



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

TO: Audits/Budget and Finance Committee

FROM: Sharon Cates-Williams *Sharon Cates-Williams*

SUBJECT: Board of Regents Oversight of Financial Accountability

DATE: April 21, 2014

AUTHORIZATION(S): *J. B. J. G.*
SUMMARY

Issues for Discussion

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

1. Completed Audits including the Report of the Internal Audit Workgroup. (Attachments I & II)
2. Report on Corrective Action Plans received from previously highlighted audits. (Attachment III)

Reason(s) for Consideration

Update on Activities.

Proposed Handling

Discussion and Guidance.

Procedural History

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

Background Information

1. Completed Audits including the Report of the Internal Audit Workgroup
The Committee is being presented with 17 audits this month. (Attachments I & II)
2. Report on Corrective Action Plans Received from Previously Highlighted Audits
(Attachment III)

Audits are provided as follows:

Office of Audit Services

Buffalo City School District

Office of the State Comptroller

All Services for Kids, Inc.

Ausable Valley Central School District

Central Islip Union Free School

Floral Park-Bellerose Union Free School District

Frontier Central School District

Highland Central School District

Hudson City School District

Hunter-Tannersville Central School District

LaFayette Central School District

Mount Pleasant Cottage Union Free School District

New York City Department of Education Compliance with State Arts Education Requirements

North Merrick Union Free School District

Patchogue-Medford Union Free School District

SCO Family of Services

Utica City School District

City of New York Office of the Comptroller

Audit Report on the Department of Education's Awarding of Milk Distribution Contracts

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)
- Report on Corrective Action Plans Received from Previously Highlighted Audits (Attachment III)

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

Newly Presented Audits

We reviewed the 17 audits that are being presented to the Committee this month. One audit was issued by the Office of Audit Services, 15 were by the Office of State Comptroller, and 1 by the New York City Office of the Comptroller (OSC). Fourteen audits were of school districts, 1 was of a special education services provider, 1 of a program administered by the Department and 1 of New York City Department of Education awarding of vendor contract.

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

The Department has issued letters to the school district auditees, reminding them of the requirement to submit corrective action plans to the Department and OSC within 90 days of their receipt of the audit report.

The Department's Internal Audit Workgroup reviewed all the audits and *do not believe there are any specific audits to bring to the Committee's attention*. However, we note that of the seven school district audits that focused on financial condition/management, five reported that districts have been experiencing a deteriorating fiscal condition. This includes a dramatic decline in fund balance and resulting deficit for some, leaving the districts with no financial cushion for unanticipated expenditures and/or revenue shortfalls.

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

Audit	Procurement	Claims Processing	Payroll	Cash	Financial Reporting	Information Technology	Budgeting	Other
Office of Audit Services								
* Buffalo City School District (footnote 3)	√	√	√					√
Office of the State Comptroller								
AuSable Valley Central School District				√		√		
Central Islip Union Free School District					√		√	
Floral Park-Bellerose Union Free School District					√		√	
Frontier Central School District					√	√	√	
Highland Central School District					√		√	
Hudson City School District	√				√			
Hunter-Tannersville Central School District					√		√	
Lafayette Central School District					√		√	
* Mount Pleasant-Cottage Union Free School District (footnote 2)								√
* New York City Department of Education (footnote 1)								√
North Merrick Union Free School District				√				
** Patchogue-Medford Union Free School District								
State Education Department – SCO Family of Services – Extended School Day Program (footnote 3)								√
State Education Department and All Services for Kids, Inc.		√	√					
Utica City School District					√		√	
New York City Office of the Comptroller								
New York City Department of Education – Audit Report on the DOE’s Awarding of Milk Distribution Contract	√							
April 2014	3	3	2	2	8	2	7	3

1 Compliance with State Arts Education Requirements 2 Fiscal Management, Tuition Collection 3 Grant/Contract Expenditures ** No recommendations

