



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:** June 16, 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)

**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 5 audits this month. (Attachments I & II)

Audits are provided as follows:

Office of Audit Services  
Poughkeepsie City School District

Office of the State Comptroller

Campbell-Savona Central School District  
CUNY Medgar Evers College TAP Audit  
LaSalle School  
Pratt Institute TAP Audit

## **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  
June 2014  
Review of Audits Presented  
Department's Internal Audit Workgroup**

Newly Presented Audits

We reviewed the 5 audits that are being presented to the Committee this month. One audit was issued by the Office of Audit Services and 4 were by the Office of the State Comptroller (OSC). Two audits were of school districts, two were of colleges and one was of a special education services provider.

The findings were in the areas of budgeting, procurement, tuition assistance program, and payroll.

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 TAP audit of the Medgar Evers College to bring to the Committee's attention due to the significant amount of disallowance.

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

| <b>Audit Summary</b>  | <b>Recommendation/Response</b>   |
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| <p><b>Medgar Evers College – Tuition Assistance Program (TAP)</b></p> <ul style="list-style-type: none"> <li>• OSC Audit</li> <li>• The amount of disallowance is \$3.4 million or 15% of total award for the 3-years audited.</li> <li>• Findings are consistent with most TAP audits: students not in full-time attendance; not in a good academic standing; not matriculated; not credited to student accounts; not meeting citizenship/residency requirements.</li> </ul> | <p>The report recommended Higher Education Services Corporation recover the amount disallowed and ensure College officials comply with TAP award requirements related to student requirements. Likewise, the report recommended the Department ensure compliance with its requirements related to full-time attendance, good academic standing, matriculation and approved programs.</p> |

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

| Audit  | Procurement | Payroll  | Budgeting | Tuition Assistance Program (TAP) | Other    |
|--|-------------|----------|-----------|----------------------------------|----------|
| <b>Office of Audit Services</b>  |             |          |           |                                  |          |
| * Poughkeepsie City School District (footnote 1)   |             |          |           |                                  | √        |
| <b>Office of the State Comptroller</b>   |             |          |           |                                  |          |
| Campbell-Savona Central School District  |             |          | √         |                                  |          |
| State Education Department and Higher Education Services Corporation (2011-T-4 - Medgar Evers College) |             |          |           | √                                |          |
| State Education Department and Higher Education Services Corporation (2013-T-3 - Pratt Institute)      |             |          |           | √                                |          |
| * State Education Department and LaSalle School  | √           | √        |           |                                  |          |
| <b>June 2014</b>   | <b>1</b>    | <b>1</b> | <b>1</b>  | <b>2</b>                         | <b>1</b> |

1 Race to the Top (RTTT)

| <b>Office of Audit Services</b>  |   |  |
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| <b>Audit</b>   | <b>Major Finding(s)</b>   | <b>Recommendation/Response</b>   |
| <b>Poughkeepsie City School District<br/>American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) Grant - July 1, 2012 to June 30, 2013<br/>SD-1113-05<br/>9th Judicial District</b> | <b>\$1,083 adjustment (.9% of claimed expenditures)</b><br><br>The audit reported that the District claimed \$1,053 in expenditures that should not have been reimbursed through RTTT because they were for Network Team Institute (NTI) registration fees. In addition, there were exceptions noted related to processing of travel expenditures. An employee who attended the NTI conference in July 2012 used a different reimbursement rate than what was in effect at the time of travel. The District also claimed 11 employee travel expenditure reimbursements under the purchased services code instead of the travel expenses code in the final expenditure report.   | <b>3 recommendations</b><br><br>The report's recommendations focused primarily on strengthening the policies and procedures regarding grant expenditures.<br><br><i>District officials generally agreed with the recommendations and plan to implement corrective action.</i>                    |
| <b>Office of the State Comptroller</b>   |   |  |
| <b>Audit</b>   | <b>Major Finding(s)</b>   | <b>Recommendation/Response</b>   |
| <b>Campbell-Savona Central School District<br/>2014-2015 Budget Review<br/>B2-14-11<br/>7th Judicial District</b>  | The review found the District's proposed budget is not reasonable. The District's 2014-15 appropriations are \$23,108,013, which are \$3.6 million more than the District's actual expenditures for the last completed fiscal year, 2012-13. Because the District has overestimated appropriations and underestimated State aid by almost \$680,000 (as well as other, insignificant revenues), the District's proposed tax levy is higher than necessary. Furthermore, District officials have used operating surplus to create or increase reserves to ensure that fund balance did not exceed the 4 percent limitation allowed by law.<br><br>The District's tentative budget complies with the property tax levy limit. | <b>1 recommendation</b><br><br>It is recommended that District officials increase the State aid estimate in the tentative budget to a reasonable amount, reduce appropriations to more realistic levels, and use unexpended surplus funds in excess of the 4 percent limit to benefit taxpayers. |

