



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: September 8, 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. Audit Initiatives – Office of Audit Services 2014-15 Audit Plan (Attachment I)
2. Completed Audits including the Report of the Internal Audit Workgroup. (Attachments II & III)
3. Report on Corrective Action Plans received from a previously highlighted audit. (Attachment IV)

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. Audit Initiatives – The Committee is being briefed on the planned audit initiatives for the Office of Audit Services. (Attachment I)
2. Completed Audits including the Report of the Internal Audit Workgroup
The Committee is being presented with 44 audits this month. (Attachments II & III)

Audits are provided as follows:

Office of Audit Services

Enlarged City School District of Middletown
Mount Vernon City School District
Rochester City School District

Office of the State Comptroller

Akron Central School District
Amagansett Union Free School District
Argyle Central School District
Bilinguals Inc.
Brunswick Central School District
Cambridge Central School District
Canaseraga Central School District
Carthage Central School District
Chenango Forks Central School District
Churchill School and Center
Duanesburg Central School District
East Quogue Union Free School District
Elwood Union Free School District
Enlarged City School District of Troy
Fallsburg Central School District
Forestville Central School District
Genesee Valley Central School District
Hamburg Central School District
Hoosic Valley Central School District
Iroquois Central School District
Lackawanna City School District
Moriah Central School District
New Hyde Park-Garden City Park Union Free School District
New Paltz Central School District
North Bellmore Union Free School District
Northern Adirondack Central School District
Norwich City School District
Pine Valley Central School District
Port Byron Central School District
Randolph Central School District
Richfield Springs Central School District

Schenevus Central School District
Shelter Island Union Free School District
Tri-Valley Central School District
True North Rochester Preparatory Charter School
Audit of the Tuition Reimbursement Account for the Three Fiscal Years Ended March 31, 2013
Washingtonville Central School District
Yonkers Public Schools

City of New York Office of the Comptroller

New York City Department of Education's Custodial Supply Management
Contract with Strategic Distribution, Inc.
New York City Department of Education Efforts to Alleviate Overcrowding in School Buildings
New York City Department of Education Controls over Payments for Carter Cases by the New
York City Department of Education's Bureau of Non-Public Schools Payables

3. Report on Corrective Action Plans Received from a Previously Highlighted Audit (Attachment IV)

Recommendation

No action required for audit initiatives and presentation of audits.

Timetable for Implementation

N/A

The following materials are attached:

- 2014-15 Audit Plan (Attachment I)
- Report of the Internal Audit Workgroup and Summary of Audit Findings including Audit Abstracts (Attachments II and III)
- Report on Corrective Action Plans Received from a Previously Highlighted Audit (Attachment IV)

**Office of Audit Services
Summary of Audit Plan
July 1, 2014 – June 30, 2015**

Audits of School Districts/BOCES

- Race to the Top – In its second full year as an audit initiative, OAS will conduct more audits of the Race to the Top Grant (RTTT). Audits will examine the reliability of data and allowability of expenditures that has been submitted by districts for expenses incurred in implementing approved scope of work plan and budget. In addition, audits will also look at the allowability of BOCES use of funds paid by districts related to the implementation of RTTT. These audits represent a significant component of the Department’s RTTT Monitoring Plan that was submitted to the United States Education Department.
- Employment Preparation Education (EPE) Program – Historically, audits of this program showed significant non-compliance by providers and have resulted in millions of dollars of disallowance. The audits will determine if EPE funds were used exclusively for EPE programs; if the programs were conducted in compliance with applicable laws, rules and regulations; if the program has the necessary supporting documentation/files; if reported contact hours are accurate; and if EPE service providers have the necessary certifications.
- Data Reliability Audit – Audits will focus on graduation rate and attendance rate reported to the Department by districts/schools. Audits will examine district records to ensure that they support the rates reported.

Community Based Organizations Recipients of Federal Funds

- 21st Century Funds/Extended School Day - Recent audits conducted by the Office of the State Comptroller (OSC) have identified serious findings where community-based organizations claimed reimbursement for inappropriate expenditures and lacked the accounting systems to appropriately account for the funds. These audits have led to significant disallowances of funding and a recommendation to the Department to improve monitoring and oversight. As begun in last year’s audit plan, OAS will continue to audit a number of sub-recipients to verify the adequacy of their accounting systems and appropriateness of expenditure claims.

Internal Audit of Department Operations

- Payment of Grant Contracts – The audit will focus on the controls in place to ensure that payment is only made on appropriate and allowable voucher claims.

Follow-up Audits

OAS will conduct follow-up audits of a selection of audits issued during the past two audit plan years.

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

Newly Presented Audits

The Department's Internal Audit Workgroup reviewed the 44 audits that are being presented to the Committee this month. Three audits were issued by the Office of Audit Services, 38 were by the Office of the State Comptroller (OSC), and three by the New York City Office of the Comptroller. Thirty-seven audits were of school districts, two were of special education services providers, one was of a charter school, one was of a Department account and three were of New York City Department of Education's functions.

The findings were in the areas of budgeting, financial reporting, cash, procurement, 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 Internal Audit Workgroup identified the audit of two special education services providers pertaining to compliance with the Reimbursable Cost Manual to bring to the Committee's attention for informational purposes. The workgroup also notes that, of the 44 audits presented this month, 18 audits examined the financial condition/management, budgeting, and reserves of school districts. Of the 18, 13 have findings of overestimating budgeted expenditures leading to operating surpluses and exceeding the statutory limit of the fund balance. One district overestimated its expenditures by up to \$21.3 million during a 4-year period and another district generated an operating surplus of up to \$14 million during a 5-year period and exceeded the statutory limit of its fund balance by over \$10.8 million or 23.6% of the following year's budget. The remaining 5 districts either had a low level of fund balance such that a risk of not having enough funds for unforeseen events exists or show improvement in the district officials' management of financial condition through the adoption of more reasonable budgets and/or using excess funds to pay off debts.

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

Audit Summary	Recommendation/Response
<p>Churchill School and Bilinguals Inc. – Compliance with the Reimbursable Cost Manual</p> <ul style="list-style-type: none"> • OSC Audits • Churchill provides special education services to children in K-12; Bilinguals provide SEIT and preschool integrated special education services. • A total of over \$3 million disallowance for Churchill, including: compensation for non-program staff of over \$1.4 million; food, parties, gifts and other ineligible/undocumented expenses of over \$439,000; unallowable employee bonuses of over \$429,000; and executive level salaries exceeding the allowable compensation level of \$376,000. • A total disallowance of over \$875,000 for Bilinguals, including personal service costs of \$541,405 in compensation for non-program staff; unallowable employee bonuses; excessive compensation to executives; and improperly allocated personal service costs. Disallowed non-personal service costs amounted to \$128,629 including such costs as a Manhattan apartment, cable TV, 3 vehicles for the executives and other expenses that are 	<p>The report's recommendations focused on the review and adjustment of the fiscal reports and tuition reimbursement rates based on the disallowed costs, the need to provide assistance to the providers to ensure compliance with the Manual, and review of findings related to program matters for remedial action.</p> <p><i>Department officials agreed with the findings and recommendations.</i></p> <p><u>Next Step</u></p> <p>The Department is currently in the process of reviewing the providers' CFRs and will make necessary adjustments and recover any overpayments as appropriate by recalculating tuition rates. In the case of Churchill, prior to the audit, the Department had reduced reimbursement funding during the audit period by over \$4 million.</p> <p>The Department has placed these two providers on <i>conditional approval</i> status. To retain State approval, they must implement a corrective action plan, subject to the Department's approval, to correct and/or remedy each of the OSC audit findings of noncompliance. The corrective action plan must identify how each provider will or has revised its policies procedures and practices to address the specific findings and to make systemic changes to be implemented to assure the Department that these deficiencies and violations will not recur.</p>