Office of Audit Services

Audit	Major Finding(s)	Recommendation/Response
<p>Buffalo City School District Buffalo City School District - Title I Grant: For the Period September 1, 2009 Through August 31, 2012 SD-0413-07 8th Judicial District</p>	<p>\$87,385 adjustment (.1% of total claims for the period audited)</p> <p>The audit found \$87,385 in non-salary related expenditures that should not have been charged to Title I for the period September 1, 2009 through August 31, 2012. The disallowance and other areas needing improvement were:</p> <ul style="list-style-type: none"> • The District did not always calculate comparability correctly, could not provide support as to how it was calculated, and lacked any written procedures in how to calculate it and therefore; failed to meet the requirements set forth by Section 1120A(c) of ESEA. • Funds amounting to \$85,078 in non-salary related expenditures should not have been reimbursed through the grant because they were unapproved, inadequately documented, not supplemental or went to non-Title I schools, or because of unused or unlocated items. Correspondingly, an additional amount of \$2,307 of indirect costs is disallowed. • Instances of services received or space occupied before contracts or leases were put in place, or amount spent exceeded the contract amount for one vendor, or contract was not provided. • Inventory weaknesses, where a smart board was purchased in 2009-10 for use in a non-public Title I school, but was never used; in addition, seven computers from the sample (38) could not be located during inventory testing. District staff later indicated that they found two, but those found did not match the serial number assigned to the two. The remaining five were disposed, according to District officials, but this is not supported by computer disposal documents 	<p>9 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding grant expenditures, procurement, claims processing, and payroll administration.</p> <p><i>District officials generally agreed with the recommendations, and planned on implementing corrective action.</i></p>

	<p>provided.</p> <ul style="list-style-type: none"> • Although the District was largely in compliance, there were numerous instances where they did not meet the requirements set forth by OMB Circular A-87 requiring that salaries be supported by periodic certifications. 	
Office of the State Comptroller		
Audit	Major Finding(s)	Recommendation/Response
<p>AuSable Valley Central School District Internal Controls Over Selected Financial Activities 2013M-299 4th Judicial District</p>	<p>The Board and District officials have not addressed all of the weaknesses related to the District's departmental cash receipts and IT system that were cited in OSC's 2010 audit report. As a result, the District is vulnerable to the possibility that errors and/or irregularities could occur that could have a negative impact on District finances and remain undetected.</p> <p>The Board had not adopted comprehensive written policies and procedures providing guidance and internal controls over departmental cash receipts. Consequently, the audit found that \$42,031 in cash receipts had inadequate supporting documentation of the collections and \$11,429 in cash receipts were not remitted to the Business Office and deposited into District accounts in a timely manner. In addition, the audit found that open swim program cash receipts were not properly accounted for, were substituted by the open swim program coordinator with personal checks and were not all remitted to the Business Office for deposit. In fact, when District officials were notified of these discrepancies, the coordinator issued a personal check for \$393 to the District on August 8, 2013 for cash collections that were received during the 2011-12 fiscal year. The District's failure to establish adequate internal controls over departmental cash receipts increases the chance that District moneys could be lost or misused.</p>	<p>8 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to cash receipt policies, and IT controls.</p> <p><i>District officials agreed with the recommendations and have indicated that they will implement corrective action.</i></p>

