



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:** May 12, 2014

**AUTHORIZATION(S):**

*J. B. G. 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 20 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

Hempstead Union Free School District  
Syracuse City School District

### Office of the State Comptroller

Beacon City School District  
Brookfield Central School District  
Chenango Valley Central School District  
Dryden Central School District  
East Moriches Union Free School District  
Fabius-Pompey Central School District  
Gananda Central School District  
Liberty Central School District  
New Rochelle City School District  
Orchard Park Central School District  
Oysterponds Union Free School District  
Port Jefferson Union Free School District  
Portville Central School District  
Salem Central School District  
School Districts' Energy Performance Contracts  
Downsville Central School District, Eldred Central School District,  
Fallsburg Central School District, Johnson City School District, Lansing  
Central School District, Middleburgh Central School District, Monticello  
Central Schools, Schoharie Central School District  
Theracare Preschool Services, Inc.  
Vestal Central School District  
Westport 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)
- Report on Corrective Action Plans Received from Previously Highlighted Audits (Attachment III)

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

Newly Presented Audits

We reviewed the 20 audits that are being presented to the Committee this month. Two audits were issued by the Office of Audit Services and 18 were by the Office of the State Comptroller (OSC). Nineteen audits were of school districts and one was of a preschool special education services provider.

The findings were in the areas of budgeting, financial reporting, energy management, procurement, information technology, and extra classroom activity fund.

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 identified the audit of the Hempstead Union Free School District pertaining to validity of grade changes to bring to the Committee's attention for informational purposes.

**May 2014 Regents Audits/Budget and Finance Committee Meeting  
Summary of Audit Requiring Specific Attention**

<b>Audit Summary</b>	<b>Recommendation/Response</b>
<p><b>Hempstead Union Free School District – Validity of Grade Changes</b></p> <ul style="list-style-type: none"> <li>• OAS Audit</li> <li>• The District has no policies and procedures for changing student grades.</li> <li>• Majority of the grade changes for students in the audit sample are not supported by documentation.</li> <li>• Many of the sampled students whose grades were changed (failing to passing) had numerous absences which could have affected their ability to receive a passing score.</li> </ul>	<p>The report's recommendations focused on developing formal policies and procedures for changing student grades, documenting grades awarded to home school students, and for maintaining related documentation.</p> <p><i>District officials agreed with the findings and recommendations and have drafted policies to reflect recommendations.</i></p> <p><u>Next Steps:</u></p> <ul style="list-style-type: none"> <li>• The Office of Audit Services is reviewing the findings with the Test Security Unit, P-12, Counsel's Office and the Assessment Unit to determine if additional actions are warranted.</li> <li>• Department staff will review the District's Corrective Action Plan and monitor compliance.</li> <li>• The Office of Audit Services will conduct a follow-up audit.</li> </ul>

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

Audit	Procurement	Claims Processing	Payroll	Cash	Financial Reporting	Information Technology	Extraclassroom Activity Fund	Budgeting	Energy Management	Other
<b>Office of Audit Services</b>										
* Hempstead Union Free School District (footnote 2)										√
* Syracuse City School District (footnote 1)	√	√								√
<b>Office of the State Comptroller</b>										
** Beacon City School District										
Brookfield Central School District					√			√		
** Chenango Valley Central School District										
Downsville Central School District									√	
Dryden Central School District					√			√		
** East Moriches Union Free School District										
Eldred Central School District									√	
** Fabius-Pompey Central School District										
Fallsburg Central School District									√	
Gananda Central School District								√		
** Johnson City Central School District										
Lansing Central School District									√	
Liberty Central School District								√		
Middleburgh Central School District									√	
Monticello Central School District									√	
New Rochelle City School District					√					
Orchard Park Central School District	√				√					
Oysterponds Union Free School District				√	√	√		√		
Port Jefferson Union Free School District						√				
Portville Central School District					√			√		

Audit	Procurement	Claims Processing	Payroll	Cash	Financial Reporting	Information Technology	Extraclassroom Activity Fund	Budgeting	Energy Management	Other
Salem Central School District							√			
** Schoharie Central School District										
State Education Department and TheraCare Preschool Services, Inc.	√		√							
Vestal Central School District					√			√		
** Westport Central School District										

<b>May 2014</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>1</b>	<b>7</b>	<b>6</b>	<b>2</b>
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- 1 Race to the Top (RTTT)
- 2 Changing Student Grades

