

**Pelham Union Free School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures**

June 1, 2022

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Education and Audit Committee
Pelham Union Free School District
Pelham, New York 10803

We have performed the procedures described in the following pages, which were agreed to by the Pelham Union Free School District (District), related to special education and grant activities from July 1, 2020 through September 30, 2021.

The District's management is responsible for administering these areas of operation.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the District's special education and grants and asset accounting activities. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than the specified parties.

Cullen & Danowski, LLP
June 1, 2022

PELHAM UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures
For the Period Ended September 30, 2021

Introduction:

This report is organized as follows:

- Background information
- Procedures performed during our detailed testwork
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan:

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan (CAP), approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the CAP along with the respective Internal Audit Report via the NYSED portal system.

PELHAM UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
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SPECIAL EDUCATION AND GRANTS

Background:

Special education at the District involves over 86 employees and several third party providers to educate students in accordance with state regulations and Individual Education Plans.

The overall responsibility for Special Education Services is under the Assistant Superintendent of Pupil Personnel Service. The Assistant Superintendent of Pupil Personnel Service has been with the District for 3 years. The administrative and clerical staff in the Pupil Personnel Services (PPS) office was relatively consistent through September 30, 2021.

The general fund adopted budget for special education services in the 2020-21 school year was approximately \$7.3 million and actual expenditures totaled approximately \$6.8 million. The following table provides the details.

Pelham Union Free School District
General Fund Special Education Code Analysis

District Account	Description	2020-21 Budget	2020-21 Adjustments	2020-21 Adj. Budget	2020-21 Expensed	Available Including Encumbrances	2021-22 Budget	Difference Between 20-21 and 21-22 Budget
A 2250.131	TEACHING ASSISTANT SALARIES	744,261	-2,000	742,261	740,938	1,323	289,690	-454,571
A 2250.150	INSTRUCTIONAL SALARIES D/W	504,035	13,471	517,506	517,157	349	506,538	2,503
A 2250.151	TEACHER SALARIES-ELEMENTARY	1,047,158	0	1,047,158	1,047,158	0	1,068,140	20,982
A 2250.152	TEACHER SALARIES-SECONDARY	2,696,663	66,400	2,763,063	2,762,764	299	2,732,409	35,746
A 2250.153	CSE & SUPPORT MEETINGS	5,000	0	5,000	4,667	333	5,000	0
A 2250.156	SPEECH THERAPISTS	151,101	-22,380	128,721	56,618	72,103	582,880	431,779
A 2250.157	OCCUPATIONAL THERAPISTS	89,063	0	89,063	89,063	0	180,352	91,289
A 2250.158	PHYSICAL THERAPISTS	25,000	0	25,000	24,280	720	40,000	15,000
A 2250.159	HEARING IMPAIRED	24,000	-30	23,970	13,709	10,261	24,000	0
A 2250.160	NON INSTRUCTIONAL SALARIES	114,551	650	115,201	98,868	16,333	119,159	4,608
A 2250.163	HOURLY SUPERVISION	486,455	-200,000	286,455	243,953	42,503	476,167	-10,289
Salaries - Programs for Students with Disabilities		5,887,287	-143,889	5,743,398	5,599,176	144,223	6,024,335	137,047
A 2250.200	EQUIPMENT	2,500	0	2,500	0	2,500	10,000	7,500
A 2250.400	CONTRACTUAL EXPENDITURES	160,800	-18,500	142,300	138,113	4,187	52,900	-107,900
A 2250.407	HOME/HOSPITAL INSTRUCT	6,000	-5,100	900	900	0	5,000	-1,000
A 2250.408	COMMITTEE ON SPECIAL EDUCATION	3,500	0	3,500	2,956	69	2,000	-1,500
A 2250.450	MATERIALS AND SUPPLIES	17,800	30,438	48,238	31,403	16,796	17,000	-800
A 2250.471	TUITION TO OTHER DISTRICTS	70,000	-35,000	35,000	28,667	6,333	110,000	40,000
A 2250.472	TUITION ALL OTHER-PRIVATE	465,000	18,000	483,000	482,399	601	540,000	75,000
A 2250.490	SERVICES FROM BOCES	681,848	-100,000	581,848	481,067	100,781	635,592	-46,256
Contractual and Other - Programs for Students with Disabilities		1,407,448	-110,162	1,297,286	1,165,504	131,267	1,372,492	-34,956
General Fund Totals		7,294,735	-254,051	7,040,685	6,764,680	275,490	7,396,827	102,091

Per our review and discussion with District staff, the budgets appeared reasonable and adequate for the 2020-21 fiscal year.

The District appears to have good communication and appropriate segregation of duties between PPS, the Personnel Department and the Business Office.