	<p>Internal controls over the District's IT system were not appropriately designed or operating effectively. The audit found that users were granted access to functions of the financial software applications that they did not need to fulfill their day-to-day job responsibilities. In addition, although the District's technology control's policy designates the Superintendent with the responsibility of assigning access rights (administrative rights) to the financial application, the audit found that the School Business Executive has been granted administrative rights to the financial application. Furthermore, audit logs were not generated and reviewed by someone independent of the Business Office's operations. As a result, there is an increased risk that inappropriate transactions could be initiated and remain undetected and uncorrected in a timely manner.</p>	
<p>Central Islip Union Free School District Financial Management 2013M-380 10th Judicial District</p>	<p>District officials underestimated revenues and overestimated expenditures in the Board-adopted budgets for fiscal years 2008-09 through 2012-13, resulting in combined operating surpluses totaling more than \$25 million. Although the Board appropriated unexpended surplus funds each year (exceeding a combined \$13.2 million over the five-year period) to help finance the next years' operations, District officials actually used less than \$5.3 million to fund District operations. Additionally, the District's accumulated unexpended surplus funds exceeded the amount allowed by statute in each of the past three years. While the District's unexpended surplus exceeded the statutory limit over these years, District officials continued to increase the real property tax levy by more than \$6.6 million, a 9 percent increase.</p>	<p>4 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding budgeting and the use of fund balance.</p> <p><i>District officials generally agreed with the recommendations and planned on taking corrective action.</i></p>
<p>Floral Park-Bellerose Union Free School District Financial Management</p>	<p>Over the past five years, District officials have consistently overestimated expenditures, totaling \$12.5 million. Although the Board appropriated unexpended surplus funds each year (approximately \$10.3 million over a five-year period) to help</p>	<p>3 recommendations</p> <p>The report's recommendations focused primarily on strengthening</p>

<p>2013M-359 10th Judicial District</p>	<p>finance the ensuing year's operations, District officials actually used \$2.5 million (24 percent) of unexpended surplus funds for District operations. The consistent overestimation of expenditures resulted in the District not using fund balance that was appropriated. This allowed District officials to make it appear that they were in compliance with the 4 percent statutory limit when, in fact, they were not. As a result, the Board and District officials have not adequately reflected the District's financial condition to the taxpayers, and the District may have levied and collected more taxes than necessary to fund District operations.</p>	<p>the policies and procedures regarding budgeting and the use of fund balance.</p> <p><i>District officials generally agreed with the recommendations in the report, and plan on initiating corrective action.</i></p>
<p>Frontier Central School District Financial Condition and Mobile Devices 2013M-297 8th Judicial District</p>	<p>The District reported \$195,355 of unexpended surplus fund balance remaining as of June 30, 2013. Given the size of the District's operations this is a dangerously low level. In addition, approximately \$5.3 million in workers' compensation reserve funds were inappropriately used to fund unrelated general fund operating costs. The District's last multiyear financial plan was prepared in June 2012, which included information on past financial trends and projections for revenues and expenditures. The financial plan also included a history of fund balance, which has substantially dwindled over the past six fiscal years. The report does not include projected fund balance. However, the plan warns that the continued use of fund balance would result in the exhaustion of this funding source.</p> <p>The audit also found that District officials did not establish adequate safeguards over mobile devices, and that District employees did not use mobile devices in accordance with the District's acceptable-use policy. For example, on 23 of the District's 40 mobile devices that were tested, the audit found indications of personal use such as personal photos, music files, non-District related applications, games, and browsing</p>	<p>8 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding budgeting, the use of fund balance, and the use of mobile devices.</p> <p><i>District officials generally agreed with the recommendations, and have indicated that they plan to initiate corrective action.</i></p>

	<p>history related to travel, shopping, personal email, job search and other websites. The audit also found personal applications on 16 of the 33 portable media players and tablets that were tested. In addition, 26 of the 33 portable media players and tablets did not require a password or passcode prior to use.</p>	
<p>Highland Central School District Financial Condition 2013M-358 3rd Judicial District</p>	<p>Starting in fiscal year 2010-11, the District's school lunch fund incurred a \$14,000 deficit fund balance; this deficit has since increased to almost \$287,000 at the end of the 2012-13 fiscal year. The general fund's unrestricted, unappropriated funds also dropped 77 percent, from approximately \$1.5 million at the beginning of the 2010-11 fiscal year to \$353,000 at the end of the 2011-12 fiscal year. These declines occurred because the Board consistently overestimated revenues in the budget. During the last three completed fiscal years, the District's revenues fell short by an average of \$740,000 in the general fund and \$100,000 in the school lunch fund. The audit also found that the Board has not developed a current multiyear financial plan or capital plan to complement the budget development process. By developing such plans, District officials will have a roadmap to help manage future District costs and resources.</p>	<p>5 recommendations</p> <p>The report's recommendations focused mainly on strengthening the policies and procedures regarding budgeting and financial planning.</p> <p><i>District officials generally agreed with the recommendations and planned on initiating corrective action.</i></p>
<p>Hudson City School District Grant Administration 2013M-324 3rd Judicial District</p>	<p>District officials need to improve internal controls over grant programs. The District expended more than \$79,400 (6.6% of total grant amount of \$1,201,042) on grant-related expenditures that either were not approved, not properly supported or not expended for legitimate grant purposes. Further, grant expenditures reported to SED totaling \$127,680 lacked sufficient supporting documentation to substantiate employee benefits, salaries and purchased services. As a result, District officials' oversight of grant programs is substantially diminished and they cannot be certain that grant proceeds were expended for authorized grant purposes.</p>	<p>2 recommendations</p> <p>The report's recommendations focused mainly on strengthening the policies and procedures regarding grant administration.</p> <p><i>District officials generally agreed with the recommendations and planned on initiating corrective action.</i></p>

