did not adequately monitor the District's financial condition and take appropriate action to maintain the District's fund balance. In addition, District officials did not have proper documentation for establishing and using two of four reserve funds.</p>	<p style="text-align: center;">5 recommendations</p> <p>The report's recommendations focused on the Board adopting budgets that realistically reflect the District's operating needs based on historical trends or other identified analyses and ensuring that reserve funds are established by resolution.</p> <p>District officials disagreed with the report's findings and recommendations.</p>
<p>Bornhava</p> <p>Compliance With the Reimbursable Cost Manual 2016-S-23</p> <p>8th Judicial District</p>	<p>\$14,237 adjustment (0.8% of \$1.8 million reported in reimbursable costs on the CFR)</p> <p>For the fiscal year ended June 30, 2014, \$14,237 in costs was charged to the Programs that did not comply with SED's requirements for reimbursement. These costs included \$9,055 in personal service costs and \$5,182 in other than personal service (OTPS) costs.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report's recommendations focused on SED reviewing the disallowances and making the necessary adjustments to the costs reported on Bornhava's CFR and to Bornhava's tuition 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>

**Audit Report Abstracts
Regents Subcommittee on Audits/Budget and Finance
January 2017**

<p>Bradford Central School District</p> <p>Financial Management 2016M-253</p> <p>6th & 7th Judicial Districts</p>	<p>The Board and District officials have not adopted realistic budgets or effectively managed fund balance and, continued to raise the tax levy by an average of 2 percent each year, or a total of \$350,000 over the last three years. In addition, when unused appropriated fund balance is added back, unrestricted fund balance exceeded the statutory limit by amounts ranging from \$1.4 million to \$1.9 million, or 12.8 to 17.5 percentage points.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report’s recommendations focused on the Board and District officials ensuring budgets include realistic appropriations, based on actual needs and planned use of fund balance, to avoid levying taxes at a level greater than needed; ensuring that unrestricted fund balance is in compliance with the statutory limit; and developing a plan to use excess fund balance in a manner that benefits District residents.</p> <p>District officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>
<p>Caledonia-Mumford Central School District</p> <p>Online Banking 2016M-227</p> <p>7th & 8th Judicial District</p>	<p>District officials could not provide a written online banking agreement with its bank. In addition, they did not properly segregate online banking duties or have a dedicated computer for online banking transactions to limit access to online bank accounts.</p>	<p style="text-align: center;">6 recommendations</p> <p>The report’s recommendations focused on District officials ensuring that the District has a sufficient written agreement with the bank; that there is adequate separation of duties; and designating a computer for online banking transactions.</p> <p>District officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
Regents Subcommittee on Audits/Budget and Finance
January 2017**

<p>Childhood Development Council, Inc.</p> <p>Compliance With the Reimbursable Cost Manual 2016-S-22</p> <p>6th Judicial District</p>	<p>\$16,699 adjustment (0.9% of \$1.8 million reported in reimbursable costs on the CFR)</p> <p>For the fiscal year ended June 30, 2014, \$16,699 in other than personal service costs that were charged to the Programs on the CFR that did not comply with SED’s requirements for reimbursement.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report’s recommendations focused on SED reviewing the disallowances audit and making the necessary adjustments to the costs reported on the CFR and the tuition 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>Corning City School District</p> <p>Procurement 2016M-222</p> <p>6th & 7th Judicial Districts</p>	<p>The District's procurement policy does not include procedures for the procurement of professional services. In addition, District officials did not always solicit competition through requests for proposals or obtain or retain quotes or bids.</p>	<p style="text-align: center;">4 recommendations</p> <p>The report’s recommendations focused on the Board and District officials reviewing and revising its procurement policy to include clear language for the procurement of professional services and prescribing methods for soliciting competition using RFPs and written or verbal quotes; and ensuring that written or verbal quotes are obtained for purchases that are under bidding thresholds.</p> <p>District officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
 Regents Subcommittee on Audits/Budget and Finance
 January 2017**

