



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: October 19, 2015
AUTHORIZATION(S): *MaryEllen Elin*

SUMMARY

Issues for Discussion

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

1. Completed Audits including the Report of the Internal Audit Workgroup. (Attachments I & II).

Reason(s) for Consideration

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 24 audits this month. (Attachments I & II)

Audits are provided as follows:

Office of Audit Services

City School District of Albany – Race to the Top (RTTT)
Hornell City School District – RTTT

Office of the State Comptroller

Astor Services for Children and Families
Barnard College
Canandaigua City School District
Central Valley School District
Clinical Associates of the Finger Lakes
Community College Safety Reporting
Connetquot Central School District
Cornwall Central School District
Cuba-Rushford Central School District
Dalton-Nunda Central School District
DeRuyter Central School District
Fonda-Fultonville Central School District
Hear 2 Learn PLLC
Margaretville Central School District
Monroe 2-Orleans Board of Cooperative Educational Services
Naples Central School District
Newburgh Preparatory Charter High School
Newcomb Central School District
Sayville Union Free School District
Summit Educational Resources
Trumansburg Central School District
Wappingers Central School District

Recommendation

No action required for audit initiatives and presentation of audits.

Timetable for Implementation

N/A

The following materials are attached:

- Report of the Internal Audit Workgroup and Summary of Audit Findings including Audit Abstracts (Attachments I and II)

**Regents Committee on Audits/Budget and Finance
October 2015
Review of Audits Presented
Department's Internal Audit Workgroup**

Newly Presented Audits

The Department's Internal Audit Workgroup reviewed the twenty-four audits that are being presented to the Committee this month. Two audits were issued by the Office of Audit Services and twenty-two audits were issued by the Office of the State Comptroller (OSC). Sixteen audits were of school districts, four were special education services providers, one college, one Board of Cooperative Educational Services (BOCES), one charter school, and one regarding community college safety reporting.

The findings were in the areas of financial reporting, budgeting, claims processing, procurement, payroll, cash, information technology, extra-classroom activity fund, Consolidated Fiscal Reporting, Race to the Top Grant, school lunch, separation benefits, unrestricted fund balance, fuel accountability, online banking, policies and procedures, and incident reporting.

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 audits of Community College Safety Reporting and Monroe 2-Orleans BOCES to bring to the Committee's attention for informational purposes.

October 2015 Regents Audits/Budget and Finance Committee Meeting Summary of Audits Requiring Specific Attention

Audit Summary	Recommendation/Response
<p>Community College Safety Reporting</p> <ul style="list-style-type: none"> • Office of the State Comptroller Audit. • Five community colleges were audited: Fulton Montgomery, Genesee County, Herkimer County, Niagara County, and Rockland Community Colleges. • None of the community colleges audited fully complied with the Clery Act by publishing all of the required campus security policy and procedure statements or meeting all of the required reporting requirements. • Each college had inaccurately reported crimes in its Annual Security Report (ASR) and to the U.S. Department of Education (DOE). • Herkimer and Niagara County Community Colleges published ASRs with crime statistics that did not match those submitted to DOE. • Fulton Montgomery Community College could not support that it had distributed the ASR in accordance with the law. 	<p>The report's recommendations focused on college officials including all required policy and procedure statements and reporting requirements in the ASRs, ensuring that all reportable crimes are included in the ASRs, ASR crime statistics are consistent with those reported to DOE, ASR is distributed in accordance with the Clery Act, and to include all incidents.</p> <p><i>College officials generally agreed with the findings and recommendations and have indicated that they plan to initiate or have initiated corrective action.</i></p> <p>Clery Act: The federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) requires colleges and universities, both public and private, participating in federal student aid programs to disclose campus safety information, and imposes certain requirements for handling incidents of sexual violence and emergency situations. Disclosures about crime statistics and summaries of security policies are made once a year in an Annual Security Report (ASR), and information about specific crimes and emergencies is made publicly available on an ongoing basis throughout the year.</p> <p>The United States Department of Education (DOE) is responsible for monitoring compliance with the federal Clery Act. Institutions that violate the Clery Act may face warnings, up to \$35,000 per violation fines, the limitation or suspension of federal aid, or the loss of eligibility to participate in federal student aid programs.</p> <p><u>Note:</u> The OSC Audit report does not state the college's noncompliance with Clery reporting requirements means the college is not safe. It does report that college ASRs examined were incomplete and the DOE has deemed this information to be important. Also, prospective students and employees may not have the information needed to make informed enrollment or employment decisions.</p>