<p>Hunter-Tannersville Central School District Financial Condition 2013M-376 3rd Judicial District</p>	<p>For fiscal years 2010-11 through 2012-13, the District's unrestricted unappropriated fund balance exceeded the 4 percent statutory limit. However, the District's fund balance has declined as a result of planned operating deficits and appropriating fund balance to finance the planned deficits. Specifically, the District's unrestricted, unappropriated fund balance has decreased by about 41 percent, from approximately \$1.3 million beginning in fiscal year 2010-11 to about \$755,000 in fiscal year 2012-13. As such, the amount of unrestricted, unappropriated fund balance as a percent of the ensuing year's budgeted appropriations declined from 9.7 percent in fiscal year 2010-11 to 5.4 percent in fiscal year 2012-13.</p> <p>The Board has budgeted to further reduce unrestricted, unappropriated fund balance by using it to fund a planned operating deficit in the fiscal year 2013-14 budget. With this appropriation of fund balance, the District's unrestricted, unappropriated fund balance is projected to be 4.8 percent of the ensuing year's appropriations, which is still above the 4 percent statutory limit. While the District is encouraged to bring its fund balance within the statutory limit, District officials now need to be mindful of the amount of fund balance they will appropriate going forward. The continued appropriation of fund balance will deplete it, and District officials will have to identify other revenue sources to fund future budgets. Further, the Board has not adopted a multiyear financial plan to allow it to effectively manage its future finances. Such a plan would have helped the Board to monitor and plan for the use of fund balance.</p>	<p>3 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding budgeting and the use of fund balance.</p> <p><i>District officials generally agreed with the findings and planned on initiating corrective action.</i></p>
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<p>Lafayette Central School District Reserves 2013M-387 5th Judicial District</p>	<p>The District had five general fund reserves during the audit period. The liability claims and property loss reserve funds were recently created District reserves, while the repair, retirement contribution and unemployment insurance reserves have existed for several years. The Board properly authorized only the retirement contribution reserve. District officials could not provide the auditors with any documentation showing the Board's formal approval establishing the other four reserves. However, because the Board funded these four reserves over multiple fiscal years, the auditors believed these reserves can be considered to be de facto reserve funds for the purposes specified, and as such, District officials may not withdraw or expend money from these reserves for any purposes other than those provided by law. Additionally, District officials cannot reclassify these restricted funds as unassigned fund balance simply because the reserves were not formally established.</p> <p>The Board also did not adopt any written policies governing the establishment and use of its reserve funds. The Board extensively funded its reserves and consistently over-appropriated fund balance which resulted in the general fund incurring unassigned fund balance deficits ranging from \$985,262 to \$140,430 over the past three fiscal years. This may limit the District's ability to manage emergencies and other unanticipated occurrences.</p>	<p>8 recommendations</p> <p>The reports recommendations focused mainly on strengthening the policies and procedures regarding reserves and the use of fund balance.</p> <p><i>District officials generally agreed with the recommendations and planned on initiating corrective action.</i></p>
<p>Mount Pleasant-Cottage Union Free School District Financial Condition 2013M-360 9th Judicial District</p>	<p>The District reported unexpended general fund deficits for five consecutive years. The deficit was as high as \$5.3 million in fiscal year 2008-09. However, the deficit started declining in the 2009-10 fiscal year when the State Education Department (Department) and the Division of the Budget (DOB) authorized tuition increases for the District. The District's enrollment has declined in recent years, which has adversely</p>	<p>3 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding fiscal management and tuition collection.</p>