\*\* No recommendations

**Office of Audit Services**

Audit	Major Finding(s)	Recommendation/Response
<p><b>Hempstead Union Free School District Validity of Grade Changes - For the Period July 1, 2012 through June 30, 2013 SD-0813-03 10th Judicial District</b></p>	<p>The audit found that the District does not have policies and procedures for changing student grades, nor did they have documentation to support a majority of the grade changes for students included in the audit sample testing. In addition, the audit noted that many of the sampled students whose grades were changed from failing to passing had numerous absences, which could have affected their ability to receive a passing score. Specifically, the audit found the following:</p> <ul style="list-style-type: none"> <li>• District personnel changed approximately 2,225 grades for 1,294 students at the high school level. The grade changes consisted of quarterly and final grades from 63 or 64 to 65, as well as other grades that were changed from passing to failing (e.g., 71 to 59), passing to passing (e.g., 70 to 80), or failing to failing (e.g., 60 to 50).</li> <li>• For the 180 students we sampled, the District made a combined 463 grade changes, as many of the students had grade changes for multiple classes. The District only had support for 37 (8 percent) of the 463 grades that were changed.</li> <li>• Eighty-six of the 180 sampled students had absences that ranged from 20 to 194 days in 142 classes for which they received a passing grade.</li> </ul>	<p><b>4 recommendations</b></p> <p>The report's recommendations focused on developing formal policies and procedures for changing student grades, documenting grades awarded to home school students, and for maintaining related documentation.</p> <p><i>District officials agreed with the findings and recommendations and have since drafted policies to reflect recommendations.</i></p> <p><i>The Office of Audit Services is reviewing the findings with the Test Security Unit, P-12, Counsel's Office and the Assessment Unit to determine if additional actions are warranted. Department staff will review the District's Corrective Action Plan and continue to monitor for compliance.</i></p> <p><i>The Office of Audit Services will conduct a follow-up audit.</i></p>
<p><b>Syracuse City School District American Recovery and Reinvestment Act (ARRA) Race to the Top</b></p>	<p><b>\$1,743 adjustment (.13% of claimed expenditures)</b></p> <p>The report's findings were as follows: * The District claimed \$1,743 (\$1,494 and \$249) that should not have been reimbursed through RTTT because they were</p>	<p><b>4 recommendations</b></p> <p>The report's recommendations focused primarily on strengthening the policies and procedures</p>

<p><b>(RTTT) - July, 1 2012 Through June 30, 2013 SD-0114-08 5th Judicial District</b></p>	<p>for Network Team Institute (NTI) registration fees. The two amounts were for a conference that was held on August 13-17, 2012.</p> <p>* There were eight instances where the District expended a total of \$59,251 without the use of purchase orders.</p> <p>* There was one instance where the District paid \$50,000 to a vendor without a contract. The vendor was hired to conduct a District diagnosis of current data driven instructional practices.</p>	<p>regarding grant management.</p> <p><i>District officials generally agreed with the recommendations and plan on implementing corrective action.</i></p>
<p><b>Office of the State Comptroller</b></p>		
<p><b>Audit</b></p>	<p><b>Major Finding(s)</b></p>	<p><b>Recommendation/Response</b></p>
<p><b>Beacon City School District 2014-2015 Budget Review B6-14-10 9th Judicial District</b></p>	<p>The significant revenue and expenditure projections in the proposed budget are reasonable.</p> <p>The 2014-15 preliminary budget includes the appropriation of \$3.5 million of fund balance to help finance the 2014-15 operations. District officials also plan to liquidate portions of the Tax Reduction Reserves in the 2014-15 budget. The District's actions are reasonable, given the current economic conditions. However, District officials must keep in mind that the continued reliance on using fund balance to fund District operations will eventually deplete fund balance. In future years, District officials will need to identify other revenue sources to replace fund balance or make corresponding reductions in expenditures.</p> <p>The District's proposed budget complies with the property tax levy limit.</p>	<p>There are no recommendations.</p>
<p><b>Brookfield Central School District Financial Condition 2014M-48 6th Judicial District</b></p>	<p>The Board and District management are not effectively managing the District's financial condition, and its reported financial position is declining. While the District's reported fund balance shows a deficit, most of its fund balance appropriations are in fact not being used. District officials appropriated fund balance as a funding source for the past</p>	<p><b>6 recommendations</b></p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding budgeting and the use of</p>