<p>Monroe 2-Orleans Board of Cooperative Educational Services (BOCES) Software Management</p> <ul style="list-style-type: none"> • Office of the State Comptroller Audit • The Communication and Technology Services (CaTS) and Assistive Technology (AT) Departments maintained incomplete software inventory lists that did not contain all software programs installed by BOCES staff. In addition, the inventory lists did not include information on the number of licenses purchased for each installed software program. • The installation of inappropriate software may expose BOCES computers and networks to unnecessary risk, such as hacking or other malicious events. • The audit also found installations of programs on BOCES or participating district computers that BOCES either did not have an adequate number of licenses for these installations or did not have sufficient documentation to provide evidence that it had purchased licenses for these installations. As a result, BOCES is at risk for potential fines or penalties for installing software applications that are not properly licensed. 	<p>The report's recommendations focused on the Board's assurance that CaTS and AT staff maintain a complete and comprehensive software inventory list of all BOCES-owned software programs and the number of installations and licenses purchased for each program; formalizing procedures to regularly review BOCES-installed software on BOCES and participating district's computers and comparing the results to the software inventory list; monitoring user activity; and ensuring compliance with software license requirements.</p> <p><i>BOCES officials generally agreed with the report's recommendations and have indicated that they plan to take corrective action.</i></p> <p><u>Next Step:</u> SED ITS Security Officer plans to issue a “<i>best practices for software install and inventory maintenance</i>” bulletin on the SED website that BOCES and school districts can reference.</p>
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October 2015 Regents Audits/Budget and Finance Committee Meeting Summary of Audit Findings

Audit	Procurement	Claims Processing	Payroll	Cash	Financial Reporting	Information Technology	Extra-Classroom Activity	Budgeting	Tuition Assistance Program (TAP)	Other
Office of Audit Services										
* City School District of Albany (footnote 6)										√
Hornell City School District		√								
Office of the State Comptroller										
* Astor Services for Children & Families and State Education Department (footnote 1)										√
Barnard College					√				√	
Canandaigua City School District	√									
Central Valley School District		√								
Clinical Associates of the Finger Lakes and State Education Department					√					
Community College Safety Reporting (footnote 3)										√
Connetquot Central School District					√			√		
* Cornwall Central School District (footnote 9)										√
Cuba-Rushford Central School District					√			√		
* Dalton-Nunda Central School District (footnote 8)										√
DeRuyter Central School District				√	√			√		
Fonda-Fultonville Central School District			√							
Hear 2 Learn PLLC and the State Education Department		√			√					

Margaretville Central School District					√			√		
Monroe 2-Orleans Board of Cooperative Educational Services						√				
* Naples Central School District (footnote 4)										√
* Newburgh Preparatory Charter High School (footnote 5)										√
Newcomb Central School District							√			
Sayville Union Free School District		√				√		√		
Summit Educational Resources and State Education Department	√		√							
* Trumansburg Central School District (footnote 7)				√						√
* Wappingers Central School District (footnote 2)										√

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| 1 | CFR Compliance, Teacher Certifications | 6 | Race to the Top (RTTT) Grant |
| 2 | Fuel Accountability | 7 | School Lunch |
| 3 | Incident Reporting | 8 | Separation benefits |
| 4 | Online Banking | 9 | Unrestricted Fund Balance |
| 5 | Policies and Procedures | | |

**Audit Report Abstracts
 Regents Committee on Audits/Budget and Finance
 October 2015**

Office of Audit Services		
Audit	Major Finding(s)	Recommendation/Response
<p>City School District of Albany American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) Grant SD-0315-07 3rd Judicial District</p>	<p>The scope of work for all RTTT grants states that school-based inquiry teams are required to be in place at every school building. Documentation to support and track the work of school-based inquiry teams was not provided for 1 of the 5 school buildings sampled.</p>	<p>1 recommendation</p> <p>The report's recommendation focused primarily on the District ensuring that all elements of RTTT scope of work agreement are supported in each of the school buildings including school-based inquiry teams.</p> <p><i>District officials agreed with the report's recommendation and indicate that they plan to initiate corrective action.</i></p>
<p>Hornell City School District American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) grant SD-0315-08 7th Judicial District</p>	<p>\$1,426 adjustment (1.8% of total amount claimed for the year audited)</p> <p>The audit found some small amounts of unallowed expenditures resulting from claiming costs that benefitted another period or that were entered in error. The District claimed \$1,322 for subscriptions to educational magazines for instructional purposes. According to the supporting documentation, the subscriptions were for the 2014-15 school year. The audit also found that the District made two payments for one employee to attend two different training events on the same date. One of the entries was made in</p>	<p>3 recommendations</p> <p>The report's recommendations focused on District officials only claiming expenditures in the period when services are rendered; enhancing internal controls so that other than personal expenditures are not duplicated; and contacting the Department's RTTT Office referencing this report to submit a revised Final Expenditure Report</p>