	<p>affected revenues. However, District officials have managed to decrease expenditures to offset the declines in revenues, which helped to relieve the deficit situation. They found that the District could improve its billing and collection procedures. As of June 30, 2013, the District had approximately \$2.4 million in accounts receivable, of which \$1.4 million had been outstanding for 30 days and \$893,897 for 90 days or more. If the District is unable to collect these outstanding amounts, the District's financial condition will be negatively impacted.</p>	<p><i>District officials generally agreed with the recommendations and planned on initiating corrective action.</i></p>
<p>New York City Department of Education Compliance With State Arts Education Requirements 2011-N-4 1st, 2nd, 11th, 12th, 13th Judicial District</p>	<p>The audit examined the Arts education received by a random sample of 310 New York City students who attended 166 New York City public high schools. These 310 students were from the cohort of 51,874 students who entered high school in 2007 and graduated with high school diplomas in 2011. These students were the most recently certified cohort at the time of the audit.</p> <p>The key findings were as follows:</p> <ul style="list-style-type: none"> * The Arts education provided anywhere from 142 to 197 of the sampled students (46 to 64 percent) did not meet one or more of the Department requirements. This high error rate indicates a notable risk that the affected New York City Department of Education's (NYC DoE) high school students are not obtaining an Arts education that complies with regulations. Therefore, those students may not be obtaining the benefits that research attributes to Arts education. * For 87 of the students in the sample, the Arts education that they received was provided by 99 teachers who lacked the required Arts education certification. * For 126 students in the sample, documentation supporting the achievement of the required units of Arts education was missing. * For Arts courses taken by 90 students in the sample, there 	<p>2 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to the compliance with the New York State arts education requirements.</p> <p><i>NYCDoE officials generally agreed with the recommendations and have indicated they will implement corrective action.</i></p>

	<p>were no syllabi available for one or more of the Arts courses taken.</p> <p>* The syllabi for Arts education that were available for review were not approved by the Department as required, but they did appear to be consistent with Department guidelines.</p>	
<p>North Merrick Union Free School District Treasurer's Duties 2013M-366 10th Judicial District</p>	<p>The Board did not ensure that the Treasurer's duties and responsibilities were discharged in accordance with legal requirements and District policy. The District Clerk was inappropriately authorized to sign checks in the Treasurer's absence and, in fact, signed all District checks in place of the Treasurer. This did not comply with Education Law or District policy. Additionally, the Assistant Superintendent for Business and a Senior Account Clerk routinely approved and performed wire and electronic transfers without the Treasurer's approval, further weakening internal controls over disbursements. By usurping the Treasurer's disbursement functions, the Board has diminished an important segregation of functions designed to help ensure that District funds are properly expended.</p>	<p>4 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding the Treasurer's duties.</p> <p><i>District officials generally agreed with the recommendations and planned on implementing corrective action.</i></p>
<p>Patchogue-Medford Union Free School District 2014-2015 Budget Review B7-14-2 10th Judicial District</p>	<p>The significant revenue and expenditure projections in the tentative budget are reasonable.</p> <p>The District's 2014-15 tentative budget includes the appropriation of \$4.35 million of fund balance to help finance 2014-15 operations. District officials project that approximately \$11.2 million in fund balance may be available.</p> <p>The District's proposed budget complies with the tax levy limit because it includes a tax levy of \$100,328,676, which is at the tax levy limit allowed and decreases the 2014-15 by \$421,324, or 42/100 of one percent over the 2013-14 tax levy of \$100,750,000. In adopting the 2014-15 budget, the District should be mindful of the legal requirement to maintain the tax</p>	<p>It is recommended that District officials closely monitor the District's fund balance to ensure that action is taken, if necessary, to identify other funding sources that can be used if fund balance is no longer available to fund District operations.</p>