	<p>three years in amounts that were unnecessary and exceeded the fund balance actually available. As a result, at the end of 2012-13 fiscal year, the District's reported unassigned fund balance had declined to a deficit of \$369,347. The District could improve its reported financial position by not appropriating unnecessary fund balance and, further, by appropriately transferring retired debt proceeds to the general fund. Additionally, the Board does not effectively monitor the budget throughout the year, and the Business Manager/Treasurer did not provide the Board with budget status reports or budget transfer reports.</p>	<p>fund balance.</p> <p><i>District officials generally agreed with the recommendations and planned on implementing corrective action.</i></p>
<p><b>Chenango Valley Central School District 2014-2015 Budget Review B4-14-8 6th Judicial District</b></p>	<p>The significant revenue and expenditure projections in the proposed budget are reasonable.</p> <p>The 2013-14 budget review report included a recommendation that District officials adopt a food service fund budget that more closely aligned with previous years' actual results of operations, plus any known needs or additional expenditures, as the 2013-14 proposed budgeted revenues and appropriations were higher than average actual results by \$65,000 (9.5 percent) and \$120,000 (19.1 percent), respectively. While District officials did not amend their proposed 2013-14 food service fund budget prior to adoption, the projected 2013-14 actual revenues and expenditures are fairly close to the budgeted amounts – the budget-to-actual variances are expected to be within \$30,000 (4 percent) and \$43,000 (5.8 percent), respectively. District officials took some corrective action in the 2014-15 food service budget as the estimates are more in line with the recent trend of prior years' actual results. However, both revenues and expenditures have been increasing recently, with expenditures outpacing revenues. District officials stated the 2014-15 budgeted revenues were based on a projected small</p>	<p>There are no recommendations</p>

	<p>increase in breakfast and lunch sales which, if enacted, could help revenues keep pace with rising expenditures.</p> <p>The District's proposed budget complies with the property tax levy limit.</p>	
<p><b>Dryden Central School District</b>  <b>Financial Condition</b>  <b>2013M-396</b>  <b>6th Judicial District</b></p>	<p>The Board did not adopt reasonable budgets. Over the last five fiscal years 2008-09 through 2012-13, the District budgeted to use an average of \$495,000 of unexpended surplus funds to fund the ensuing year's expenditures. However, the District did not use these funds as intended because revenues exceeded expenditures by an average of more than \$1 million in each of these years. As a result, the District's unexpended surplus funds, totaling \$2.7 million as of June 30, 2013, were 7.5 percent of the 2013-14 budgeted appropriations, which exceeded the statutory limit of 4 percent. Further, as of June 30, 2013, the District had accumulated a total of \$7 million in its reserve funds. The audit found that the Employee Benefit Accrued Liability Reserve (EBALR) is overfunded by more than \$1.1 million. Also, the District's total balances of \$1.75 million in the Retirement Contributions Reserve and \$151,000 in its Unemployment Insurance Reserve are enough to cover the associated liabilities for at least three years without any additional funding. Therefore, we question the District's need to maintain these reserves at their current funding levels.</p>	<p><b>4 recommendations</b></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 implementing corrective action.</i></p>
<p><b>East Moriches Union Free School District</b>  <b>2014-2015 Budget Review</b>  <b>B7-14-3</b>  <b>10th Judicial District</b></p>	<p>The significant revenue and expenditure projections in the proposed budget are reasonable.</p> <p>The District's proposed budget complies with the property tax levy limit set by statute.</p>	<p>There are no recommendations.</p>

<p><b>Fabius-Pompey Central School District 2014-2015 Budget Review B3-14-5 5th Judicial District</b></p>	<p>The significant revenue and expenditure projections in the proposed budget are reasonable.</p> <p>The District's proposed budget currently includes a tax levy that is slightly over the statutory limit.</p>	<p>There are no recommendations.</p> <p>District officials plan to adjust the proposed budget as needed to ensure it does not exceed the tax levy limit.</p>
<p><b>Gananda Central School District Financial Condition 2014M-62 7th Judicial District</b></p>	<p>In recent years, the District has struggled with fiscal challenges and deteriorating financial condition. The audit found that the Board adopted budgets that limited tax increases by balancing its budgets with appropriations of fund balance and reserves. As a result, by the end of the 2012-13 fiscal year, the District had approximately \$2 million remaining in reserves, and unexpended surplus funds of \$461,000.</p>	<p><b>1 recommendation</b></p> <p>The report's recommendation focused primarily on strengthening the policies and procedures regarding the use of fund balance.</p> <p><i>District officials generally agreed with the recommendation, and planned on implementing corrective action.</i></p>
<p><b>Liberty Central School District 2014-2015 Budget Review B4-14-6 3rd Judicial District</b></p>	<p>Except for certain matters related to the food service fund, the significant revenue and expenditure projections in the proposed budget are reasonable.</p> <p>The District's proposed budget complies with the property tax levy limit set by statute.</p>	<p>It is recommended that the District officials continue to prepare projections of year-end fund balance for the food service fund and develop a long-term plan to help them further decrease their reliance on general fund subsidies.</p> <p><i>As part of the corrective action from prior year's budget review, District officials have taken some corrective action by preparing a projection of year-end fund balance for the food service fund while also</i></p>