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	<p>error according to the District. As such, one of the entries for \$104 is disallowed.</p>	<p>with the disallowances withdrawn from the report.</p> <p><i>District officials agreed with the report's recommendations and indicate that they plan to initiate corrective action.</i></p>
Office of the State Comptroller		
Audit	Major Finding(s)	Recommendation/Response
<p>Astor Services for Children & Families and State Education Department Compliance with the Reimbursable Cost Manual 2014-S-66 9th Judicial District</p>	<p>According to State Education Department (Department) guidelines, costs reported on the Consolidated Fiscal Report (CFR) should be reasonable, necessary, directly related to the special education program, and properly documented. For the fiscal year ended June 30, 2013, the audit identified \$39,050 in costs charged to the programs that did not comply with the Department's requirements for reimbursement. The non-reimbursable costs included \$25,565 in other than personal service (OTPS) costs that were either not allowed, not properly documented, or not reasonable or necessary. In addition, the audit identified \$13,485 in non-reimbursable fundraising activities that were allocated to the programs. In certain instances, costs were disallowed previously by the Department, and such instances were noted in the audit report. The audit also identified two teachers and seven teacher's assistants who did not have the required certifications for their job titles.</p>	<p>4 recommendations</p> <p>It is recommended that the Department review the disallowances and make the appropriate adjustments to costs reported on the CFR and to tuition reimbursement rates; assist the provider in the development of a program that ensures that all Department-funded teachers are certified; and remind the provider of Department guidelines. It is also recommended that School officials ensure that the reporting of reimbursable expenses complies with Department requirements.</p> <p><i>Department officials agreed with</i></p>

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		<p><i>the recommendations and will implement adjustments as appropriate, along with providing technical assistance to the provider.</i></p>
<p>Barnard College Audit of the State Financial Aid Program and State Education Department 2015-T-1 1st Judicial District</p>	<p>The audit determined that Barnard College was overpaid \$106,333 because school officials incorrectly certified certain students as eligible for State financial aid. The disallowed awards include those made on behalf of students who were not in good academic standing and students who were not in full-time attendance.</p>	<p>2 recommendations</p> <p>The report's recommendations focused on the Higher Education Services Corporation (HESC) recovering the disallowances and the Department working with Barnard College officials to help ensure their future compliance with State financial aid requirements.</p> <p><i>HESC and the Department agreed with the recommendations.</i></p>
<p>Canandaigua City School District Procurement of Professional Services 2015M-133 7th Judicial District</p>	<p>The audit found that although the Board has developed a procurement policy, the corresponding regulations do not provide adequate guidance for seeking competition when procuring professional services.</p>	<p>1 recommendation</p> <p>The report's recommendation focused primarily on the Board revising procurement regulations to require District officials to award professional service contracts only after soliciting competition; providing guidance on competitive bidding; and clarifying the</p>

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		<p>documentation requirements to be used during the solicitation process, including documentation for the decisions made.</p> <p><i>District officials generally agreed with the report's recommendation and indicate that they plan to initiate corrective action.</i></p>
<p>Central Valley School District Claims Audit 2015M-129 5th Judicial District</p>	<p>The audit found that the Treasurer does not oversee the application of her signature on checks or compare checks to the warrant prior to issuance. Consequently, there is an increased risk that improper disbursements or payment errors could occur. The Board reviews the approved warrants and the claims auditor report monthly.</p>	<p>2 recommendations</p> <p>The report's recommendations focused primarily on the Treasurer discontinuing the practice of allowing checks to be signed via computer imprinting without her direct supervision; and comparing final, original checks to certified warrants; and approving claims prior to checks being issued.</p> <p><i>District officials generally agreed with the report's recommendations and indicated that they have taken steps to initiate corrective action.</i></p>