	levy increase to no more than 1.46 percent, unless 60 percent of District residents vote to exceed this statutory limit.	
State Education Department State Education Department - Extended School Day Program 2012-0052 10th Judicial District	<p>\$194,320 adjustment (31% of total reimbursement of \$634,544)</p> <p>The audit found the State Education Department (Department) paid SCO Family of Services (SCO) \$194,320 (or 31 percent of the total reimbursements) during the grant year for expenses that were not related to the operation of the Extended School Day (ESD) program, not necessary or not allowable. These inappropriate payments occurred because the Department did not have an effective monitoring system in place to ensure it paid SCO only for expenses that were appropriate and allowable under the contracts. The Department did not request, receive or review supporting documentation prior to approving these payments. In addition, the audit found SCO management and program staff was not familiar with the terms and conditions of the contracts.</p> <p>In addition to the payments for the period examined, the Department paid SCO an additional \$732,507 for a total of \$1,367,051 from the grant's start date of October 1, 2010 through June 30, 2013. If the conditions the audit identified existed before and after the grant year examined, the audit estimated the Department may have paid SCO an additional \$227,077 ($\\$732,507 \times 31$ percent) for expenses that were not related to the operation of the ESD program, not necessary or not allowable under the contracts.</p>	<p>5 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to expenses claimed for reimbursement.</p> <p><i>Department officials agreed with the findings and recommendations and stated they would recover the \$194,320 in overpayments. They also stated the Department is making every effort to improve its oversight of the ESD grants and grant contracts.</i></p>
State Education Department and All Services for Kids, Inc. Compliance with the	<p>\$66,680 adjustment (5% of claimed reimburseable expenses of approximately \$1.3 M)</p> <p>The audit identified \$66,680 in unsupported and/or</p>	<p>1 recommendation</p> <p>It is recommended that Department officials should review the</p>

<p>Reimbursable Cost Manual 2012-S-19 11th Judicial District</p>	<p>inappropriate costs charged to All Services for Kids, Inc., including: * \$53,546 in personal service expenses, including compensation paid to the husband of the Executive Director for services that he did not perform, and * \$12,986 in non-personal service expenses, including inappropriately allocated rental expenses, cell phones used by the Executive Director's minor children, unaccounted for equipment items, and cable television.</p>	<p>inappropriate and unsupported expenses identified in the report and recover such reimbursed expenses as appropriate.</p> <p><i>The Department agreed with the recommendation and will review and make adjustments as noted in the report and recover any overpayments as appropriate.</i></p>
<p>Utica City School District Financial Condition 2013M-341 5th Judicial District</p>	<p>In recent years the District has struggled with fiscal challenges due to a deteriorating financial condition. District officials have adopted realistic budgets and spending did not exceed the budget. However, they relied heavily on appropriations of fund balance in the 2010-11 and 2011-12 budgets. As a result, by June 30, 2012, the District's unexpended surplus funds had declined to a deficit of \$1,157,820. By June 30, 2013, the District was able to increase the unexpended surplus funds to \$1,127,047 (.8 percent of the ensuing year's appropriations). Although this is an improvement from the prior year, the District has very little cushion for managing unforeseen events. To meet short-term cash flow needs, the District borrowed at least \$10 million each year, incurring about \$150,000 for interest costs in the 2012-13 fiscal year. While the Board has attempted to address the District's declining financial position, it has not developed a multiyear operational plan to provide a framework for future budgets and facilitate management of financial operations. By developing such a plan, District officials will have a roadmap to help identify and manage future costs and resources.</p>	<p>4 recommendations</p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding budgeting and the use of fund balance.</p> <p><i>District officials generally agreed with the recommendations in the report, and have indicated that they plan corrective action.</i></p>