<p>East Moriches Union Free School District</p> <p>Claims Processing 2016M-273</p> <p>10th Judicial District</p>	<p>The Board was not presented with the necessary reports identifying all confirming purchase orders and the Treasurer did not supervise an account clerk typist's use of her electronic signature to sign the District's checks.</p>	<p style="text-align: center;">5 recommendations</p> <p>The report's recommendations focused primarily on District officials properly identifying and reporting to the Board all instances of confirming purchase orders; and discontinuing the practice of allowing the Treasurer's electronic signature to be affixed to checks without direct authorization or supervision.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Easter Seals New York</p> <p>Compliance With the Reimbursable Cost Manual 2015-S-27</p> <p>3rd & 9th & 12th Judicial Districts</p>	<p>\$688,543 adjustment (2.5% of \$27.6 million reported in reimbursable costs on the CFR)</p> <p>The audit identified \$688,543 in costs that did not comply with SED's requirements for reimbursement, including \$546,263 in personal service costs, \$110,206 in parent agency administration costs, and \$32,074 in other than personal service (OTPS) costs.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report's recommendations focused on SED officials reviewing the recommended disallowances and making the appropriate adjustments to Easter Seals' CFRs and reimbursement rates; and Easter Seals officials ensuring costs reported on future CFRs comply with all Manual requirements.</p> <p>Easter Seals' officials generally agreed with the report's recommendations and have indicated that they plan to take corrective action.</p>

**Audit Report Abstracts
Regents Subcommittee on Audits/Budget and Finance
January 2017**

<p>Erie 1 BOCES</p> <p>Special Aid Fund 2016M-188</p> <p>8th Judicial District</p>	<p>BOCES officials did not provide timely refunds of the accumulated funds generated from the summer school program to participating school districts.</p>	<p style="text-align: center;">5 recommendations</p> <p>The report's recommendations focused on BOCES officials returning surplus funds from the summer school program to component and participating school districts on a timely basis and entering into inter-municipal agreements with component districts for self-sustaining adult education programs.</p> <p>BOCES officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Erie 2-Chautauqua-Cattaraugus BOCES</p> <p>Adult Education Program and Professional Services 2016M-206</p> <p>8th Judicial District</p>	<p>The BOCES did not enter into inter-municipal agreements (IMAs) with its component districts for the operation of its adult education programs. In addition, District officials did not seek competition for eight professional services and insurance totaling approximately \$419,000.</p>	<p style="text-align: center;">7 recommendations</p> <p>The report's recommendations focused on the Board and BOCES officials entering into IMAs with component districts for self-sustaining programs and ensuring the IMAs indicate the manner in which the BOCES will settle surpluses and deficits on at least an annual basis; and monitoring the procurement of professional services to ensure compliance with adopted policies and all applicable laws and regulations.</p> <p>BOCES officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
 Regents Subcommittee on Audits/Budget and Finance
 January 2017**

<p>Fabius-Pompey Central School District</p> <p>Information Technology 2016M-237</p> <p>5th Judicial District</p>	<p>District officials did not monitor network user accounts to ensure that unnecessary accounts are disabled or removed in a timely manner. In addition, the District did not configure a logon banner to inform users of the potential consequences of unauthorized access.</p>	<p style="text-align: center;">2 recommendations</p> <p>The report’s recommendations focused on District officials reviewing network user accounts, disabling or removing any deemed unnecessary and establishing procedures to ensure accounts no longer needed are disabled or removed in a timely manner; and configuring all District computers and servers to display a banner when users attempt to log on.</p> <p>District officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>
<p>Genesee Valley BOCES</p> <p>Purchasing 2016M-259</p> <p>7th & 8th Judicial Districts</p>	<p>BOCES generally procured goods and services in accordance with its purchasing policy. However, the policy does not clearly describe if there are any conditions or circumstances when soliciting proposals or quotes for professional services is required.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report’s recommendations focused on the Board reviewing and revising its purchasing policy to include specific language for addressing the procurement of professional services.</p> <p>BOCES officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
Regents Subcommittee on Audits/Budget and Finance
January 2017**