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<p>Clinical Associates of the Finger Lakes and State Education Department Compliance with the Reimbursement Cost Manual 2014-S-61 7th Judicial District</p>	<p>According to State Education Department (Department) guidelines, costs reported on the Consolidated Fiscal Report (CFR) should be reasonable, necessary, directly related to the special education program, and properly documented. For the fiscal year ended June 30, 2012, the audit identified \$72,401 in costs charged to the Special Education Itinerant Teacher (SEIT) program that did not comply with the Department’s requirements for reimbursement. The disallowances included \$54,751 in other than personal service (OTPS) costs and \$17,650 in personal service and associated fringe benefit costs that were either, non-reimbursable, not reasonable or necessary, not properly documented, or incorrectly reported on the CFR. In certain instances, costs were disallowed previously by the Department, and the audit noted such instances in the report. The audit also found the School has not established formal policies or procedures for some critical business practices and has never performed a formal risk assessment.</p>	<p>4 recommendations</p> <p>It is recommended that the Department review the disallowances resulting from the audit and make the necessary adjustments to the reimbursement rates, and remind School officials of Department guidelines as they relate to the deficiencies noted in the report. It is also recommended that School officials ensure that the costs reported on the CFRs comply with the Department requirements and to take action on the internal control deficiencies noted in the report.</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>Community College Safety Reporting 2015-MS-2 4th, 5th, 8th Judicial</p>	<p>Five community colleges were audited (Fulton Montgomery, Genesee County, Herkimer County, Niagara County, and Rockland Community Colleges). The audit found that none of the community colleges fully complied with the Clery Act by</p>	<p>5 recommendations</p> <p>The report’s recommendations focused on college officials</p>

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<p>Districts</p>	<p>publishing all of the required campus security policy and procedure statements or meeting all of the required reporting requirements. Each college is required to publish an Annual Security Report (ASR) that contains 62 disclosures. OSC categorized the disclosures into 14 policy and procedure statements and five reporting requirements. The five community colleges' ASRs lacked between four (21 percent) and 16 (84 percent) of the required statements or reporting requirements.</p> <p>The audit found each of the colleges had inaccurately reported crimes in its ASR and to the US Department of Education (DOE). Further, Herkimer and Niagara published ASRs with crime statistics that did not match the statistics they reported to DOE. Fulton also could not support it had distributed the ASR in accordance with the law.</p>	<p>including all required policy and procedure statements and reporting requirements in the ASRs, ensuring that all reportable crimes are included in the ASRs, ASR crime statistics are consistent with those reported to DOE, ASR is distributed in accordance with the Clery Act, and to include all incidents.</p> <p><i>College officials generally agreed with the report's recommendations.</i></p>
<p>Connetquot Central School District Financial Condition 2015M-98 10th Judicial District</p>	<p>The Board and District officials did not effectively manage the District's financial condition by ensuring budget estimates were reasonable. The Board did not adopt realistic budgets based on historical costs and trends. As a result, the District overestimated expenditures by a total of \$33.5 million from July 1, 2011 through June 30, 2014. Additionally, the District consistently appropriated fund balance that was not needed to finance operations which, in effect, exceeded the statutory limit on unassigned fund balance. Finally, District officials used surplus funds each year to finance reserves instead of funding reserves through the annual budget process, which would have been more transparent to taxpayers. The Board made transfers into its reserves totaling about \$10.6 million</p>	<p>6 recommendations</p> <p>The report's recommendations focused on the Board's adoption of budgets that are realistic and based on actual needs; ensuring the unassigned fund balance is in compliance with statutory limits; discontinue appropriating fund balance and funding reserves not needed; development of a plan to reduce the unassigned fund balance; ensuring that proposed</p>

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	<p>from unrestricted fund balance without sufficiently informing taxpayers of its intent to do so.</p>	<p>budgets include appropriated fund balance planned to fund reserves; and development of a plan to fund the reserve funds.</p> <p><i>District officials generally agreed with the report's recommendations and have indicated that they plan to initiate corrective action.</i></p>
<p>Cornwall Central School District Financial Condition 2015M-148 9th Judicial District</p>	<p>The audit reviewed budget-to-actual results for fiscal years 2011-12 through 2013-14 and found that the Board adopted budgets with realistic revenue and expenditure estimates. However, the Board has relied on appropriated fund balance as a financing source in the annual budgets, which reduced the District's unrestricted, unappropriated funds during that period. As a result, the District used approximately \$1.9 million of fund balance during the last three fiscal years. The Assistant Superintendent for Business stated that the District increased the amount of fund balance and reserves used to balance its annual budget because of the New York State property tax cap and reduced State aid funding levels. However, officials expect that the District's unrestricted fund balance will return to the maximum permitted by law at the end of the 2014-15 fiscal year.</p>	<p>1 recommendation</p> <p>The report's recommendation focused primarily on District officials closely monitoring the unrestricted balance level to stay within allowable maximums by law while evaluating ways to reduce expenditures.</p> <p><i>District officials generally agreed with the report's recommendation and have indicated that they plan to initiate corrective action.</i></p>
<p>Cuba-Rushford Central School District Financial Management</p>	<p>District officials have not effectively managed fund balance as unrestricted fund balance annually exceeded Real Property Tax Law (RPTL) limits (projected to exceed by \$4.0 million as of June 30, 2015) and reserves are overfunded by</p>	<p>5 recommendations</p> <p>The report's recommendations focused on the Board adopting</p>