<p>personal in nature such as gift cards, parties and funeral expenses. Lastly, \$205,695 in international recruitment expenses for unqualified individuals or for individuals who did not work for the programs was also disallowed.</p>	
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September Regents Audits/Budget and Finance Committee Meeting Summary of Audit Findings

Audit	Procurement	Payroll	Cash/Electronic Transfer	Financial Reporting	Information Technology	Capital Construction	Extracurricular Activity Fund	Segregation of Duties	Budgeting	Other
Office of Audit Services										
Enlarged City School District of Middletown	√									
* Mount Vernon City School District (footnote 7)										√
Rochester City School District				√						
Office of the State Comptroller										
* Akron Central School District (footnote 5)		√								√
Amagansett Union Free School District				√					√	
Argyle Central School District		√						√		
* Bilinguals, Inc and State Education Department (footnote 9)										√
Brunswick Central School District									√	
Cambridge Central School District							√			
* Canaseraga Central School District (footnote 2)			√							√
Carthage Central School District				√					√	
Chenango Forks Central School District				√					√	
* Churchill School and Center and State Education Department (footnote 9)										√
** Duanesburg Central School District										
East Quogue Union Free School District		√			√					
Elwood Union Free School District			√					√		
** Enlarged City School District of Troy										
Fallsburg Central School District				√					√	
* Forestville Central School District (footnote 3)										√
* Genesee Valley Central School District (footnote 8)							√			√
Hamburg Central School District						√				
* Hoosic Valley Central School District (footnote 8)				√					√	√

Audit	Procurement	Payroll	Cash/Electronic Transfer	Financial Reporting	Information Technology	Capital Construction	Extraclassroom Activity Fund	Segregation of Duties	Budgeting	Other
Iroquois Central School District				√					√	
Lackawanna City School District				√					√	
* Moriah Central School District (footnote 6)										√
New Hyde Park-Garden City Park Union Free School District				√					√	
New Paltz Central School District				√					√	
North Bellmore Union Free School District				√					√	
Northern Adirondack Central School District							√			
* Norwich City School District (footnote 2)								√	√	√
Pine Valley Central School District	√			√					√	
Port Byron Central School District				√					√	
* Randolph Central School District (footnote 8)				√					√	√
Richfield Springs Central School District				√					√	
Schenevus Central School District				√					√	
Shelter Island Union Free School District				√					√	
** State Education Department - Tuition Reimbursement Account (2014-S-17)										
Tri-Valley Central School District									√	
* True North Rochester Preparatory Charter School (footnote 4)										√
* Washingtonville Central School District (footnote 8)										√
Yonkers City School District									√	
New York City Office of the Comptroller										
New York City Department of Education - Custodial Supply Management Contract with Strategic Distribution, Inc. (MG13-079A)	√									
** New York City Department of Education - Controls over Payments for Carter Cases (FM13-087AL)										
* New York City Department of Education - Efforts to Alleviate Overcrowding in School Buildings (7E13-123A) (footnote 1)										√
September 2014	3	3	2	17	1	1	3	3	20	14

- 1 Alleviate Overcrowding
- 2 Cafeteria
- 3 Cafeteria and Transportation
- 4 Charter Management Organization
- 5 Comp Time
- 6 Leave Accruals
- 7 Personnel Activity Reports
- 8 Reserves in Accordance with GML
- 9 Unallowable Costs per Reimbursable Cost Manual

** No recommendations

Office of Audit Services		
Audit	Major Finding(s)	Recommendation/Response
<p>Enlarged City School District of Middletown American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) SD-0314-10 9th Judicial District</p>	<p>Upon the review of expenditures for other-than-personal service costs, the audit found that the District made seven expenditures totaling \$26,378 without the use of purchase orders. In addition, the District made six non-emergency expenditures totaling \$17,939 using confirming purchase orders where the purchase order dates were after services were provided and/or after invoice date.</p>	<p>2 recommendations</p> <p>The report's recommendations focused primarily on strengthening controls over purchasing.</p> <p><i>District officials generally agreed with the recommendation and plan to implement corrective action.</i></p>
<p>Mount Vernon City School District American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) SD-0214-09 9th Judicial District</p>	<p>District officials did not provide accurate periodic certification or personnel activity reports (PARs). According to the District's payroll register, only one employee's salary was charged to RTTT (partially, 20%), the rest of the salary was charged to another grant. District officials provided three sets of PARs for this employee on three different occasions. The first one was for the wrong year, the second did not reconcile with the payroll register (100 percent charged), and eventually, the third was for the correct year and the percentages coincided with the payroll register. We also noted that the employee signed all three sets of PARs on March 4, 2014 (a week prior to the beginning of our fieldwork) while the period that was being certified was July 1, 2012-June 31, 2013.</p>	<p>1 recommendation</p> <p>The report's recommendation focused on ensuring that the PARs for employees who work on multiple cost objectives, comply with federal requirements.</p> <p><i>District officials generally agreed with the recommendation and plan to implement corrective action.</i></p>
<p>Rochester City School District American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) SD-1113-06</p>	<p>\$217,986 adjustment (6.4% of total claim)</p> <p>The District claimed \$121,250 for software licenses for the period March 1, 2013 through June 30, 2014. This expenditure was not allocated between the 2012-13 and the 2013-14 school years that benefitted. The District should have claimed \$30,313 for the 2012-13 school year and the</p>	<p>6 recommendations</p> <p>The report's recommendations focused primarily on claiming allowable costs; following protocol for budget amendments; using proper budget categories; and</p>

<p>7th Judicial District</p>	<p>remaining \$90,937 to the 2013-14 school year. The District also claimed an additional \$67,500 for software licenses for the period October 1, 2013 through June 30, 2014. Since the period for this expenditure is outside the 2012-13 grant award, it should not have been claimed.</p> <p>The District claimed \$3,150 in expenditures that should not have been reimbursed through RTTT, because they were for Network Team Institute conference fees and this is not an allowable expense.</p> <p>The District's approved budget had \$5,682 for Purchased Services, but did not include any amounts for Equipment or BOCES Services. However, the District incurred an expenditure of \$1.1 million for an equipment item and \$3,862 for a BOCES expenditure. Both items were claimed in incorrect budget lines. The District should have submitted an on-line budget amendment to obtain approval from the Department to increase the appropriate budget lines and then report these costs in their appropriate budget categories.</p>	<p>resubmitting a revised Final Expenditure Report reflecting a reduction of \$217,986 in disallowed costs.</p> <p><i>The District generally agreed with the recommendations and have indicated they plan to initiate corrective action.</i></p>
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Office of the State Comptroller