<p>Gingerbread Learning Center, Inc.</p> <p>Compliance With the Reimbursable Cost Manual 2014-S-79</p> <p>2nd, 11th, & 13th Judicial Districts</p>	<p>\$942,998 adjustment (7.7% of \$12.2 million reported in reimbursable costs on the CFR)</p> <p>For the three fiscal years ended June 30, 2013, \$942,998 in reported costs did not comply with the Manual's requirements for reimbursement. The ineligible costs included \$621,356 in personal service costs and \$321,642 in other than personal service (OTPS) 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 Gingerbread'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>Gouverneur Central School District</p> <p>Financial Management 2016M-351</p> <p>4th & 5th Judicial Districts</p>	<p>The Board consistently overestimated general fund appropriations by an annual average of \$3.2 million, or 10.8 percent, from fiscal years 2012-13 through 2014-15. This resulted in most of the fund balance appropriated in the general fund not being used to finance operations.</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 and considering requesting SED approval to allocate indirect costs to the school lunch fund to reduce the excess fund balance and adhere to federal regulations.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
Regents Subcommittee on Audits/Budget and Finance
January 2017**

<p>Heuvelton Central School District</p> <p>Payroll 2016M-322</p> <p>4th Judicial District</p>	<p>The District's procedures for payroll processing and payroll review and certification were adequate to ensure that the employees were accurately paid at Board authorized rates.</p>	<p>There were no recommendations.</p>
<p>Indian River Central School District</p> <p>Financial Condition 2016M-287</p> <p>4th & 5th 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 general fund's unrestricted fund balance was within the statutory limit. In addition, District officials improperly reported about \$862,000 of unrestricted fund balance in the debt service fund.</p>	<p style="text-align: center;">5 recommendations</p> <p>The report's recommendations focused on the Board and District officials developing realistic estimates of revenues and appropriations and the use of fund balance in the annual budget and returning money improperly residing in the debt service fund to the general fund.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Irvington Union Free School District</p> <p>Information Technology 2016M-266</p> <p>9th Judicial District</p>	<p>The Board needs to improve internal controls to effectively protect the District's computer system and data. The Board has developed an acceptable use policy and an email policy. However, the acceptable use policy does not address computer users who do not use the District's computers for instructional purposes or the inappropriate use of IT equipment.</p>	<p style="text-align: center;">4 recommendations</p> <p>The report's recommendations focused on the Board and District officials updating the District's acceptable use policy to address users who do not use computers for instructional purposes, what constitutes appropriate and inappropriate use of IT equipment, the Board's expectations concerning personal use of IT equipment and user privacy; and monitoring internet usage and configuring the web filtering software to block access to sites that violate the acceptable use policy.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
Regents Subcommittee on Audits/Budget and Finance
January 2017**

<p>Jamesville-Dewitt Central School District</p> <p>Procurement 2016M-264</p> <p>5th Judicial District</p>	<p>The District’s purchasing policy does not provide guidance for soliciting competition when procuring professional services. In addition, in one instance, District officials overpaid a contract by nearly \$58,000.</p>	<p style="text-align: center;">5 recommendations</p> <p>The report’s recommendations focused on the Board and District officials amending the purchasing policy to include guidance for the procurement of professional services and of goods and services costing less than the competitive bidding thresholds; and directing the District’s attorney to review the identified overpayment and take appropriate legal action, if necessary, to recover those funds.</p> <p>District officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>
<p>Jawonio, Inc.</p> <p>Compliance With the Reimbursable Cost Manual 2015-S-49</p> <p>9th Judicial District</p>	<p>\$26,975 adjustment (0.7% of \$3.5 million reported in reimbursable costs on the CFR)</p> <p>The audit identified \$26,975 in ineligible costs, which includes \$24,611 for personal service costs and \$2,364 in other than personal service costs.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report’s recommendations focused on SED officials reviewing the recommended disallowances and making the appropriate adjustments to Jawonio’s CFRs and reimbursement rates; and Jawonio 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>