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<p>2015M-125 8th Judicial District</p>	<p>approximately \$3.2 million. This occurred because District officials consistently overestimated expenditures by a total of \$8.5 million over the four-year period ranging from 7 to 14 percent more than actual expenditures. Although District officials adopted budgets which included appropriated fund balance, due to their overestimation of expenditures, the total appropriated fund balance was not needed. Despite the excess unrestricted fund balance, District officials continued to raise taxes each of the four years.</p> <p>The Board adopted a reserve policy in 2011 which requires that District officials prepare an annual report of reserve activity that includes a description of each reserve, any withdrawals made, the cash balance of the reserves and the projected needs for each reserve in the upcoming fiscal year. Furthermore, shortly after fieldwork began, District officials developed a reserve plan setting funding thresholds and planned use of some of the reserves. However, the plan does not indicate projected needs for upcoming fiscal years.</p>	<p>budgets that include realistic estimates of expenditures; and the Board and District officials ensuring that unrestricted fund balance is within statutory limits; refining the multiyear plan to reduce unrestricted fund balance; reviewing reserve balances to determine if reserves are necessary, maintained and reasonably funded; and determining if the capital reserves were properly established.</p> <p><i>District officials generally agreed with the report's recommendations and indicated they plan to take corrective action.</i></p>
<p>Dalton-Nunda Central School District Separation Payments 2015M-142 7th judicial district</p>	<p>The District had 39 employees who retired, resigned or otherwise separated from the District during the audit period. The audit reviewed the terms of separation for each employee to determine those eligible for a separation payment and if the payments were properly calculated per the Board-approved contract terms. The audit found 18 of the 39 employees were eligible for separation payments totaling \$400,311. While these payments generally conformed to the terms of the written agreements, the audit did find the District paid an employee \$15,895 that was not consistent with the</p>	<p>4 recommendations</p> <p>The report's recommendations focused on the Board and District officials reviewing separation payments mentioned in this report and seeking recovery as appropriate; ensuring that the employee who was underpaid is compensated; developing policies</p>

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	<p>written agreement, improperly paid a Business Administrator a separation payment totaling \$1,777 and underpaid one employee \$2,323. The result of these transactions was a net overpayment of \$15,349.</p>	<p>and procedures to govern separation payments; and ensuring that separation payments are made according to terms of negotiated employment contracts.</p> <p><i>District officials generally agreed with the report's recommendations and have indicated that they plan to take corrective action.</i></p>
<p>DeRuyter Central School District Financial Condition 2015M-119 6th Judicial District</p>	<p>The Board and District officials have appropriated a significant amount of fund balance for the District's budget over the past few years. For example, over the past three fiscal years the Board appropriated \$675,000, \$525,000 and \$376,626, respectively, in its adopted budgets. The Board has not adopted a fund balance policy establishing the level of unrestricted fund balance to maintain. As a result, the general fund balance has declined approximately \$1.2 million, or 64 percent, over the past four years. Furthermore, the District has used general fund money to help subsidize the school lunch fund operations over the past several years, and at the end of the 2013-14 fiscal year, the school lunch fund owed the general fund nearly \$44,000, which is likely uncollectible. Lastly, the Board did not use \$250,000 in the insurance reserve for authorized and intended purposes during our audit period, and it has not included a provision in the 2014-15 budget to make a required repayment of about \$35,000 to the repair reserve to replenish it after moneys were used for emergency expenditures.</p>	<p>6 recommendations</p> <p>The report's recommendations focused on the Board developing and adopting a fund balance policy which establishes an adequate amount of unrestricted fund balance to be maintained; developing and updating a multi-year financial plan; developing and adopting structurally balanced budgets that do not rely on one-shot revenues; ensuring that reserves are used for their authorized purposes; repaying the repair fund as required; and developing a plan for the school lunch fund to pay back outstanding loans to the general fund.</p>