Audit	Major Finding(s)	Recommendation/Response
<p>Akron Central School District Controls Over Compensatory Time 2014M-24 8th Judicial District</p>	<p>The Board has not developed policies or procedures which clarify how compensatory (comp) time will be appropriately administered. Officials use informal, undocumented procedures that are not consistently applied. As a result, request forms are not always submitted timely and the supervisor approving the form may not be able to verify the time that was presumably worked. In addition, policies should provide clarification to contract provisions, such as specifying the circumstances when comp time can be earned, the maximum number of hours that can be accumulated, and any restrictions on the use of accumulated comp time. The audit</p>	<p>5 recommendations</p> <p>The report's recommendations focused primarily on strengthening policies and procedures regarding authorization, use, earning of comp time, internal controls for comp time requests, and accrual of comp time.</p> <p><i>The District generally agreed with</i></p>

	<p>found that some District employees have been accruing comp time during normal work hours. Therefore, some employees were compensated twice for the same hours which could potentially cost the District more than \$82,000.</p> <p>In addition, the audit noted that the current comp time balance for all instructional staff is 5,888 hours. Using the average teacher daily rate of \$332, the value of this total accumulated time is approximately \$264,000. Moreover, if substitute teachers are called in to cover the time that the teacher is absent using comp time, the estimated potential additional cost to the District is \$67,000.</p>	<p><i>the recommendations, and have indicated that they plan to initiate a corrective action plan in the future.</i></p>
<p>Amagansett Union Free School District Financial Condition 2014M-91 10th Judicial District</p>	<p>District officials have underestimated revenues and overestimated appropriations for the budgets for the 2009-10 through the 2012-13 fiscal years. As a result, the District had operating surpluses totaling almost \$1.6 million during this four-year period. Although the Board appropriated unexpended surplus funds each year to help fund the subsequent years' operations, the District did not actually use any fund balance. Furthermore, the District has accumulated unexpended surplus funds of up to two times the amount allowed by statute. District officials used some of the annual operating surpluses to fund six reserves that, as of June 30, 2013, totaled \$1.7 million. However, two of the reserves, with balances totaling over \$1 million, had excessive balances and no formal plan for funding or using the reserves. As a result, the financial transparency to the taxpayers was diminished and real property tax levies have been greater than necessary to fund operations.</p>	<p>2 recommendations</p> <p>The report's recommendations focused primarily on the board and district strengthening financial planning, projections, budgets, and compliance with requirements on reserves and surplus funds.</p> <p><i>The District generally agreed with the recommendations and have indicated that they plan to initiate corrective action.</i></p>
<p>Argyle Central School District Internal Controls Over Payroll</p>	<p>The Board's lack of comprehensive written policies and procedures for payroll processing and maintaining leave time accrual balances has resulted in the bookkeeper performing incompatible duties related to payroll processing and</p>	<p>4 recommendations</p> <p>The report's recommendations focused primarily on implementing</p>

<p>2014M-51 4th Judicial District</p>	<p>maintaining all leave accrual balances, without the mitigating control of District officials sufficiently monitoring or reviewing her work to ensure accuracy. Although sample testing did not reveal any material discrepancies, the District's failure to establish adequate internal controls over payroll processing and leave accrual balances could lead to errors occurring and remaining undetected. Also, the District has an increased risk that it could make inappropriate payments to employees based on errors within their leave accrual records.</p>	<p>policies and procedures regarding payroll processing and leave times, segregation of the bookkeeper's duties, and periodic reviews of leave accrual balances to ensure accuracy.</p> <p><i>The District generally agreed with the recommendations and indicated they plan to initiate corrective action as soon as possible.</i></p>
<p>Bilinguals Inc and State Education Department Compliance With the Reimbursable Cost Manual 2012-S-65 10th Judicial District</p>	<p>\$875,729 adjustment (6.6% of reported costs)</p> <p>For the three years ended June 30, 2011, the audit identified \$875,729 in reported costs that do not comply with the Reimbursable Cost Manual requirements for reimbursement. These costs include \$541,405 in personal service costs, \$128,629 in non-personal service costs and \$205,695 in international recruitment costs. The disallowed personal service costs included salaries and fringe benefits for non-program employees, bonuses paid that are not merit-based, excessive compensation to executives, and severance pay. The disallowed non-personal service costs included unrelated staff and program expenses, meals, and rental expenses for executives.</p>	<p>3 recommendations</p> <p>The report recommended that the Department review the recommended disallowances and adjust Bilinguals' Consolidated Fiscal Reports and tuition reimbursement rates, as appropriate. The Department is also to work with Bilinguals' officials to help ensure their proper reporting of reimbursable costs.</p> <p><i>The Department agreed with the recommendations and indicated that appropriate action would be taken.</i></p>
<p>Brunswick Central School District Financial Condition 2014M-2</p>	<p>The Board consistently and significantly over-estimated District expenditures from the 2010-11 through 2012-13 fiscal years, which caused the District to realize annual operating surpluses totaling approximately \$1.5 million for this period.</p>	<p>2 recommendations</p> <p>The report's recommendations focused primarily on the</p>

<p>3rd Judicial District</p>	<p>Each year, the District appropriated fund balance that it did not use. It then transferred surplus moneys to reserves at the end of the fiscal year, instead of appropriating funds to increase the reserve balances in the annual budgets. This increased the reserve balances while allowing the District to maintain its unexpended surplus fund balance amount at the legal limit. Furthermore, in spite of the operating surpluses, the District raised the real property tax levy by an average of approximately \$326,000 in each year of our audit period. When the District achieves annual operating surpluses, District officials should pass on the benefits of these surpluses to District taxpayers.</p>	<p>strengthening of budget procedures that include realistic estimates of expenditures and review of the appropriateness of reserves.</p> <p><i>The District generally agreed with the recommendations and indicated that they plan to initiate a corrective action plan.</i></p>
<p>Cambridge Central School District Internal Controls Over Extra-Classroom Activity Funds 2014M-63 4th Judicial District</p>	<p>Generally, extra-classroom activity funds (activity fund) are raised by student activity organizations. Students raise and spend these funds to promote the general welfare, education and morale of all students and to finance the normal and appropriate extracurricular activities of the student body. The District's 35 accounts in the activity fund recorded approximately \$104,344 in receipts and \$92,088 in disbursements during the audit period and had a combined cash balance of approximately \$109,943 as of October 31, 2013.</p> <p>The Board and District officials did not adopt and establish appropriate policies and procedures for the activity fund and did not provide adequate oversight. The District's failure to establish adequate internal controls increases the chance that District moneys could be lost or misused.</p>	<p>6 recommendations</p> <p>The report's recommendations focused primarily on establishing policies and procedures for activity funds including procedures for establishing a club, for the financial management, and recordkeeping of those activity funds.</p> <p><i>The District generally agreed with the recommendations and indicated that they plan to initiate corrective action.</i></p>
<p>Canaseraga Central School District Cafeteria Cash Receipts 2014M-57 8th Judicial District</p>	<p>District officials have not addressed all of the weaknesses identified in the prior audit dated April 2008. District officials still have not adopted written policies and procedures governing cafeteria cash receipts. As a result, the District still uses only one cash drawer and at times lacks documentation</p>	<p>4 recommendations</p> <p>The report's recommendations focused on adequate and stringent policies and procedures regarding</p>

