



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

**TO:** The Honorable the Members of the Board of Regents

**FROM:** Daniel Tworek *Daniel Tworek*

**COMMITTEE:** Subcommittee on Audits

**TITLE OF ITEM:** Audit Activities

**DATE OF SUBMISSION:** February 24, 2003

**PROPOSED HANDLING:** Discussion

**RATIONALE FOR ITEM:** Enables the Board of Regents to review audits.

**STRATEGIC GOAL:** 5

**AUTHORIZATION(S):** *Thomas Blodgett*

**SUMMARY:**

This month's agenda includes two audit reports issued by the Office of Audit Services (OAS), the second of which involved an audit conducted by the New York City Department of Education. Representatives from OAS as well as SED program staff will be present to answer any questions you may have. In reviewing these reports, certain policy issues or concerns may come to mind, which you may wish to discuss. Please come to the meeting armed with your questions. The roadmap also includes some time for discussing how to enhance communication with the full Board and school districts in fiscal stress.

The following materials are attached.

- Roadmap
- Minutes of February Meeting (Attachment I)
- Audit Report Abstracts (Attachment II)
- Audit Reports

<b>REGENTS SUBCOMMITTEE ON AUDITS (RSOA) MEETING ROADMAP</b>		<b>DATE: March 25, 2003 TIME: 8:05-9:05 am ROOM: To Be Determined</b>		
<b>TOPIC</b>	<b>OUTCOME</b>	<b>WHO</b>	<b>MINUTES</b>	
Opening Remarks	Greetings	Regent Chapey	2	
Review Agenda/Minutes (Attachment I)	Approval	Sheldon	1	
Audit Report Abstracts (Attachment II)	Field Questions from RSOA Members	SED Staff	10	
Communicating Information to the Full Board	Discussion	Regent Chapey	15	
School Districts in Financial Stress	Presentation/ Discussion	Tworek	30	
Next Session	Discussion	Sheldon	2	

MEETING OF THE REGENTS SUBCOMMITTEE ON AUDITS

Tuesday February 11, 2003

Subcommittee Members in Attendance:

Regent Geraldine D. Chapey, Chair  
Regent James C. Dawson, Vice Chair  
Regent Joseph E. Bowman  
Regent Arnold B. Gardner  
Regent Harry Phillips, 3rd

Discussion Items

Regent Chapey opened the meeting and informed all that she made a presentation to the full Board of Regents on the activities of the Subcommittee. She informed the Board of a new approach to our responsibilities, including taking a more proactive role as exemplified in sending out the Statement on Governance and the identification of schools under fiscal stress.

Previous Meeting Minutes

The members of the Subcommittee voted to accept the minutes of the prior (October 3, 2002) meeting.

Audits

Office of Audit Services (OAS) staff were present to answer any of the Regents questions on the following audits.

- Ontario-Seneca-Wayne-Yates BOCES (BOC-0600-8)
- Otsego-Delaware-Schoharie-Greene BOCES (BOC-0301-8)
- Troy City School District (SD-1101-2)
- CUNY Master Plan Amendment Data Verification (SP-1100-2)

Staff from the Office of the State Comptroller were present to answer any of the Regents questions on the following audits.

- Compliance with Section 215-c of the State Education Law (2001-S-59)
- Compliance with Section 3602 Subdivision 26 of the State Education Law (2002-S-7)
- Greenburgh-North Castle Union Free School District Reporting Costs and Enrollments for Tuition Rate Setting Purposes (2001-S-8)

- Policies and Practices for Reviewing Applications and Monitoring Operations for Charter Schools (2001-S-22)
- Public Excess Cost Aid and Public Excess High Cost Aid Follow-Up Audit (2002-MS-3)
- New York City Board of Education – Selected Procurement Practices – Follow-Up (2001-F-50)

The members of the Subcommittee discussed their role in receiving the audit reports and in communicating information to the full Board of Regents.

**Audit Report Abstracts  
Regents Subcommittee on Audits  
March 25, 2003**

<b>Office of Audit Services</b>		
<b>Audit</b>	<b>Major Finding</b>	<b>Recommendations/Response</b>
<p><b>Monroe 2-Orleans BOCES BOC-0701-1 7<sup>th</sup> and 8<sup>th</sup> Judicial Districts</b></p>	<p><b>\$27,397 adjustment</b></p> <p>The audit found the BOCES overstated EPE contact hours, resulting in an overpayment of \$27,397, and should improve documentation of EPE contact hours. The BOCES needs to make its Report Card available to the public by transmitting it to local newspapers and should change the method used to calculate special education tuition rates.</p> <p>The BOCES has implemented 13 of the 16 recommendations contained in the prior audit report. The remaining three recommendations were partially implemented.</p>	<p><b>7 recommendations</b></p> <p>The report recommends the BOCES develop an EPE policy manual, improve documentation of EPE contact hours and student eligibility data, and ensure new EPE programs are approved. The report also recommends the BOCES transmit its Report Card to local newspapers and improve the method used to calculate special education tuition rates.</p> <p><i>Monroe 2-Orleans BOCES officials agree with the recommendations.</i></p> <p><b>The Department will recover the excess EPE aid through a reduction in aid in the subsequent year.</b></p>

<p><b>Hebrew Academy for Special Children, Inc. Preschool Program</b></p> <p><b>An audit conducted by the New York City Department of Education and Approved by the State Education Department Pursuant to Education Law Section 4410</b></p> <p><b>2<sup>nd</sup> Judicial District</b></p>	<p><b>\$34,118 adjustment</b></p> <p>The audit was a financial and compliance audit of the School's Special Education (finerant Teacher Program (SEIT). The School overstated its SEIT's reimbursable personal service and non-personal expenses. In addition, it did not properly allocate some personal service and non-personal expenses to the SEIT program. The school also over-reported \$348,893 in revenue for the SEIT program which was actually revenue for another program. The report noted weaknesses in the school's accounting and internal control structure.</p>	<p><b>7 recommendations</b></p> <p>The report recommends the School correct the errors disclosed by the audit including:</p> <ul style="list-style-type: none"> <li>• Reviewing all expenses to ensure they are properly documented,</li> <li>• Reclassifying some expenses,</li> <li>• Allocating personal service costs based on actual percentage of employee time,</li> <li>• Reviewing the number of service sessions provided,</li> <li>• Reporting all revenue received to its corresponding program,</li> <li>• Maintaining documentation to support allocation methodology,</li> <li>• Ensuring staff are following established purchasing procedures.</li> </ul> <p><i>School officials agree with the recommendations except for the disallowance of rent expenses and the reclassification of some staff.</i></p> <p><b>The Department's Rate Setting Unit is reviewing the audit in order to adjust the 1997-98 SEIT tuition rate and assess the effect on subsequent years' tuition rates.</b></p>
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