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		<p><i>District officials generally agreed with the report's recommendations and indicated they planned to take corrective action.</i></p>
<p>Fonda-Fultonville Central School District Payroll 2015M-118 4th Judicial District</p>	<p>The District should improve controls over payroll disbursements. District officials did not adequately segregate payroll duties or establish sufficient compensating controls. The Deputy performed all steps in the payroll process, which included entering and modifying employee information, salary information, payroll deductions and withholding amounts in the District's accounting software program. In addition, the Deputy prepared the monthly payroll account bank reconciliations.</p> <p>The Deputy processed the bi-weekly payrolls, prepared payroll checks, applied the Treasurer's signature to the checks and made direct deposits to employee designated bank accounts. The Deputy also remitted the amounts withheld for social security, federal and State income taxes and employee benefits to the appropriate entities and had full user access to the human resources and payroll sections of the accounting software program. Furthermore, the Treasurer did not review payroll registers or checks prepared by the Deputy to verify that the amounts paid to District employees were accurate.</p>	<p>5 recommendations</p> <p>The report's recommendations focused on the Board requiring District management to authorize and fully document the reasons for all payroll disbursement changes; the District officials segregating the duties of the Deputy's payroll function so that this person does not control all aspects of the payroll transactions; the Treasurer routinely reviewing payroll change reports; reviewing direct deposit uploads; and identifying the source of all excess monies in the payroll bank account.</p> <p><i>The Board and District officials generally agreed with the report's recommendations and indicated that they plan to initiate corrective action.</i></p>

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<p>Hear 2 Learn PLLC and State Education Department Compliance with the Reimbursable Cost Manual 2014-S-74 5th Judicial District</p>	<p>According to State Education Department (Department) guidelines, costs reported on the Consolidated Fiscal Report (CFR) should be reasonable, necessary, directly related to the special education program, and properly documented. For the fiscal year ended June 30, 2013, the audit identified \$20,851 in costs charged to the Special Education Itinerant Teacher (SEIT) program that did not comply with the Department's requirements for reimbursement. The disallowances included \$10,957 in other than personal service (OTPS) costs and \$9,894 in personal service and associated fringe benefit costs that were either, non-reimbursable, incorrectly reported on the CFR, or not properly documented. In certain instances, costs were disallowed previously by the Department, and such instances were noted in the report.</p>	<p>3 recommendations</p> <p>The report's recommendations focused on the Department's review of the disallowances identified by the audit and to make the appropriate adjustments to Hear 2 Learn's tuition reimbursement rates and to remind Hear 2 Learn officials of the pertinent guidelines related to the deficiencies noted. The report also recommended that Hear 2 Learn officials ensure that costs reported on the CFR comply with the Department's guidelines.</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>Margaretville Central School District Fund Balance 2015M-55 6th Judicial District</p>	<p>The Board and District officials did not effectively manage the fund balance of the general fund. As a result, the District had unrestricted fund balance in the general fund totaling \$670,000 or 6.2 percent of the following year's appropriations as of June 30, 2014 and reserve fund balances that</p>	<p>3 recommendations</p> <p>The report's recommendations focused on Board and District officials ensuring that unrestricted</p>

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	<p>increased by almost \$2 million (131.1 percent) from 2009-10 through 2013-14. If the real property tax levies remained at the level of the 2009-10 fiscal year, the total taxes paid would have been \$1.1 million less than the amounts actually paid, while still generating more than \$270,000 in surpluses.</p> <p>Even though the general fund’s fund balance was over the statutory limit and several reserves were overfunded, the Board continually adopted budgets that included tax levy increases that were not necessary. As of the end 2013-14, the general fund’s unrestricted fund balance was 6.2 percent of the ensuing year’s appropriations. While the Board has adopted budgets that included an average use of more than \$570,000 in fund balance for each of the last five fiscal years, operations have generated a combined surplus of more than \$1.3 million during the same time.</p>	<p>fund balance is in compliance with statutory limits and reducing unrestricted fund balance in favor of taxpayers; developing more realistic budgets; and reviewing all reserve balances and transfer excess funds to the unrestricted fund balance in compliance with statutory directives.</p> <p><i>District officials generally agreed with the report's recommendations and have indicated that they plan to initiate corrective action.</i></p>
<p>Monroe 2-Orleans Board of Cooperative Educational Services Software Management 2015M-56 7th Judicial District</p>	<p>The audit found that the Monroe 2-Orleans Board of Cooperative Educational Services (BOCES) can manage its software licenses more effectively and efficiently. The Communication and Technology Services (CaTS) and Assistive Technology (AT) Departments maintained incomplete software inventory lists that did not contain all software programs installed by BOCES staff. In addition, the inventory lists did not include information on the number of licenses purchased for each installed software program.</p> <p>The CaTS Department did not have a formalized written plan to regularly review BOCES computers to ensure that installed software was appropriate and properly licensed. The</p>	<p>4 recommendations</p> <p>The report's recommendations focused on the Board's assurance that CaTS and AT staff maintain a complete and comprehensive software inventory list of all BOCES-owned software programs and the number of installations and licenses purchased for each program; formalizing procedures to regularly review BOCES-installed software on BOCES and</p>