		<i>improving the overall solvency of the fund. The District expanded on the reimbursable programs in the food service fund as a means to increase revenue and decrease reliance on transfers and loans from other funds.</i>
<b>New Rochelle City School District Financial Condition 2013M-377 9th Judicial District</b>	The audit reviewed budget-to-actual results for fiscal years 2010-11 through 2012-13 and found that District officials adopted budgets with realistic revenue and expenditure estimates. However, District officials have relied heavily on appropriated fund balance as a financing source in the annual budgets, which has reduced the District's unrestricted, unappropriated funds.	<b>1 recommendation</b>  The report's recommendation focused primarily on strengthening the policies and procedures regarding the use of fund balance.  <i>District officials generally agreed with the recommendation and planned on implementing corrective action.</i>
<b>Orchard Park Central School District School Bus Procurement and Reserves 2013M-368 8th Judicial District</b>	District officials did not verify that all non-original equipment manufacturer (OEM) school bus options were consistent with State contract pricing for the 16 school buses they purchased in 2012-13 and 2013-14. District officials did not obtain the State contract list price books, apply the appropriate contract discounts or compare the resultant prices with the invoice prices. As a result, they overpaid by \$12,080 for two non-OEM options (rust proofing and heaters) installed on 12 of the buses.  The Board did not properly plan for the use of reserve funds. As of June 30, 2013, the District had seven reserve funds with balances totaling \$5 million. The audit analyzed these reserves for reasonableness and adherence to statutory requirements, and found the balances of five of the reserves	<b>5 recommendations</b>  The report's recommendations focused primarily on strengthening the policies and procedures regarding school bus procurement and the use of reserves.  <i>District officials generally agreed with the recommendations and planned on implementing corrective action.</i>

	<p>appeared to be reasonable. However, the balances of two reserves (the unemployment insurance and tax reduction reserves) with balances totaling approximately \$2.2 million appeared higher than necessary to fund costs that may be legally paid from these reserves. District officials should use the excess reserve funds to pay off debt or finance one-time expenditures.</p>	
<p><b>Oysterponds Union Free School District Financial Management, Check Signing and Information Technology 2014M-10 10th Judicial District</b></p>	<p>The Board needs to improve its oversight and management of the District's budget. Over the last four fiscal years, the District's conservative budgeting practices resulted in operating surpluses that totaled approximately \$164,000. To reduce fund balance, the Board appropriated unexpended surplus funds each year, for a four-year total of nearly \$1.3 million, to help finance the ensuing year's operations. However, because of the District's surpluses, approximately \$1 million of the fund balance appropriations over the four years went unused. As a result, the District accumulated unexpended surplus funds equivalent to 11 percent of the ensuing years' budgets, or nearly three times the amount allowed by law. Further, the audit found that the amount retained in the District's retirement contribution reserve is excessive and the District made retirement payments out of the general fund rather than the reserve fund. These ongoing budgeting practices resulted in taxpayers paying more than necessary to sustain District operations.</p> <p>The Board improperly appointed its President, in place of the Treasurer, as the sole signatory on District checks under \$5,000, with its Vice President as co-signor for all District checks over \$5,000. This Board action allowed one of its members to, in effect, also act as Treasurer for the purpose of disbursing District funds, which is prohibited by Education Law. By usurping the Treasurer's disbursement functions, the</p>	<p><b>10 recommendations</b></p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding budgeting, the use of fund balance, check signing, and information technology.</p> <p><i>District officials generally agreed with the recommendations and planned on implementing corrective action.</i></p>