	<p>indicating who is using the Point-of-Sale (POS) system and when, or the documentation indicates the same employee, even though two employees use the system on a regular basis. Although individual passwords are required to access the system, they are not routinely changed. Further, District officials do not have documentation to show the cashiers' various access levels to the POS system.</p>	<p>the control environment, collecting and accounting for cash, and proper reporting and reconciliation.</p> <p><i>District officials generally agreed with the recommendations, and provided a corrective action plan with their response.</i></p>
<p>Carthage Central School District Financial Condition 2014M-138 5th Judicial District</p>	<p>District officials have consistently overestimated expenditures by a total of \$19.7 million and increased the tax levy by 11.5 percent over the five-year period ending June 30, 2013. These budgeting practices generated approximately \$14 million in operating surpluses, which caused unexpended surplus funds to exceed statutory limits in each of those years. For example, as of June 30, 2013, unexpended surplus funds exceeded statutory limits by approximately \$10.8 million.</p> <p>Although District officials appropriated at least \$2 million in each year to reduce the tax levy, the Board overestimated expenditures between \$2.6 and \$4.5 million annually, thus negating any benefit the appropriation of fund balance would have in reducing fund balance or the property tax levy. District officials also used some of the operating surpluses to fund five reserves that, as of June 30, 2013, totaled \$4.4 million. Two of these reserves are overfunded.</p>	<p>3 recommendations</p> <p>The report's recommendations focused on the Board and District adopting budgets with realistic expenditure and unexpended surplus fund estimates, using unexpended surplus funds in a manner advantageous to taxpayers, maintaining compliance with statutory limits, and establishing policies and procedures in the usage of reserve funds.</p> <p><i>The District generally agreed with the recommendations and indicated that they plan to initiate corrective action.</i></p>
<p>Chenango Forks Central School District Financial Condition 2014M-98 6th Judicial District</p>	<p>The Board and District administrative staff initiated some significant steps to reduce expenditures and maintain financial stability beginning in the 2010-11 fiscal year. However, the Board-adopted budgets for the 2010-11, 2011-12 and 2012-13 fiscal years that were not structurally balanced to include recurring revenues to finance recurring</p>	<p>2 recommendations</p> <p>The report's recommendations focused on the Board's adoption of budgets which are structurally balanced and reflect actual</p>

	<p>expenditures. Additionally, officials used more than \$1 million of fund balance to finance District operations over this three-year period. Even though the District currently has a fund balance, if these trends continue, it could result in diminished fund balance levels in the future.</p>	<p>revenues and expenditures, as well as the District's continued monitoring of the unrestricted fund balance.</p> <p><i>The District generally agreed with the recommendations and indicated that they planned to initiate corrective action.</i></p>
<p>Churchill School and Center and State Education Department Compliance With the Reimbursable Cost Manual 2012-S-20 1st Judicial District</p>	<p>\$3,023,220 adjustment (7 % of total reported costs)</p> <p>The audit disallowed \$3,023,220 in costs claimed by Churchill school because they did not comply with applicable provisions of the Reimbursable Cost Manual. The disallowances include:</p> <ul style="list-style-type: none"> • \$1,412,227 in compensation costs incurred by the Center and the Development Office, but charged to the Churchill School; • \$439,527 in food, parties, gifts, and other ineligible, inappropriate, and/or insufficiently documented expenses. These expenses included \$9,709 spent on alcoholic beverages; • \$429,729 in employee bonuses that did not comply with Manual requirements; • \$376,597 in compensation paid to the Churchill School's Executive Director and Chief Financial Officer in excess of SED's allowable compensation levels; • \$220,501 in unnecessary transportation costs; • \$144,639 in unallowable equipment depreciation expenses; and • missing computers listed in inventory, questionable staff to student ratios and use of non-certified teachers. 	<p>2 recommendations</p> <p>It is recommended that the Department review the disallowances from the audit and make the appropriate adjustments to costs that the school reported on its Consolidated Fiscal Reports, on tuition reimbursement rates, and to review program matters related to computer utilization, student to staff ratio, and non-certified teachers.</p> <p><i>Department officials agreed with the recommendations and will implement corrective action.</i></p>

<p>Duanesburg Central School District Separation Payments 2014M-67 4th Judicial District</p>	<p>The audit found that District officials have established adequate internal controls over separation payments.</p>	<p>There were no recommendations.</p>
<p>East Quogue Union Free School District Selected Payroll Practices and Information Technology 2014M-44 10th Judicial District</p>	<p>The audit found that District officials have not developed and implemented written procedures to address the maintenance and monitoring of leave accrual records. As a result, there is no uniform method used by the District for recording and accounting for employees' accrued leave time and some employees may have received benefits to which they were not entitled.</p> <p>The Board also needs to improve controls over the District's Information Technology (IT) system. The District does not have policies regarding acceptable computer use, e-mail and internet use or breach notification. The lack of a computer use policy increases the risk of inappropriate computer use (either intentional or accidental), which could potentially expose the District to virus attacks or compromise systems and data, including key financial and confidential information. The District also did not establish controls over user access rights.</p>	<p>7 recommendations</p> <p>The report's recommendations focused primarily on strengthening policies and procedures as they relate to leave time records and accruals, IT operations, IT equipment, and IT systems. A regular review and reconciliation of leave time records was also recommended. Lastly, the District should strengthen its internal controls for IT.</p> <p><i>The District generally agreed with the recommendations and indicated that they plan to initiate corrective action.</i></p>
<p>Elwood Union Free School District Electronic Transfers 2014M-133 10th Judicial District</p>	<p>During the audit period, the District processed 442 electronic transfers totaling over \$188.2 million. The audit selected three months in the audit period and reviewed all electronic transfers processed to determine who initiated and approved each transfer; if the funds were deposited to either a valid District account or for payment to a vendor for a valid District purpose; and if the District received a confirmation from the bank verifying that the transaction had been processed. The audit found the Board does not have written policies, procedures, or Board resolutions to govern electronic</p>	<p>2 recommendations</p> <p>The report's recommendations focused primarily on strengthening policies and procedures for electronic transfers, segregation of duties involving electronic transfers, and bank reconciliations.</p> <p><i>The District generally agreed with</i></p>

	transfers. As a result, the Treasurer and a payroll clerk processed electronic transfers without adequate segregation of duties or documentation of transactions. Further, nearly half of the transactions in the sample did not have a written confirmation from the bank as required by law. The District also did not retain any supporting documentation for 44 transfers totaling \$12.0 million.	<i>the recommendations and indicated they will take corrective action.</i>
Enlarged City School District of Troy Leave Accruals 2014M-144 3rd Judicial District	The audit found that District officials established adequate internal controls over leave accruals.	There were no recommendations.
Fallsburg Central School District Financial Condition 2014M-33 3rd Judicial District	The Board and District officials did not always develop reasonable budgets or use unrestricted funds to benefit District taxpayers. Over the last three years (2010-11 to 2012-13), the District appropriated \$941,081 more in unrestricted funds than needed, because the District also generated approximately \$3.7 million in operating surpluses prior to making a \$4.4 million unbudgeted transfer to the capital fund in 2012-13. This negated any benefit the appropriation of fund balance would have in reducing fund balance or the property tax levy.	3 recommendations The report's recommendations focused on the Board developing a plan that reflects and reduces the true amount of the fund balance to benefit taxpayers, District officials providing transparency throughout the budget process, and developing realistic annual budgets. <i>The District generally agreed with the recommendations and have indicated that they plan to initiate corrective action.</i>
Forestville Central School District Transportation	District officials have not identified opportunities to reduce the costs of student transportation by performing appropriate analyses, such as annual reviews of bus routes. The audit	8 recommendations The report's recommendations