**Audit Report Abstracts
 Regents Subcommittee on Audits/Budget and Finance
 January 2017**

<p>Jefferson-Lewis BOCES</p> <p>Separation Payments 2016M-304</p> <p>4th & 5th Judicial Districts</p>	<p>BOCES officials have established an effective employee separation payment process.</p>	<p>There are no recommendations.</p>
<p>Merrick Union Free School District</p> <p>Financial Condition 2016M-240</p> <p>10th Judicial District</p>	<p>The Board adopted budgets that overestimated expenditures by a total of \$9.3 million and underestimated revenues by a total of \$2.8 million from July 1, 2012 through June 30, 2015. In addition, the District's unrestricted fund balance exceeded the statutory maximum for each of the three years reviewed and the district did not use its reserve funds during the audit period, but instead used operating funds to pay for related costs.</p>	<p style="text-align: center;">6 recommendations</p> <p>The report's recommendations focused primarily on the Board adopting budgets that realistically reflect the District's operating needs based on historical trends or other identified analysis; developing a written plan to reduce the level of unrestricted fund balance to legal limits and consider revising the District's fund balance policy to require compliance; and ensuring that reserve funds are used for their intended purpose.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
 Regents Subcommittee on Audits/Budget and Finance
 January 2017**

<p>Newark Central School District</p> <p>Financial Condition and Claims Processing 2016M-267</p> <p>7th Judicial District</p>	<p>The Board and District officials did not adequately manage the District’s financial condition. In addition, District officials established reserve funds to prepare for future contingencies. However, they did not always include the funding of reserves in the budgets voted on by taxpayers. Additionally, District officials have not implemented adequate internal controls over the claims and accounts payable processes, as incompatible duties are not adequately segregated and mitigating controls have not been implemented.</p>	<p style="text-align: center;">7 recommendations</p> <p>The report’s recommendations focused on the Board and District officials adopting budgets that include the District’s actual needs; developing a reserve plan which clearly communicates to District residents the purpose and intent for establishing each reserve fund; reviewing reserve funds to determine if the amounts are necessary; and ensuring incompatible duties are appropriately segregated or appropriate mitigating controls exist.</p> <p>District officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>
<p>Norwood-Norfolk Central School District</p> <p>Claims Auditing 2016M-288</p> <p>4th Judicial District</p>	<p>District officials contracted with St. Lawrence-Lewis BOCES through a cooperative service agreement to audit District claims, and a BOCES employee audited all District claims including those for BOCES-provided services. One claim for a grant contract with BOCES (audited and approved by the BOCES claims auditor) was approved and paid in December 2015, six months before the services were received.</p>	<p style="text-align: center;">2 recommendations</p> <p>The report’s recommendations focused on the Board ensuring that the BOCES’ claims are audited and approved by someone other than the BOCES claims auditor and ensuring that payment of claims is not authorized before the related goods or services have been received, and contain adequate supporting documentation before authorization.</p> <p>District officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
 Regents Subcommittee on Audits/Budget and Finance
 January 2017**

<p>Oceanside Union Free School District</p> <p>Professional Services 2016M-281</p> <p>10th Judicial District</p>	<p>District officials did not always seek competition for professional services in compliance with the Board-adopted procurement policy.</p>	<p style="text-align: center;">1 recommendation</p> <p>The report’s recommendation focused on the Board monitoring the procurement of professional services to ensure compliance with its adopted policies and all applicable laws and regulations.</p> <p>District officials generally agreed with the report’s recommendation and have indicated that they planned to take corrective action.</p>
<p>Olean City School District</p> <p>Financial Management 2016M-210</p> <p>8th Judicial District</p>	<p>District officials have not adopted realistic budgets or properly managed fund balance. For the past three years, District officials overestimated appropriations each year by an average of \$2.3 million. In addition, the reserve plan was not formally approved by the Board and did not include the Board’s financial objectives and optimal funding levels for each reserve.</p>	<p style="text-align: center;">5 recommendations</p> <p>The report’s recommendations focused on the Board and District officials ensuring that budgets include realistic estimates of appropriations based on actual needs and developing and formally adopting a comprehensive written policy or plan for establishing, funding, and using reserve funds</p> <p>District officials disagreed with the report’s findings and recommendations.</p>
<p>Orange-Ulster BOCES</p> <p>Fixed Assets 2016M-268</p> <p>3rd & 9th Judicial Districts</p>	<p>BOCES officials did not establish formal fixed-asset policies and procedures that provide clear guidance for asset recording and disposal. As a result, BOCES staff did not properly record and account for fixed assets.</p>	<p style="text-align: center;">4 recommendations</p> <p>The report’s recommendations focused on BOCES officials ensuring that fixed asset records are accurate and up-to-date, all fixed assets can be located, and all assets are tagged as appropriate.</p> <p>BOCES officials generally agreed with the report’s recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
Regents Subcommittee on Audits/Budget and Finance
January 2017**