	<p>Board has diminished an important segregation of functions and compromised the checks and balances that are designed to help ensure that District moneys are properly expended.</p> <p>The Board has not developed and adopted policies, including a disaster recovery plan and a breach notification policy, to ensure the District's electronic data is adequately safeguarded. As a result, the District's IT system and electronic data are at risk of loss or damage. Finally, the District may not be prepared to fulfill its legal obligation to notify affected individuals in the event that private information is compromised.</p>	
<p><b>Port Jefferson Union Free School District Information Technology 2014M-39 10th Judicial District</b></p>	<p>The Board and District officials need to improve controls over the District's IT assets. The Board has not established a computer use policy for employees to define appropriate user behavior or procedures to ensure the security of the District's IT system. The Treasurer has administrative rights to the District's financial software that allow her to control and use all aspects of the financial software application, which creates the opportunity for the manipulation and concealment of transactions. Also, the District's vendor master file is outdated with inactive vendors and duplicate names for the same vendors.</p> <p>In addition, the District has no controls in place over remote access, such as user authorizations, policies or monitoring, and has not enabled the audit trail function for its network operating system. Therefore, the District cannot ensure accountability for unauthorized users, reconstruction of events, intrusion detection, and problem identification. Finally, physical security over the District's server room is inadequate, and the District's computer asset inventory record is incomplete and inaccurate. As a result, the District's IT</p>	<p><b>10 recommendations</b></p> <p>The report's recommendations focused primarily on strengthening the policies and procedures regarding information technology.</p> <p><i>District officials generally agreed with the recommendations and planned on implementing corrective action.</i></p>

	resources are subject to an increased risk of unauthorized access, manipulation, theft and loss.	
<b>Portville Central School District Financial Condition 2013M-384 8th Judicial District</b>	The Board failed to ensure fund balance was maintained within legally established limits and that residents were not taxed more than necessary. Although District officials appropriated on average \$630,000 of fund balance in each of the last five fiscal years to reduce the tax levy, the District had operating surpluses in four of the five years reviewed. District officials then used excess fund balance to fund five reserves that, as of June 30, 2013, totaled over \$2 million. One of the District's reserve funds had approximately \$434,000 or 50 percent more than the amount needed for authorized purposes. Also, three of the District's reserves, with balances totaling approximately \$775,000, were not supported by a plan setting forth the amounts to be retained or when the balances would be used. As such, the District has not demonstrated a valid need for about 60 percent of the amounts set aside in these reserve funds.	<b>4 recommendations</b>  The report's recommendations focused primarily on strengthening the policies and procedures regarding budgeting and the use of fund balance.  <i>District officials generally agreed with the recommendations and planned on implementing corrective action.</i>
<b>Salem Central School District Internal Controls Over Extra-Classroom Activity Funds 2013M-394 4th Judicial District</b>	The audit found that the Board and District officials did not adopt and implement appropriate policies and procedures for the extraclassroom activity fund. As a result, the Board did not receive monthly extraclassroom activity fund records during the audit period. In October 2013, subsequent to the start of the field work, the central treasurer started providing the Board with extraclassroom activity fund records. In addition, the student treasurers lacked sufficient documentation/ accounting records for collections totaling \$23,676, such as profit and loss statements, up-to-date activity ledgers or inventory control forms. The central treasurer did not provide the student treasurers with duplicate receipts for remittances from the various clubs totaling \$23,676. Further, of these funds, there was insufficient documentation supporting	<b>6 recommendations</b>  The report's recommendations focused primarily on strengthening the policies and procedures regarding extraclassroom activity funds.  <i>District officials generally agreed with the recommendations and planned on implementing corrective action.</i>

