



**TO:** Audits/Budget and Finance Committee  
**FROM:** Sharon Cates-Williams  
**SUBJECT:** Board of Regents Oversight – Financial Accountability  
**DATE:** December 28, 2011  
**AUTHORIZATION(S):**

### **SUMMARY**

#### **Issues for Discussion**

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

1. Review of the Monthly Fiscal Report
2. 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. **Review of the Monthly Fiscal Report**  
The Committee will be updated on the Department State Operations expenditure and revenue projections.

2. Completed Audits including the Report of the Internal Audit Workgroup  
The Committee is being presented with 7 audits this month. (Attachments I & II)

Audits are provided as follows:

Office of Audit Services

Kingston City School District  
Schenectady City School District ARRA

Office of the State Comptroller

Baldwin Union Free School District  
Evans-Brant Central School District  
Fredonia Central School District  
St. Joseph's School for the Deaf Follow-up Report  
South Buffalo Charter School

Recommendation

For items one (Review of the Monthly Fiscal Report) and two (Completed Audits), no further action is recommended.

Timetable for Implementation

N/A

The following materials are attached:

- Report of the Internal Audit Workgroup (Attachment I)
- Summary of Audit Findings Including Audit Abstracts (Attachment II)

**Regents Committee on Audits/Budget and Finance  
January 2012  
Review of Audits Presented  
Department's Internal Audit Workgroup**

Newly Presented Audits

We reviewed the 7 audits that are being presented to the Committee this month. Two of the audits were issued by the Office of Audit Services (OAS), five by the Office of the State Comptroller (OSC). Five of the audits were of school districts, one was of a 4201 school and the remaining audit was of a charter school.

The findings were in the areas of budgeting/financial reporting, procurement, payroll, cash, transportation and compliance with ARRA requirements.

The Department has issued letters to the auditees, reminding them of the requirement to submit corrective action plans to the Department and OSC within 90 days of their receipt of the audit report.

The Department's Internal Audit Workgroup identified one audit, the Kingston City School District, that highlights the need to examine the Credit Recovery Program. The Department has already made a request to OSC to conduct such audit. In follow up to the OSC audit of the Baldwin Union Free School District, OAS staff also analyzed the subsequent year's financial statements and determined that some of the findings related to over accumulation of fund balance and reserve appear to have been corrected.

Audit	Procurement	Claims Processing	Payroll	Cash	Financial Reporting
<b>Office of Audit Services</b>					
* Kingston City School District (footnote 3)					√
* Schenectady City School District (footnote 1)					√
<b>Office of the State Comptroller</b>					
Baldwin Union Free School District	√		√	√	
Evans-Brant Central School District		√			
* Fredonia Central School District (footnote 4)			√		√
Saint Joseph School for the Deaf	√				
* South Buffalo Charter School (footnote 2)					√
<b>January 2012</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>1</b>

1. ARRA Funds
2. Proof of Residence
3. Student Information Repository System (SIRS)
4. Transportation Costs

The Department's Internal Audit Workgroup met to review each of the audits being presented this month. Letters will be sent to all of the auditees reminding them of the requirement to submit a corrective action plan.

<b>Office of Audit Services</b>		
<b>Audit</b>	<b>Major Finding(s)</b>	<b>Recommendation/Response</b>
<p><b>Kingston City School District</b>  <b>Data Accuracy and Reliability For the Period July 1, 2006 through June 30, 2010</b>  <b>SD-0311-1</b>  <b>3rd Judicial District</b></p>	<p>This audit was conducted in order to assess the reliability and accuracy of the data reported to the Student Information Repository System (SIRS). Data reported by the District was reviewed and compared to student record documentation to verify the 2006 cohort data is accurate and reliable. The accuracy of the 2006 graduation rate was also verified.</p> <p>The District's reported graduation cohort for 2006 was overstated by 4 percent. The District reported a 69 percent graduation rate, but in fact, the graduation rate was actually 65 percent.</p> <p>Records at the District did not contain documentation to support all of the students who were coded as transferred out of the District. Student records did not contain documentation to support five students coded as graduates. Conversely, two students coded as non-graduates met the necessary graduation requirements.</p>	<p><b>5 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to SIRS, and the District's graduation rate accuracy.</p> <p><i>The District agreed with the recommendations and indicated that they will implement corrective action.</i></p>
<p><b>Schenectady City School District</b>  <b>Use of American Recovery and Reinvestment Act (ARRA) funds awarded for the July, 1 2009 – June 30, 2010 school year.</b>  <b>ARRA-0411-26</b>  <b>4th Judicial District</b></p> <p><b>Contract for Excellence</b></p>	<p>Some claims for interim payments contained an amount for expenditure to-date that was greater than the amount supported by District records. One claimed less than what could be supported.</p> <p>For some employees, the District did not charge ARRA budget codes from the beginning of the school year. Later in the year, adjustments were made to move the salaries to ARRA budget codes. This late adjustment prevented the District from producing accurate budget status amounts for ARRA funds during most of the grant period.</p> <p>There were also two employees with less salary claimed on</p>	<p><b>7 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to the District's use of ARRA funds.</p> <p><i>The District agreed with the recommendations and has indicated that they will implement corrective action.</i></p>