<p>Operations and Cafeteria Financial Condition 2014M-70 8th Judicial District</p>	<p>determined that the District could potentially save up to \$497,000 by reducing excess capacity on buses, considering shared runs with other districts for private-school and special-needs routes and reducing the number of spare buses in its fleet. By improving transportation efficiency, the District could save approximately \$36,500 annually and more than \$460,500 over two years.</p> <p>The cafeteria fund's financial condition has declined over the past five years as it experienced operating deficits, resulting in a \$215,678 deficit fund balance as of June 30, 2013. Because of the operating deficits and depleted fund balance, the cafeteria fund does not have sufficient available cash to repay its outstanding \$34,000 loan from the general fund.</p>	<p>focused primarily on increasing available capacity and reduction of routes to save district resources and developing a plan to address the financial condition of the cafeteria fund.</p> <p><i>The District generally agreed with the recommendations and indicated they planned to initiate corrective action.</i></p>
<p>Genesee Valley Central School District Reserve Accounts and Extra-Classroom Activities 2014M-56 8th Judicial District</p>	<p>During the audit fieldwork, District officials were in the process of developing a reserve plan, which the Board was expected to adopt following the completion of the audit fieldwork. This preliminary plan addresses the District's seven reserves that were previously established and funded and totaled approximately \$5.8 million as of June 30, 2013. The audit reviewed the District's preliminary reserve plan and found that for five of the seven reserves, totaling more than \$4.3 million, the District's preliminary plan failed to include a clear and detailed rationale for maintaining the reserves, the detailed objectives of the reserves, needed funding levels, sources of funding, and the conditions under which the reserves' assets will be used or replenished. Without these key elements, the District cannot ensure taxpayers that all reserves are properly established, used for appropriate purposes, and funded to reasonable levels with appropriate sources.</p> <p>A prior audit report, dated June 2008, found that District officials failed to adopt comprehensive policies and</p>	<p>2 recommendations</p> <p>The report's recommendations focused on adopting Board policy on the establishment and use of revenue and the review of reserves to determine need or elimination as appropriate.</p> <p><i>The District generally agreed with the recommendations, and indicated that they plan to initiate corrective action as soon as possible.</i></p>

	<p>procedures that ensured the financial activity for extra-classroom activities funds was properly collected, recorded, and subsequently deposited. The audit reviewed the current procedures and found no significant issues.</p>	
<p>Hamburg Central School District Capital Project 2014M-129 8th Judicial District</p>	<p>The audit found that the District was not transparent in its use of Project funds and potentially could have spent less on the Project. The District has set aside over \$6.6 million for general construction and site work contracts, which was not part of the Project's original scope and in effect, is without taxpayer approval. The Board President did not approve all change orders and allowance disbursement forms, as required by NYSED. Finally, the audit found a Project purchase for which competitive bids were not obtained.</p>	<p>5 recommendations</p> <p>The report's recommendations focused primarily on the Board and District providing transparency to voters during Capital Project proposals, efficient oversight in the best interest of tax payers, maintaining the project scope, and utilizing competitive bids.</p> <p><i>The District agreed with the recommendations and will initiate corrective action.</i></p>
<p>Hoosic Valley Central School District Financial Management 2014M-6 3rd Judicial District</p>	<p>The Board adopted unreasonable budgets which included overestimated appropriations. It also failed to fund and use reserves in accordance with General Municipal Law. In fiscal years 2011-12 through 2012-13, the District did not use the entire amounts of reserves and surplus funds budgeted during these years, because its deficits were significantly less than planned. For the same 2 year period, the District spent \$2.9 million less than the budgeted expenditures.</p> <p>District officials moved approximately \$3 million out of the general fund's unexpended surplus and into reserves to prevent it from exceeding the 4 percent statutory limit. Because District officials inappropriately funded reserves, general fund unexpended surplus funds were understated.</p>	<p>8 recommendations</p> <p>The report's recommendations focused primarily on the board and district strengthening financial planning projections and usage regarding budgets, reserves, surplus funds, and debt reduction.</p> <p><i>District officials generally agreed with the recommendations, and have indicated they plan to initiate a corrective action plan as soon as possible.</i></p>

<p>Iroquois Central School District Financial Condition 2014M-22 8th Judicial District</p>	<p>The Board and District officials overestimated expenditures by a total of \$21.3 million and underestimated revenues by a total of \$2.3 million during the last four completed fiscal years (2009-10 to 2012-13). Although District officials appropriated fund balance in each year to reduce the tax levy, most of these funds were not needed due to poor budget estimates. Consequently, the District generated a total operating surplus of approximately \$9 million, which was used to increase the District's reserve funds. The audit found that the District has approximately \$2 million in excess reserve fund moneys.</p>	<p>3 recommendations</p> <p>The report's recommendations focused primarily on strengthening policies and procedures regarding the District's reserve fund, developing realistic balance estimates for annual budgeting, and determining the composition of the reserves.</p> <p><i>The District generally agreed with the recommendations and will implement a corrective action plan.</i></p>
<p>Lackawanna City School District Financial Condition 2014M-119 8th Judicial District</p>	<p>The District had a fund balance deficit of \$1.4 million at the end of the 2012-13 fiscal year due to operating deficits over multiple years. Over the past four fiscal years (2009-10 to 2012-13), and for the 2013-14 fiscal year, the Board has relied on fund balance to finance the budget, appropriating approximately \$5 million each year. The Board and District officials overestimated expenditures and underestimated revenues, which allowed them to rollover unspent appropriated funds to fund the ensuing year's budget. However, these budgetary practices have reduced unexpended surplus funds from \$2.5 million in the 2009-10 fiscal year to the point that the Board appropriated \$1.4 million more than was available for the 2013-14 fiscal year. Because the Board has relied on fund balance over the past five years, the District had a recurring structural budget deficit. Although the Board reduced appropriations by over \$2 million in the 2014-15 fiscal year budget, there is a risk that a significant structural gap remains that will need to be addressed.</p>	<p>5 recommendations</p> <p>The report's recommendations focused on the Board adopting structurally balanced budgets for recurring revenues and expenditures, reducing the reliance on the fund balance, preparing regular Cash Flow Statements, and the development of a multiyear financial plan.</p> <p><i>The District generally agreed with the recommendations and have indicated that they plan to initiate corrective action.</i></p>