	<p>\$22,491 collected by the student treasurers to determine if the cash and checks collected were remitted timely to the central treasurer. These deficiencies increase the risk that receipts will not be adequately accounted for and deposited, and moneys could be used for purposes other than intended.</p>	
<p><b>School Districts' Energy Performance Contracts (Downsville CSD, Eldred CSD, Fallsburg CSD, Johnson City CSD, Lansing CSD, Middleburgh CSD, Monticello CSD, Schoharie CSD) 2013-MR-1</b></p>	<p>The eight districts included in this audit (Downsville Central School District, Eldred Central School District, Fallsburg Central School District, Johnson City School District, Middleburgh Central School District, Lansing Central School District, Monticello Central School District and Schoharie Central School District) had nine Energy Performance Contracts (EPCs) that were initiated between February 2002 and August 2012 with total capital project costs of approximately \$20.6 million.</p> <p>Seven of the nine EPCs that were reviewed will achieve projected net actual savings but only six of the seven will meet the guaranteed energy consumption or cost savings projected by the Energy Service Companies (ESCOs). However, most of the savings will be the result of grants or State aid received to help finance the acquisition and installation of the capital equipment and assets used in the projects. Among the districts that met the guaranteed savings, a common factor was that district officials monitored the performance of their projects independently from the ESCOs' reconciliation of the project outcomes. The districts that did not achieve the guaranteed savings did not have monitoring procedures in place.</p>	<p><b>2 recommendations in global report and 13 recommendations in individual reports</b></p> <p>It was recommended that school districts implement monitoring procedures to include timely reviews of energy consumption and the related costs and compare with the EPC's annual guaranteed energy cost savings or to the ESCO's annual reconciliation reports. In addition, the districts should consult their district's legal counsel to determine whether action should be taken to recoup the difference between the amount of cost savings that was guaranteed by the ESCO and the district's actual savings/losses.</p> <p><i>The districts generally agreed with the findings and recommendations.</i></p>
<p><b>State Education Department and TheraCare Preschool Services, Inc. Compliance with the</b></p>	<p><b>\$876,898 adjustment (1.75% of claimed expenditures)</b></p> <p>The audit disallowed \$876,898 in costs claimed by TheraCare Preschool Services, Inc. (TheraCare) because they did not comply with applicable provisions of the Manual. The</p>	<p><b>2 recommendations</b></p> <p>It is recommended that the Department review the disallowances resulting from the</p>



<p><b>Reimbursable Cost Manual 2012-S-21 1st, 2nd, 11th, 12th, and 13th Judicial District</b></p>	<p>disallowances include:</p> <ul style="list-style-type: none"> <li>* \$316,539 in compensation paid to TheraCare’s Executive Director, Chief Financial Officer and acting Assistant Executive Director in excess of SED’s allowable compensation levels;</li> <li>* \$474,080 in employee bonus payments that were not in compliance with Manual guidelines;</li> <li>* \$76,766 in unnecessary and inappropriate South American recruitment-related costs;</li> <li>* \$9,513 in other non-personal service expenses that were either unsupported or not program-appropriate.</li> </ul>	<p>audit, make the appropriate adjustments to costs reported on the CFRs and to TheraCare’s tuition reimbursement rates, and recover the overpayments as appropriate, along with working with TheraCare officials to help ensure that only eligible costs are included on their CFRs.</p> <p><i>The Department agreed with the recommendations and will review and make adjustments as noted in the report and recover any overpayments as appropriate, along with providing technical assistance to the provider.</i></p>
<p><b>Vestal Central School District Financial Condition 2014M-8 6th Judicial District</b></p>	<p>The Board and District officials did not develop reasonable budgets. Revenue estimates were generally close to the actual revenues received. However, over the last five fiscal years, the District’s general fund spent \$21.7 million less than planned. As a result of these budgetary surpluses, the District did not use any of the appropriated fund balance planned to finance operations (an average of \$3.5 million for each of the last five years). Instead, between 2008 and 2013, the District’s total fund balance for the general fund increased \$4.8 million while the real property tax levy also increased by about \$4.8 million.</p>	<p><b>4 recommendations</b></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 implementing corrective action.</i></p>
<p><b>Westport Central School District Internal Controls Over Payroll</b></p>	<p>The audit found that District officials established adequate internal controls over payroll. District officials implemented specific procedures to ensure that individuals reported and paid on the payrolls were paid at their approved salaries and</p>	<p>There were no recommendations.</p>

<b>2014M-13</b> <b>4th Judicial District</b>	wages and that they received only the benefits to which they were entitled.	
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**Regents Committee on Audits/Budget and Finance  
May 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.

<b>Auditor</b>	<b>Auditee-Scope</b>	<b>Judicial District# - Regent</b>	<b>Month Presented</b>	<b>Result of CAP review</b>
OSC	Elmira – Race to the Top	6 <sup>th</sup> - Tallon	Jan 2014	Sufficient

**Elmira' CAP**

Elmira officials agreed with all the audit recommendations. District strengthened control by increasing staff oversight and cross-checking to improve accuracy of expenditures claimed and timely submission of required report. The District also addressed the audit disallowance by its re-submission of the final expenditure report.