	<p>the final expenditure report than coded to ARRA budget codes in the payroll system.</p> <p>The District prepared semi-annual payroll certifications for employees paid from one federal fund. However, the late salary adjustments in budget codes rendered these payroll certifications inconsistent with the actual payroll records.</p> <p>The District also does not have a process for minimizing time elapsing between receipt and disbursement of funds, or remitting interest earned on federal funds in excess of \$100 annually. The District has separate interest bearing accounts where federal monies are deposited. Analysis of these accounts showed that the District earned \$5,982 in excess of \$100 in interest on federal funds. The District has remitted these funds to the federal government.</p> <p>Finally, the District's procedures for equipment inventory do not sufficiently safeguard District assets.</p>	
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**Office of the State Comptroller**

<b>Audit</b>	<b>Major Finding(s)</b>	<b>Recommendation/Response</b>
<p><b>Baldwin Union Free School District Internal Controls Over Selected Financial Activities 2011M-124 10th Judicial District</b></p>	<p>It is estimated that between accumulating fund balance in excess of the statutory limit and significantly over-funding a reserve, the District has accumulated more than \$12.1 million in taxpayer funds inappropriately. In addition, the District maintained an EBALR that was over-funded by approximately \$4.4 million. District officials did not solicit competition for services procured from seven professionals who received payments totaling \$524,172 during the audit period. District officials also did not obtain the required number of quotations for three purchases totaling \$13,650, as required by the District's procurement policy. The Board did not establish formal policies and District officials did not establish</p>	<p><b>15 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to EBALR, the solicitation of competition for services, purchasing, and information technology.</p> <p><i>The District generally agreed with the findings related to procurement</i></p>

	<p>procedures for the protection and use of facsimile signatures disks. Finally, the District needs to strengthen internal controls over certain areas of information technology.</p>	<p><i>and use of facsimile signatures. However, it generally disagreed with the findings on critical controls over the budget process and information technology.</i></p>
<p><b>Evans-Brant Central School District Administrative Compensation and Benefits, Claims Processing - Audit Follow Up 2006M-54-F 8th Judicial District</b></p>	<p>The initial report was issued on November 30, 2006, and identified certain conditions and opportunities for District management's review and consideration. The District was then revisited on October 3, 2011, in order to review the District's progress in implementing the recommendations.</p> <p>Of the 15 audit recommendations, 14 were implemented and one was partially implemented.</p>	<p>The recommendation that was partially implemented pertained to Board expectations of the claims auditor.</p>
<p><b>Fredonia Central School District Internal Controls Over Transportation Services and Unauthorized Health Insurance 2011M-167 8th Judicial District</b></p>	<p>The District is not using effective internal controls to monitor its student transportation services. Neither District officials nor the vendor could provide us with a copy of the regular daily run contract. Due to changes in school facilities and enrollment and the lack of routing software, the Board cannot ensure that regular daily bus routes are efficient to limit the cost to District taxpayers. In addition, the vendor erroneously included mileage for additional runs in the calculation of District fuel available in the vendor's tank. As a result, the District's fuel balance was understated by 8,085 gallons, with an approximate value of \$20,700, for the period July 1, 2009 to June 30, 2011.</p> <p>In addition, the District has not collected more than \$13,000 for unauthorized health insurance payments made for a former Superintendent. The District continues to provide him with health insurance coverage, at his own expense, without authorization of the Board.</p>	<p><b>6 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to transportation services, and insurance payments for former employees.</p> <p><i>The District agreed with the recommendations and indicated that they will implement corrective action.</i></p>

<p><b>Saint Joseph School for the Deaf Selected Financial Management Practices Follow-Up Report 2011-F-10 12th Judicial District</b></p>	<p>The initial report was issued on January 14, 2010, and examined whether St. Joseph's officials had established and maintained an adequate system of internal control over the school's financial operations. The objective of the follow-up was to assess the extent of implementation, as of July 8, 2011, of the eight recommendations included in the initial report.</p> <p>St. Joseph's officials have made significant progress in correcting the problems we identified in the initial report, however, improvements are still needed.</p> <p>Of the eight prior audit recommendations, seven have been implemented and one recommendation has not been implemented.</p>	<p>The recommendation that was not implemented pertained to compliance with Department guidance for competitive procurements involving both goods and services.</p>
<p><b>South Buffalo Charter School Enrollment and Billing 2011M-190 8th Judicial District</b></p>	<p>The School accurately billed the school districts of residence and, overall, the School maintained adequate supporting documentation. However, some issues with proof and/or verification of current residence were identified. For example, five students did not have proof of residence documentation on file.</p>	<p><b>2 recommendations</b></p> <p>The report's recommendations focused on strengthening the policies and procedures pertaining to proof of residency.</p> <p><i>The School agreed with the recommendations and has indicated that they will implement corrective action.</i></p>