<p>Port Jervis City School District</p> <p>Financial Condition 2016M-319</p> <p>3rd & 9th Judicial Districts</p>	<p>The District's unrestricted fund balance ranged from 12 to 17 percent of the ensuing year's budget between 2011-12 and 2015-16. In addition, the Board used operating surplus funds to make unbudgeted transfers totaling approximately \$5.4 million to the capital projects fund during the last five completed fiscal years.</p>	<p style="text-align: center;">5 recommendations</p> <p>The report's recommendations focused on the Board using surplus fund balance as a financing source for: Funding one-time expenditures; Funding needed reserves; and Reducing property taxes. They also focused on the Board adopting budgets that represent the District's actual needs and discontinuing the practice of adopting budgets that appropriate fund balance that will not be used to fund operations.</p> <p>District officials disagreed with the report's findings and recommendations.</p>
<p>Port Washington Union Free School District</p> <p>Claims Processing and Inventories 2016M-263</p> <p>10th Judicial District</p>	<p>The Board did not ensure that all claims contained the required quotes, bids, or contracts, and the claims auditor received the necessary training to carry out the claims audit policy. District officials have not adopted procedures to establish the duties, records and control procedures to safeguard inventories. In addition, a count of all stored goods is not conducted at least annually.</p>	<p style="text-align: center;">4 recommendations</p> <p>The report's recommendations focused on District officials ensuring that all claims are supported by relevant documents, the claims auditor is properly trained, adequate procedures are in place, and a counting of all stored goods is conducted at least annually.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Rensselaer City School District</p> <p>Financial Condition 2016M-286</p> <p>3rd Judicial District</p>	<p>The Board did not adopt realistic, structurally balanced general fund budgets. This resulted in operating deficits that were larger than planned and declining general fund and reserve fund balances. In addition, District officials transferred \$1.3 million from two reserve funds to the general fund without appropriate support.</p>	<p style="text-align: center;">5 recommendations</p> <p>The report's recommendations focused on the Board adopting structurally balanced budgets for the general fund that include realistic estimates for revenues and expenditures and ensuring reserves are used only for appropriate purposes.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
 Regents Subcommittee on Audits/Budget and Finance
 January 2017**

<p>Rochester Childfirst Network</p> <p>Compliance With the Reimbursable Cost Manual 2016-S-15</p> <p>7th Judicial District</p>	<p>\$13,201 adjustment (1.8% of \$750,000 reported in reimbursable costs on the CFR)</p> <p>For the fiscal year ended June 30, 2014, \$13,201 in costs that Rochester Childfirst Network (RCN) reported on its CFR did not comply with the Manual's requirements for reimbursement including \$7,042 in other than personal service (OTPS) costs and \$6,159 in personal service costs.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report's recommendations focused on SED officials reviewing the recommended disallowances and making the appropriate adjustments to RCN's CFRs and reimbursement rates; and RCN 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>Rye Neck Union Free School District</p> <p>Information Technology 2016M-280</p> <p>9th Judicial District</p>	<p>The District does not have adequate policies and procedures for personal, private and sensitive information (PPSI) data classification, acceptable use, and cyber security training. In addition, there are no documented policies or procedures for modifying user accounts and audit logs are not routinely generated and reviewed for unauthorized access or unusual activity.</p>	<p style="text-align: center;">5 recommendations</p> <p>The report's recommendations focused on the Board and District officials adopting IT policies and procedures related to IT security awareness training; and inventory and classify by security level all PPSI maintained on District computer systems.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
Regents Subcommittee on Audits/Budget and Finance
January 2017**