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	<p>installation of inappropriate software may expose BOCES computers and networks to unnecessary risk, such as hacking or other malicious events.</p> <p>The audit also found that for 264 installations of 21 programs installed on BOCES or participating district computers, BOCES either did not have an adequate number of licenses for these installations or did not have sufficient documentation to provide evidence that it had purchased licenses for these installations. As a result, BOCES is at risk for potential fines or penalties for installing software applications that are not properly licensed. However, we commend BOCES officials for achieving cost savings by entering into an agreement with a software provider that has resulted in an estimated annual savings of \$22,000.</p>	<p>participating district's computers and comparing the results to the software inventory list; monitoring user activity; and ensuring compliance with software license requirements.</p> <p><i>BOCES officials generally agreed with the report's recommendations and have indicated that they plan to take corrective action.</i></p>
<p>Naples Central School District Online Banking 2015M-143 7th Judicial District</p>	<p>The audit found that the Board and District officials have established adequate online banking internal controls to ensure sufficient protection of the District's assets. The Board adopted an online banking policy that authorizes the Treasurer and Deputy to perform online banking transactions with the oversight of the Business Manager. The Treasurer and Deputy have secure online banking usernames, passwords and individual, secured fobs that are necessary to log in to the District's accounts. The District restricts online banking to one specific computer that is secured when not in use. Additionally, computer browser history is automatically deleted.</p>	<p>1 recommendation</p> <p>The report's recommendation focused primarily on District officials ensuring that alerts and any other security measures from District banks are enabled including an alert system that advises the Treasurer and Business Manager by email or text every time that an online transaction occurs.</p> <p><i>District officials generally agreed with the report's recommendation</i></p>

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		<p><i>and indicate that they have initiated corrective action.</i></p>
<p>Newburgh Preparatory Charter High School Board Oversight and Disbursements 2015M-123 9th Judicial District</p>	<p>The Board needs to improve its oversight of the School’s financial operations. The Board did not receive adequate monthly financial records, did not establish a sound budget process and did not obtain a required independent audit of the School’s financial records. Without accurate financial reports, the Board had no assurance that expenditures did not exceed budgeted amounts and could not take proper timely actions when more than \$26,000 in cash shortages occurred. The Director did not properly perform monthly bank reconciliations to account for outstanding checks and deposits in transit and to compare the bank balance to the accounting records. As a result, the Board’s ability to determine cash availability is diminished and the risk of errors and irregularities is increased.</p> <p>The audit also found that the Board has not established appropriate internal controls to properly monitor cash disbursements. As a result, the Board cannot be assured that all disbursements are authorized, accurate, properly supported and represent appropriate School expenditures.</p>	<p>7 recommendations</p> <p>The report’s recommendations focused on the Board ensuring that financial records and reports are prepared and presented as described in its policy; establishing budgeting policies and procedures; contracting an independent auditor to perform the annual audit of the financial statements; ensuring that bank statements are reconciled to accounting records and reviewed monthly segregating financial duties, and for those that cannot be segregated, establishing compensating controls to provide sufficient oversight; ensuring claims are properly itemized and contain sufficient documentation; and closely monitoring the use of debit cards.</p> <p><i>School officials generally agreed with the report’s recommendations and indicate that they plan to initiate corrective action.</i></p>

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<p>Newcomb Central School District Extra-Classroom Activity Fund 2015M-127 4th Judicial District</p>	<p>The audit found that the Board did not ensure that District officials implemented and enforced its policy governing the operations of the extra-classroom activity fund. Consequently, the audit found that 27 of 30 collections totaling \$20,029 that were remitted to the central treasurer for deposit did not have adequate supporting documentation. In addition, six of seven student treasurers' ledgers did not agree with the central treasurer's ledger.</p>	<p>3 recommendations</p> <p>The report's recommendations focused on the Board and District officials ensuring that the activity fund is maintained according to District policy; appointing a faculty auditor to oversee the management of the extra-classroom activity money; ensuring that the central treasurer receives supporting documentation for all activity funds; using duplicate press-numbered receipts; and that faculty advisors ensure that student treasurers maintain a student ledger that reconciles with the central treasurer's.</p> <p><i>District officials agreed with the report's recommendations and have initiated corrective action.</i></p>
<p>Sayville Union Free School District Financial Condition and Cellular Telephones 2015M-86 10th Judicial District</p>	<p>The Board and District officials did not ensure that unexpended surplus funds were reasonable for the five-year period ending June 30, 2014. District officials planned to use a total of \$17 million of fund balance during this period to finance District operations, an average of \$3.4 million each year. However, they only used \$2.4 million of the appropriated fund balance, or 14 percent of the total amount appropriated. In addition, the District overstated</p>	<p>7 recommendations</p> <p>The report's recommendations focused on the Board and District officials ensuring that unexpended surplus funds are in compliance with statutory laws; discontinuing the practice of adopting budgets</p>