	The Board has not developed a multiyear operational plan to provide a framework for future budgets and facilitate management of financial operations.	
Moriah Central School District Internal Controls Over Leave Accruals 2014M-84 4th Judicial District	The Board did not adopt comprehensive written policies and procedures to provide proper guidance and internal controls over leave accruals. There was minimal oversight of the employee leave accrual records maintained by the payroll clerk. The payroll clerk receives records containing employees' absences, which she uses to deduct the amount of leave time taken from each employee's leave accrual balances. However, the audit found that the cafeteria manager, head custodian and committee on special education secretary submit records of their leave time used to the payroll clerk without any independent approval. In addition, other than the payroll clerk providing the leave accrual balances to the employees on an annual basis, there are no periodic reviews performed by a District official to ensure the accuracy of the leave records maintained by the payroll clerk.	4 recommendations The report's recommendations focused on establishing or strengthening policies and procedures on leave accrual and leave record maintenance. <i>The District generally agreed with the recommendations, and have indicated that they plan to initiate corrective action as soon as possible.</i>
New Hyde Park-Garden City Park Union Free School District Financial Management 2014M-7 10th Judicial District	Over the past five years (2008-09 to 2012-13), District officials consistently overestimated expenditures by a total of more than \$8 million, resulting in operating surpluses totaling \$6.3 million. To reduce fund balance and stay within the year-end statutory limit for unexpended surplus funds, District officials transferred money to District reserves and consistently appropriated unexpended surplus funds to reduce the tax levy. However, because of the District's operating surpluses, almost \$3 million of fund balance appropriated over the five-year period was not used. These practices gave the appearance that the District's fund balance was within the legal limit when in effect it exceeded the limit each year. The audit also found that the District routinely funded its retirement	4 recommendations The report's recommendations focused primarily on developing budgets which include realistic expenditures, using surplus funds to better serve taxpayers, providing a more transparent budget to voters, and reviewing and establishing a funding limit for retirement. <i>The District generally agreed with</i>

	contribution reserve with operating surpluses at year end, instead of funding the reserve through the annual budget process, which would have been more transparent to taxpayers.	<i>the recommendations, and indicated that they plan to initiate a corrective action plan in the future.</i>
New Paltz Central School District Financial Condition 2014M-38 3rd Judicial District	Although the Board believed it was effectively managing the District's financial condition, budgeting decisions to reduce the unrestricted, unappropriated fund balance from fiscal years 2010-11 through 2012-13 have made the District susceptible to fiscal stress. The Board consistently balanced its budgets by appropriating unrestricted fund balance, a non-recurring source of funding. As a result, by the end of the 2011-12 fiscal year, the District had an unrestricted, unappropriated fund balance of \$6,309, or .01 % of the ensuing year's budget. This left the District with little cash on hand at the end of the fiscal year and very little financial cushion for managing unforeseen events.	2 recommendations The report's recommendations focused primarily on strengthening policies and procedures regarding fund balance and improving upon a financial cushion for unforeseen events. <i>District officials agreed with the recommendations and have indicated that they plan on implementing corrective action.</i>
North Bellmore Union Free School District Financial Condition 2014M-47 10th Judicial District	The District reported year-end unexpended surplus fund balance at levels that essentially complied with the 4 % limit for fiscal years 2009-10 through 2012-13. This was accomplished by appropriating fund balance. The Board's appropriation of fund balance aggregated to more than \$11 million over the past four years, which should have resulted in planned operating deficits. However, because the District significantly overestimated expenditures in its adopted budgets, it experienced large operating surpluses in two of the four years and needed less than \$270,000 of the appropriated fund balance. For that period, total actual revenues exceeded expenditures by more than \$4.7 million. From 2009-10 through 2012-13, the District overestimated appropriations by a total of \$14.3 million. Officials did not use	3 recommendations The report's recommendations focused primarily on developing budgets which include realistic expenditures, using surplus funds to better serve taxpayers, and having the Board develop a plan to reduce the fund balance to appropriate levels. <i>The District generally agreed with the recommendations and have indicated they plan to initiate corrective action as soon as</i>

	prior year actual results as a guide to prepare budget estimates. As a result, each year the budgeted appropriations were higher than necessary to fund District operations.	<i>possible.</i>
Northern Adirondack Central School District Internal Controls Over Extra-Classroom Activity Funds 2014M-128 4th Judicial District	<p>During the audit period, the District's 29 accounts in the extra-classroom activity fund (activity fund) recorded \$225,610 in receipts and \$216,276 in disbursements and, as of March 31, 2014, the accounts had a combined bank account balance of \$75,248.</p> <p>The District's controls over extra-classroom activity funds were not operating effectively. The Board did not ensure that District officials implemented and enforced its policy governing the operations of the activity funds. Consequently, the audit found that 30 cash receipts totaling \$19,322 had no supporting documentation and four student treasurers did not maintain ledgers during the 2012-13 fiscal year. The District's failure to maintain activity funds in accordance with the Board's policy increases the chance that extra-classroom activity moneys could be lost or misused. These deficiencies continued to exist even though a previous audit identified similar internal control weaknesses over the District's activity fund.</p>	<p>4 recommendations</p> <p>The report's recommendations focused primarily on strengthening policies and procedures for activity funds; controls over individuals overseeing activity monies; maintaining proper documentation such as receipts; and maintaining student ledgers of disbursements and balances.</p> <p><i>The District generally agreed with the recommendations and have indicated that they plan to initiate corrective action.</i></p>
Norwich City School District Financial Condition and Cafeteria Operations 2014M-143 6th Judicial District	The Board and District officials did not properly manage the financial condition of the general and school lunch funds. The general fund had deficits in the last three years while the school lunch fund had deficits in the last two years. Based upon these findings, it is anticipated that the general and school lunch funds will end the 2013-14 fiscal year with deficits of \$1.8 million and \$89,000 respectively. In the long term, the general fund could become financially stressed due to recurring operating deficits, potential litigation, potential buy back of retirement, improper payments being made from the employee benefit accrued liability reserve, and loans to the	<p>9 recommendations</p> <p>The report's recommendations focused on adopting realistic budget estimates; strengthening policies and procedures for unpaid student and adult accounts; maintaining detailed records of adjustments; segregating between the person involved in day-to-day operations and the person making</p>

	<p>school lunch fund that are unlikely to be paid back to the general fund.</p> <p>District officials did not properly oversee cafeteria operations. They did not ensure that the school lunch receipts were properly recorded, collected and deposited and that inventory was properly accounted for. In addition, unpaid student and adult account balances totaled over \$36,000 from September 2012 through February 2014.</p>	<p>adjustments and/or voids; and strengthening inventory.</p> <p><i>District officials generally agreed with the recommendations and have indicated that they plan to take corrective action.</i></p>
<p>Pine Valley Central School District Financial Management and Procurement 2014M-36 8th Judicial District</p>	<p>The District has accumulated in excess of \$2.4 million, that should be used to benefit taxpayers by paying off debt, financing one-time expenditures, funding necessary reserves and/or reducing property taxes, in accordance with applicable statutory requirements. District officials did not ensure that budgets were realistic or maintain reserves in accordance with statutory requirements. District officials routinely overestimated appropriations. Furthermore, the District has accumulated a total of \$2.5 million in its reserve funds.</p> <p>District staff did not always obtain verbal or written quotes prior to procuring goods and services in accordance with purchasing policies and guidelines. The audit reviewed purchases of 21 types of goods and services totaling \$114,629 and found that 12 goods or services, totaling \$66,804, were obtained without any type of competition.</p>	<p>6 recommendations</p> <p>The report's recommendations focused primarily on strengthening policies and procedures regarding adopting realistic budgets, keeping unexpended surplus within statutory limit, and revising reserve fund policy, and implementing a plan for using the reserve fund surplus. In addition, the procurement policy also needs to be strengthened to address purchases not requiring competitive bid.</p> <p><i>The District generally agreed with the recommendations and indicated that they plan to take corrective action.</i></p>
<p>Port Byron Central School District Financial Condition 2014M-71</p>	<p>District officials have generally taken appropriate action to manage the District's financial condition. Although the District generated operating surpluses and increased fund balance by \$1.4 million from fiscal years 2008-09 through 2010-11, the</p>	<p>2 recommendations</p> <p>The report's recommendations focused on the Board and District</p>