New York City Office of the Comptroller

Audit	Major Finding(s)	Recommendation/Response
<p>New York City Department of Education Audit Report on the Department of Education's Awarding of Milk Distribution Contracts ME12-093A 1st, 2nd, 11th, 12th, 13th Judicial District</p>	<p>The New York City Department of Education's (NYCDoE) controls over the awarding of milk distribution contracts were adequate as they relate to many aspects of the contract awarding process. In reviewing NYCDoE's controls over the awarding of milk distribution contracts, the audit found that:</p> <ul style="list-style-type: none"> * NYCDoE's controls over the receipt of the bids were adequate; * The contract files generally contained, with some exceptions, the required documentation in support of NYCDoE's awarding of the contracts; * The Request for Bids and contract award processes were followed in the proper sequence; and * NYCDoE selected the lowest bidder for each geographical zone based on accurate bid tabulations. <p>However, NYCDoE did not adequately review the financial capacity of the vendors that were awarded milk contracts. In addition, NYCDoE lacked adequate financial procedures for detecting the warning signs of possible collusion. As a result of those deficiencies, the risks that a financially unsound vendor could be awarded a major contract or that collusion could occur and go undetected are increased. To ensure that the contracts are awarded to the lowest responsive and responsible bidder, NYCDoE needs to strengthen its controls in these areas.</p>	<p>9 recommendations</p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to procurement of milk distribution contracts.</p> <p><i>NYCDoE officials generally agreed with the audit's recommendations.</i></p>

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

Summary of Corrective Action Plans Received from Previously Presented Audits

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

Auditor	Auditee-Scope	Judicial District# - Regent	Month Presented	Result of CAP review
OSC	Andover- Internal Controls Over Reserve Funds	8 th –Bennett	Oct 2013	Sufficient
OAS	Associated Medical Schools of New York (AMSNY) Science and Technology Entry Program Grant	1 st – Bendit	Nov 2013	Sufficient
OSC	Jamestown – Race to the Top	8 th - Bennett	Jan 2014	Sufficient
OSC	New Suffolk – Selected Financial Operations	10 th – Tilles	Jan 2014	Sufficient
OSC	Ramapo – Fund Balance and Employee Compensation	9 th – Phillips	Nov 2013	Sufficient
OSC	Waverly – Financial Condition	6 th – Tallon	Oct 2013	Sufficient

Andover's CAP

The corrective action plan indicated that District officials agreed with all the audit recommendations. The District will annually review all reserves to determine the fiscal and structural usefulness and effectiveness of each account. Excessive amounts in the reserves will be transferred out in compliance with statutory requirements.

AMSNY's CAP

AMSNY's officials agreed with all the audit recommendations. The corrective action plan indicated that a series of guidelines for subgrantees was developed including documentation of claimed costs and equipment inventory. AMSNY has implemented a procedure for increased scrutiny of all claims received from the schools. AMSNY submitted a revised final expenditure report reflecting a reduction of claim due to audit disallowance.

Jamestown's CAP

Jamestown officials agreed with all the audit recommendations. District will review expenditures reported for accuracy and to ensure prior budget authorization. Final expenditure report will be amended to reflect audit disallowance. Time and effort reporting will be modified to comply with federal requirements.

New Suffolk's CAP

New Suffolk officials agreed with the audit recommendations. The Board will adhere to the statutory legal limit of unexpended surplus fund and will develop a plan to use such fund in a manner that benefits taxpayers. The duties of the District Treasurer will be outlined in a job description and required fiscal reports will be provided. Salary agreements with all staff will be approved by the Board.

Ramapo's CAP

Ramapo officials agreed with all the audit recommendations. All reserves will be evaluated to ensure that they are reasonable and justified. Open purchase orders will be reviewed to ensure they are valid and supported to ensure that year-end encumbrances are appropriate. Staff's starting salary that exceeded the established rate will have supporting documentation.

Waverly's CAP

Waverly officials agreed with the audit recommendations. The Board will continue to develop budget estimates based on information available at the time. All District labor contract negotiations were settled so salaries and benefits can be accurately estimated. District officials will continue to be transparent in estimating all budget lines as they are discussed during Board meetings and budget workshops.