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	<p>encumbrances by more than \$6.5 million between the 2009-10 and 2013-14 fiscal years. As a result, the unexpended surplus fund balance exceeded the statutory maximum of 4 percent of the ensuing year’s budget for each of the five years.</p> <p>Although the District has a cellular telephone policy, officials do not have proper procedures in place to effectively manage cell phone use and acquisition. Because the Board is not ensuring that officials adhere to the policy in place, the District incurred additional and unnecessary costs.</p>	<p>that result in the appropriation of unexpended surplus funds not needed for District operations; develop procedures for more realistic budgets; limiting encumbrances to only include orders placed in and for the current year; enforcing the cell phone policy; reviewing all claims and cell phone bills prior to approval; and implementing procedures providing additional oversight of acquisition and use of cell phones and ensuring that invoices are reviewed to include the agreed-upon rates.</p> <p><i>District officials generally agreed with the report's recommendations.</i></p>
<p>Summit Educational Resources and State Education Department Compliance with the Reimbursable Cost Manual 2014-S-49 8th Judicial District</p>	<p>For the fiscal year ended June 30, 2013, the audit identified \$28,176 in other than personal service costs charged to the programs that did not comply with the Department’s requirements for reimbursement. The disallowances included \$26,754 for consultant services that were not supported by itemized invoices and \$1,422 in various other costs that were ineligible for reimbursement. The audit also questioned the appropriateness of an additional \$34,357 in costs charged to the programs for consultant services and information technology procurements that were not obtained through solicitation of competitive bids.</p>	<p>3 recommendations</p> <p>The report’s recommendations focused on the Department reviewing the disallowances resulting from the audit and make the necessary adjustments to Summit’s reimbursement rates and working with Summit officials to ensure that they understand and comply with the Consolidated</p>

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		<p>Fiscal Reporting Manual.</p> <p><i>The Department agreed with the recommendations and will review and make adjustments as noted in the report and recover any overpayment as appropriate, along with providing technical assistance to the provider.</i></p>
<p>Trumansburg Central School District School Lunch Operations 2015M-171 6th Judicial District</p>	<p>The District is serving nutritious meals to its students. However, the meals cost more to prepare than the revenue generated by the meal sales. In addition, the District's productivity level for meals per labor hour (MPLH) is below the industry averages. Although the industry averages may not be achievable given certain District conditions, District officials can use the industry averages to monitor operations and work toward increasing productivity.</p>	<p>2 recommendations</p> <p>The report's recommendations focused primarily on District official's closely monitoring cafeteria operational costs for control; and monitoring the MPLH and consider taking measures to move toward the industry standard for MPLH.</p> <p><i>District officials generally agreed with the report's recommendations and have indicated that they plan to initiate corrective action.</i></p>
<p>Wappingers Central School District Fuel Accountability 2015M-135</p>	<p>District officials need to improve their oversight of fuel use. Despite the use of a fuel management system, District officials do not review system activity reports to identify anomalies regarding quantities dispensed, fueling times and</p>	<p>10 recommendations</p> <p>The report's recommendations focused on the Board and District</p>

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<p>9th Judicial District</p>	<p>the odometer readings entered by employees. The audit found eight instances where the fuel volume dispensed exceeded the vehicle’s tank capacity or a reasonable volume given the amount of miles driven between fill-ups. The audit also identified 140 instances where fuel was dispensed without an odometer reading and 26 instances where the odometer readings for vehicles were less than the previous readings for those same vehicles. Further, District officials do not reconcile fuel purchases to fuel use and remaining fuel or maintain an accurate list of assigned fuel keys and vehicles. In some instances, fuel key and vehicle numbers are not unique and no logs are maintained to document the purpose each time a master key is used. Finally, the Director of Facilities and Operations does not maintain a log of fuel usage for the 275 gallon diesel tank in his Department which had deliveries totaling \$6,326 during our period or have knowledge of who was reordering the fuel for that tank. As a result, the District cannot properly account for how much fuel is pumped into specific vehicles and by whom. This reduces accountability and places the District at unnecessary risk for loss of fuel.</p>	<p>officials ensuring that reconciliations of fuel purchases, fuel use, and remaining fuel are done periodically; researching any variances and seeking recovery for personal use; ensuring that fuel gates are locked at night; reviewing unusual activity; maintaining a log for fuel dispensed; ensuring that only authorized individuals can order fuel; providing monthly transaction reports to department heads for review; establishing a record of fuel key numbers; and maintaining logs of master key transactions.</p> <p><i>District officials generally agreed with the report's recommendations and have indicated that they plan to initiate corrective action.</i></p>
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