<p>7th Judicial District</p>	<p>Board adopted more reasonable budgets for fiscal years 2011-12 and 2012-13 which resulted in actual planned operating deficits, which reduced fund balance by almost \$2 million. The Board also used excess reserve funds to pay off debt.</p>	<p>officials developing budgets with realistic estimates of appropriated fund balance and a detailed multi-year financial plan.</p> <p><i>District officials generally agreed with the recommendations, and indicated they planned to initiate corrective action.</i></p>
<p>Randolph Central School District Financial Management 2014M-20 8th Judicial District</p>	<p>District officials consistently overestimated budget appropriations for fiscal years 2008-09 through 2012-13 by more than \$6.7 million, which resulted in combined operating surpluses totaling \$1.3 million. District officials also could not demonstrate a planned need for approximately \$4.4 million held in reserve funds. Finally, District officials could not explain why over \$250,000 of District money was held in an agency fund rather than the general fund, which could be used to benefit District taxpayers. As a result, District officials withheld significant funds from productive use and compromised the transparency of District finances to taxpayers.</p>	<p>6 recommendations</p> <p>The report's recommendations focused on the Board's adoption of realistic budgets for surplus funds, establishing policies for the usage of reserve funds, reviewing all reserves and funds for compliance with statutory requirements.</p> <p><i>The District generally agreed with the reports recommendations and they indicated that they plan to initiate corrective action.</i></p>
<p>Richfield Springs Central School District Financial Condition 2014M-83 6th Judicial District</p>	<p>The District accumulated a significant surplus of fund balance from 2008-09 through 2011-12. Although District officials included a budgetary provision to use some of the accumulated surplus to finance operations, the surplus was not used, because the District spent less than the revenues received in those years. The District had significant balances in unreserved fund balance and reserves prior to the 2011-12 fiscal year. However, the trend of decreasing revenues, along with property tax levy constraints, and increasing expenditures have required the District to use unreserved</p>	<p>3 recommendations</p> <p>The report's recommendations focused primarily on monitoring fund balance for efficiency in financing operations, seeking alternative financing options, establishing realistic budgets, and reviewing reserve balances.</p>

	<p>fund balance and reserves. District officials have accumulated excessive balances in reserve funds that can be used to offset budgetary shortfalls in the long term. The Compensated Absences Reserve and Liability Reserve were overfunded by approximately \$1.2 million and \$400,000 respectively.</p>	<p><i>The District generally agreed with the recommendations and indicated that they will initiate corrective action as soon as possible.</i></p>
<p>Schenevus Central School District Budgeting 2014M-69 6th Judicial District</p>	<p>During the audit period, the Board did not adopt realistic budgets and, as a result, actually exceeded the 4 percent legal limit for the 2008-09 through 2012-13 fiscal years. This was caused, in part, by the transfer of a portion of fund balance to a tax reduction reserve that was not formally established by the Board. In addition, the Board has excess money of \$85,440 in the debt service fund and \$33,000 in the capital projects fund; also, a portion of the \$239,000 in the insurance reserve could be excessive.</p> <p>For each fiscal year between 2008-09 and 2012-13, the Board adopted general fund budgets that had planned deficits, meaning that the total estimated revenues were less than the total planned expenditures. However, the general fund generated surpluses instead of deficits for 2008-09 and 2009-10 and generated deficits that aggregated to about \$750,000 less than the planned deficits for the remaining three years.</p>	<p>5 recommendations</p> <p>The report's recommendations focused primarily on adoption of realistic budgets, keeping the surplus balance in compliance with the legal allowable limit, and reducing total fund balance in a way that will benefit taxpayers.</p> <p><i>District officials generally agreed with the recommendations and indicated they planned to initiate corrective action</i></p>
<p>Shelter Island Union Free School District Financial Condition 2014M-132 10th Judicial District</p>	<p>The Board planned operating deficits in its budgets for the 2009-10 through 2012-13 fiscal years and appropriated fund balance to help finance the ensuing year's operations. However, it underestimated revenues and overestimated expenditures when developing budgets, which caused the District to have operating surpluses totaling approximately \$1.2 million for these four years rather than deficits. As a result, the District did not use the appropriated fund balance as intended and instead accumulated unexpended surplus funds at levels that were about 10 to 12 percent of the</p>	<p>7 recommendations</p> <p>The report's recommendations focused primarily on the Board developing productive use of reserves, reducing property tax levies, developing budgets that represent realistic revenue and expenditure estimates, establishing policies and procedures for the</p>

	ensuing years' budgets, up to nearly three times greater than the amount allowed by law. The audit also found that the Board retained excessive amounts in the District's unemployment insurance reserve.	reserve fund, and keeping the surplus fund balance within statutory limits. <i>The District generally agreed with the recommendations and have taken corrective action.</i>
State Education Department Audit of the Tuition Reimbursement Account for the Three Fiscal Years Ended March 31, 2013 2014-S-17 1st Judicial District	The audit was conducted to express an opinion on the fair presentation of the financial statements of the Tuition Reimbursement Account (TRA) for the three fiscal years ending on March 31, 2013. The audit found that the financial statements referred presented fairly the respective financial position of the TRA, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.	There were no recommendations.
Tri-Valley Central School District Budgeting 2014M-94 3rd Judicial District	The Board did not adopt reasonable budgets. Budgeted expenditures were significantly higher than needed. As a result, the District's reported fund balance increased from approximately \$8 million for the fiscal year ended 2009 to more than \$14 million for the fiscal year ended 2013. The District also increased the real property tax levy by an aggregate of approximately \$1.2 million, or about 1.6 percent annually.	2 recommendations The report's recommendations focused primarily on the development of realistic budgets reflecting actual revenues and expenditures as well as the development of a contingency plan for surplus fund usage. <i>The District generally agreed with the recommendations and indicated that they plan to initiate corrective action.</i>
True North Rochester Preparatory Charter	The Board entered into a contract with a charter management organization (CMO) to provide management services through	2 recommendations

<p>School Contract Management 2014M-737th Judicial District</p>	<p>a memorandum of understanding (MOU). The MOU specifies the management fee that the School pays annually to the CMO; this fee for the 2012-13 fiscal year was \$695,028. The School also reimbursed the CMO over \$300,000 for expenses paid by the CMO that were in addition to the management fee. The School also paid \$396,406 to a wholly-owned subsidiary of the CMO for the lease of its school facilities. The audit identified significant concerns with the lack of detail contained in the MOU. Without clear and concise contract language, the School does not have a firm agreement detailing what services are included. If the School is paying for expenditures that should be covered by the management services agreement, it will have fewer funds to improve operations, add schools or to spend on student education. The absence of a clear and unambiguous contract increases the likelihood that taxpayers have paid for goods and services that have not been received.</p>	<p>The report's recommendations focused primarily on ensuring that written agreements contain clear and detailed language, addendums are properly authorized, and school officials receive all services and benefits stipulated in the contract.</p> <p><i>School officials generally agreed with the recommendations, and will initiate a corrective action plan in the near future.</i></p>
<p>Washingtonville Central School District Reserve Funds 2014M-45 9th Judicial District</p>	<p>District officials have not implemented the District's reserve fund policy for the funding and use of the District's reserves. Over the past five fiscal years (2008-09 through 2012-13), District officials added approximately \$9 million to reserves and increased the real property tax levy by approximately 9 percent. The audit analyzed the balances totaling \$9,988,638 in the District's eight reserves as of June 30, 2013 for reasonableness and adherence to statutory requirements. One reserve, the Unemployment Insurance Reserve, was not supported by a plan or other documentation validating the amount retained. The \$956,640 balance in this reserve as of June 30, 2013 was 14 times the amount of the District's \$68,000 average annual unemployment costs. Further, the District has paid for its unemployment costs from the general fund. Therefore, the amount in this reserve is excessive.</p>	<p>3 recommendations</p> <p>The report recommended the Board ensure that the District's reserve fund policy is implemented, and that District officials should prepare and submit the annual report of reserve funds to the Board, as required. It was further recommended that a review of the Unemployment Reserve be completed and any excess be used to lower property tax.</p> <p><i>District officials generally agreed with the recommendations, and</i></p>