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| <p><b>State Education Department and Higher Education Services Corporation<br/>Audit of the Tuition Assistance Program at Medgar Evers College<br/>2011-T-4<br/>2nd Judicial District</b></p> | <p><b>\$3,398,205 adjustment (15% of total award)</b></p> <p>A random sample of 150 Tuition Assistance Program (TAP) certifications made during the three-year period ended June 30, 2010 was tested to determine whether only eligible students were certified for TAP by Medgar Evers College (College) officials. The audit determined that the College was overpaid \$3,398,205 as a result of inappropriate TAP certifications made on behalf of ineligible students.</p> <p>The audit disallowed 30 payments totaling \$52,607 for a variety of reasons, including payments for students who did not meet the full-time attendance requirement and payments for students who were not in good academic standing. The audit's statistical projection of these 30 awards to the school's payment population for the three-year review period results in an audit disallowance of \$3,342,692.</p> <p>The audit also disallowed another 38 awards, totaling \$62,139, relating to payments for some of these sampled students outside of the three-year review period. In addition, during the review period, College officials decertified one award, disbursed refund checks to two students whose accounts were not previously credited, and refunded to Higher Education Services (HESC) the associated payment for a fourth student whose account also had not been previously credited. These corrective actions total \$6,626.</p> | <p><b>1 recommendation</b></p> <p>It is recommended that HESC recover \$3,398,205, plus applicable interest, from the College for its incorrect TAP certifications. HESC should ensure College officials post TAP awards to student accounts within the mandated time limits and verify that student citizenship and residency requirements are met as cited in the report.</p> <p><i>It is recommended that the Department ensure College officials comply with Department requirements relating to full-time attendance, good academic standing, matriculation, and approved programs as cited in the report.</i></p> |
| <p><b>State Education Department and Higher Education Services Corporation<br/>Audit of Tuition Assistance Program at</b></p>   | <p><b>\$35,736 adjustment (.91% of total award)</b></p> <p>A random sample of 50 TAP certifications made during the three-year period ended June 30, 2012 was tested to determine whether only eligible students were certified for TAP by Pratt Institute (Pratt) officials. The audit determined</p>   | <p><b>1 recommendation</b></p> <p>It is recommended that HESC recover the remaining \$35,739 plus applicable interest in awards paid to Pratt for inappropriately certified</p>   |

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| <p><b>Pratt Institute<br/>2013-T-3</b></p>   | <p>that Pratt was overpaid \$35,736 as a result of inappropriate TAP certifications made on behalf of ineligible students.</p> <p>The audit determined that Pratt's certification procedures substantially complied with the governing Law and Regulations during the audit period for the transactions we tested. The audit concluded there is a low risk that a significant number of students certified for TAP were not eligible for awards. However, the audit's tests did disclose 26 awards totaling \$38,236 that school officials certified in error. After the identified errors and associated disallowances were discussed with school officials, one award for \$2,450 was decertified and a \$50 refund check was issued to a student.</p>  | <p>students, and ensure Pratt officials comply with requirements relating to residency and crediting student TAP awards.</p> <p><i>It is recommended that the Department ensure Pratt officials comply with the requirements relating to good academic standing, matriculation, and full-time attendance cited in the report.</i></p>  |
| <p><b>State Education<br/>Department and LaSalle<br/>School<br/>Compliance with the<br/>Reimbursable Cost<br/>Manual<br/>2012-S-68<br/>3rd Judicial District</b></p> | <p><b>\$433,968 adjustment (3.77% of total award)</b></p> <p>The audit disallowed \$433,968 in costs claimed by LaSalle School (School) because they did not comply with applicable provisions of the Reimbursable Cost Manual (Manual). The disallowances include:</p> <ul style="list-style-type: none"> <li>* The School claimed \$433,968 in personal service and other than personal service costs (OTPS) that were unnecessary, unallowable or not correctly reported on the CFR.</li> <li>* The disallowances for personal services included \$375,240 in compensation for uncertified teachers and \$38,745 in other ineligible employee compensation.</li> <li>* The disallowances for OTPS included \$11,450 in unsupported vehicle costs, \$3,135 in inadequately documented staff travel, \$3,005 in inadequately documented credit card purchases and ineligible credit card fees, \$1,750 in ineligible administrative costs and \$643 in ineligible costs for staff conferences.</li> <li>* The School's Board of Trustees failed to report less-than-arm's-length business arrangements on its CFR and did not</li> </ul> | <p><b>2 recommendations</b></p> <p>It is recommended that the Department review the disallowances resulting from the audit, make the appropriate adjustments to costs that the School reported on its CFRs and to tuition reimbursement rates, and provide School administrators and staff with training and/or additional guidance on the application of the Manual as appropriate.</p> <p>It is also recommended that School officials ensure that the reporting of reimbursable expenses complies with Department requirements and that professional employees have the certifications required for the</p> |



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|  | comply with RCM requirements pertaining to the documentation of cost allocation methodologies and preparation and maintenance of employee time and attendance sheets. | positions they hold.<br><i>Department officials agreed with the recommendations and will implement adjustments as appropriate.</i> |
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