<p>Seaford Union Free School District</p> <p>Extra-Classroom Activities 2016M-291</p> <p>10th Judicial District</p>	<p>The Board and District officials did not ensure school store deposits during 2015-16 were made in a timely manner, with the time between collection and deposit dates ranging from 15 to 91 days. In addition, school store receipts were not supported by a profit and loss statement or sufficient detail for the central treasurer to determine if all receipts collected were submitted.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report's recommendations focused on the Board and District officials ensuring that all receipts are deposited in a timely manner and ensuring that extra-classroom activity clubs attach profit and loss statements or other detail sufficient to support that all money collected is included in deposits.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Sewanhaka Central High School District</p> <p>Student Fees 2016M-296</p> <p>10th Judicial District</p>	<p>The Board does not have a policy on cash receipts. While District officials presented a copy of written procedures on handling cash receipts and deposits, the procedures do not address issuing triplicate receipts, recording the date and form of payment or conducting an independent review of amounts collected and deposited. In addition, the written procedures have not been distributed to the finance clerks or athletic office secretary.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report's recommendations focused on District officials developing and distributing written procedures for the collection, recording and deposit of student fees and for the reconciliation between cash receipts and deposits and ensuring that all transactions are properly receipted with triplicate, press-numbered receipts.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>
<p>Spencerport Central School District</p> <p>Financial Condition 2016M-254</p> <p>7th Judicial District</p>	<p>The Board and District officials overestimated appropriations in the 2012-13 through 2015-16 District budgets by approximately \$12.4 million. In addition, the employee benefit accrued liability reserve, liability reserve and unemployment insurance reserve are overfunded by as much as \$2.7 million.</p>	<p style="text-align: center;">4 recommendations</p> <p>The report's recommendations focused on the Board and District officials developing realistic estimates of appropriations in the annual budget and reviewing all reserves at least annually to determine if the amounts reserved are necessary and reasonable.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>

**Audit Report Abstracts
 Regents Subcommittee on Audits/Budget and Finance
 January 2017**

<p>Susan E. Wagner Preschool</p> <p>Compliance With the Reimbursable Cost Manual 2015-S-100</p> <p>1st, 2nd, 11th, 12th, & 13th Judicial Districts</p>	<p>\$140,902 adjustment (0.8% of \$17.1 million reported in reimbursable costs on the CFR)</p> <p>For the three fiscal years ended June 30, 2014, \$140,902 in reported costs did not comply with the Manual's requirements. These ineligible costs included \$39,709 in personal service costs and \$101,193 in other than personal service (OTPS) costs.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report's recommendations focused on SED reviewing the recommended disallowances and make the appropriate adjustments to the costs reported on Wagner'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>Thousand Islands Central School District</p> <p>Purchasing 2016M-283</p> <p>5th Judicial District</p>	<p>Although the Board adopted a purchasing policy that indicated it should set dollar limits for obtaining written and verbal quotes for purchases that fall below competitive bidding thresholds, the policy did not establish dollar limits or specify the number or type of quotes to be obtained or identify the required documentation to be maintained. As a result, there was no indication that District officials solicited competition for 20 purchases totaling approximately \$257,100.</p>	<p style="text-align: center;">3 recommendations</p> <p>The report's recommendations focused on District officials revising the purchasing policy to include dollar limit thresholds and address the procurement of professional services and items that fall under the bidding thresholds including the required documentation to be maintained; distributing the policy to all staff involved in the purchasing process; and evaluating the established procedures regarding disclosure of interests and modifying them to require officers and key employees to disclose all outside employment or business interests.</p> <p>District officials generally agreed with the report's recommendations and have indicated that they planned to take corrective action.</p>