		<i>have indicated that they plan to initiate corrective action as soon as possible.</i>
<p>City of Yonkers (including the Yonkers City School District) Compliance with Fiscal Agent Act B6-14-14 9th Judicial District</p>	<p>The City of Yonkers' (City) 2014-15 adopted budget totals \$1.02 billion. The budget includes operating and debt service funding of \$522.9 million for the Yonkers Public Schools and \$497.1 million for the City. The 2014-15 adopted budget is \$30.9 million more than the City's adopted budget for 2013-14, an increase of 3.1 percent.</p> <p>The Office of the State Comptroller determined that the City's adopted budget for the fiscal year 2014-15 and the related justification documents are in material compliance with the requirements of the Fiscal Agent Act (Laws of 1976, Chapter 488, as amended) and the City's bond covenants incorporating provisions of that Act. However, there are issues which impact the City's financial condition in the current and future years. The budget includes non-recurring revenue of \$28 million which will not be available in future years and will create a funding gap. The projected sales tax revenues at \$73.6 million, an increase of 4.9 percent over the projected amount in 2013-14 may be optimistic. The adopted budget only includes \$500,000 for tax certiorari claims when the City settled claims for approximately \$7.5 million in 2012-13 and already settled \$6.1 million as of April 30, 2014. The City issued bonds in the prior years and plans to borrow up to \$11 million in 2014-15 to pay for tax certiorari settlements. The continued practice of using debt to pay for these costs is imprudent.</p>	<p>5 recommendations</p> <p>The report's recommendations focused on finding alternative sources of revenue or reducing appropriations; monitor sales tax revenue and make recurring adjustments; and provide tax certiorari claims in the annual appropriations.</p>

New York City Office of the Comptroller

Audit	Major Finding(s)	Recommendation/Response
<p>New York City Department of Education's Custodial Supply Management Contract with Strategic Distribution, Inc. MG13-079A 1st, 2nd, 11th, 12th, 13th Judicial District</p>	<p>The purpose of this audit was to determine the adequacy of the New York City Department of Education's (NYCDOE) controls over the award and monitoring of its contract and whether it followed its Procurement Policy and Procedure Guidelines (PPP Guidelines) in awarding the contract to Strategic Distribution, Inc. (SDI).</p> <p>On July 1, 2010, NYCDOE entered into a five-year contract with SDI for the purpose of furnishing and providing on-site delivery of custodial supplies to the approximately 1,200 public schools throughout New York City under the jurisdiction of NYCDOE. The contract was valued at more than \$88.1 million with an option to extend another six months for an additional \$8.7 million. The audit found NYCDOE did not have adequate controls over its award of the custodial supply management contract to SDI. The evidence provided by NYCDOE was insufficient to establish that it: (1) conducted a fully competitive contract award process; or (2) performed an adequate price analysis before it awarded the contract to SDI. As a result, the City may be paying more than necessary for the purchase of custodial supplies.</p> <p>NYCDOE failed to adequately monitor its contract with SDI in accordance with its PPP Guidelines and the terms of the contract. There was no formal tracking system to ensure that custodian complaints pertaining to the purchase of supplies were addressed in a timely manner. NYCDOE's failure to properly monitor the contract on an ongoing basis may have resulted in the payment of higher costs and supply shortages.</p>	<p>7 recommendations</p> <p>The report's recommendations focused on strengthening NYCDOE's policies and procedures as they relate to the bid process and monitoring of the contract with SDI.</p> <p><i>The District generally agreed with the recommendations and indicated that they plan to initiate corrective action as soon as possible.</i></p>

<p>New York City Department of Education Controls over Payments for Carter Cases by the New York City Department of Educations Bureau of Non-Public School Payables FM13-087AL 1st, 2nd, 11th, 12th, 13th Judicial District</p>	<p>The Bureau of Non-Public Schools Payables (NPSP) has adequate controls over payments it makes resulting from Carter Cases. The audit reviewed 119 payments issued in fiscal year 2012 made on behalf of 50 sampled students, totaling \$1,675,953. All 119 payments were made in accordance with the related stipulations.</p>	<p>There were no recommendations.</p>
<p>New York City Department of Education Efforts to Alleviate Overcrowding in School Buildings 7E13-123A 1st, 2nd, 11th, 12th, 13th Judicial District</p>	<p>This audit was conducted to determine the effectiveness of NYCDOE’s efforts to alleviate overcrowding in public school buildings in school years 2010-11 and 2011-12. NYCDOE is responsible for providing primary and secondary education to more than one million students in over 1,800 schools located in approximately 1,400 buildings citywide. According to the NYCDOE’s “Enrollment, Capacity, and Utilization Report” for 2010-11 (known as the Blue Book), 525 of 1,463 (36 percent) school buildings were over-utilized. For 2011-12, that overall rate remained unchanged.</p> <p>During the period under review in the audit, NYCDOE’s Office of Portfolio Management and its Office of Space Planning had primary responsibility for assessing and providing recommendations to alleviate school building overcrowding. The audit found significant weaknesses in NYCDOE’s efforts to alleviate overcrowding in its schools, including a failure to maintain official written policies and procedures and process flow charts. The audit also found that certain statistics</p>	<p>7 recommendations</p> <p>The report's recommendations focused on strengthening NYCDOE's policies and procedures related to detailing steps to address overcrowding, maintaining documentation on proposed recommendations, and monitoring effectiveness of recommendations.</p> <p><i>The District generally agreed with the recommendations and indicated that they are working on corrective actions.</i></p>

	reported in the Blue Book are misleading. As a result, the utilization rates for school buildings with affiliated Transportable Classroom Units did not accurately reflect the actual amount of overcrowding in a given school.	
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**Regents Committee on Audits/Budget and Finance
September 2014**

Summary of Corrective Action Plan 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
OAS	Hempstead – Validity of Grade Changes	10 th - Tilles	May 2014	See below.

Hempstead's CAP

Hempstead officials agreed with all the audit recommendations and developed a policy on student grading and record keeping management that was presented to the Hempstead's Board of Education on July 10, 2014. While the submitted corrective action plan addresses the audit recommendations, the Department plans to conduct monitoring activities to ensure that Hempstead has appropriate controls in place to improve the accuracy and validity of student grades. In addition, a follow-up audit will be conducted by the Office of Audit Services as part of the current year's audit plan to ensure that Hempstead is implementing the audit recommendations and following its own policy.