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The Office of Pupil Personnel Services manages activities related to two federal grants (Section 611 and 619). The budget and actual expenditure related to these grants for the 2020-21 school year were as follows:

Pelham Union Free School District
Budget Analysis 2020-21
IDEA Section 611

Account	Account Name	Budget	Adjustments	Adjusted Budget	Expense	Available
F 2250.150-00-2101	SECTION 611 (20-21) INSTRUCTIONAL SALARIES	516,758	0	516,758	516,758	0
	Salaries	516,758	0	516,758	516,758	0
F 2250.400-00-2101	SECTION 611 (20-21) CONTRACTUAL	109,500	0	109,500	76,555	32,945
F 2250.450-00-2101	SECTION 611 (20-21) MATERIALS & SUPPLIES	6,075	0	6,075	0	6,075
	Contractual and Other Costs	115,575	0	115,575	76,555	39,020
	Grant Totals	632,333	0	632,333	593,313	39,020

Pelham Union Free School District
Budget Analysis 2020-21
IDEA Section 619

Account	Account Name	Budget	Adjustments	Adjusted Budget	Expense	Available
F 2250.150-00-2102	SECTION 619 (20-21) INSTRUCTIONAL SALARIES	0	795	795	800	-5
F 2250.160-00-2102	SECTION 619 (20-21) NON-INSTRUCTIONAL SALARIES	17,842	-240	17,602	17,604	-2
	Salaries	17,842	555	18,397	18,404	-7
F 2250.400-00-2102	SECTION 619 (20-21) CONTRACTUAL	6,923	-555	6,368	6,368	0
	Contractual and Other Costs	6,923	-555	6,368	6,368	0
	Grant Totals	24,765	0	24,765	24,772	-7

Since these grants are “reimbursable” grants, the revenue recorded for these grants properly match the expenditures.

One significant responsibility of PPS is to manage the STAC (System to Track and Account for Children) filing process with New York State. The STAC system requires districts to enter the cost to educate specific students into the system. These entries are then used to calculate excess cost aid based on various formulas. The basic calculation related to the amount of state aid is as follows:

- Total cost to educate a student
- Less: threshold amount
- = Amount above threshold
- Multiplied by the State aid percentage
- = Excess Cost Aid in subsequent years

The key to maximizing state aid is to identify all students with costs close to and above the threshold and to ensure all components of total costs are considered.

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The District handles the tracking of services and costs involved with educating students. However, the District utilizes a third party consulting firm to assist with the determination of eligible costs and the STAC filing. This consulting firm is very well known in the industry and we were told that they provide excellent service.

Procedures:

We performed the following procedures as per the engagement letter:

- Review Board policies and written procedures related to the financial operations of the Special Education Department.
- Interview Business Office and Special Education Department personnel regarding policies, procedures and systems in effect.
- Review budget for fiscal 2021-22 and compare to the 2020-21 budget and actual results. Obtain explanations for unusual variances. Review latest budget status report as of date of fieldwork and obtain explanations for variances.
- Examine payroll records of Special Education personnel for three pay periods during the period under review and, on a test basis, compare to source documentation.
- Review purchase orders for 5 of the largest vendors during the year and examine 3 – 4 invoices related to those purchase orders to determine if policies and procedures of the District have been followed.
- Select an additional 25 disbursements from the Special Education accounts and review supporting documentation to determine if applicable purchasing and disbursement policies and procedures have been followed.
- Review the system of compiling information related to entering and reviewing STAC forms. Obtain the most current Automated Verification Listing and select 15 students. Review the costs charged for accuracy and completeness.
- Obtain a listing of users of the Districts IEP Direct application and determine if all users with access are current employees or vendors. Discuss access levels and consider testing individual users.
- Select all grants managed by the Special Education office. Review the approved grant, and test expenditures and funding on a test basis.

Findings:

- The District has a full complement of Board of Education Policies related to Special Education Services. However, the District does not have written procedures related to the processes and procedures related to Special Education or Grant administration.
- Our interviews with staff indicate a good understanding of the procedural and financial issues related to Special Education and special education grant accounting.
- As noted above, the budget and actual results for the 2020-21 school year were within reasonable variances. There were budget adjustments made during the 2020-21 school year as savings were realized due to COVID-19 related virtual learning requiring a decrease in the need for 1:1 aides. The District maintains schedules and budgets by student for the tuition and BOCES codes and the budgets include contingencies for additional students that are not known at time of budget development. Also, as noted above, unless conditions change, the budgets should be adequate for the 2021-22 fiscal year.
- We obtained a listing of employees charged to the payroll codes for the 2019-20 and 2020-21 fiscal years. We selected three pay periods and selected 15 employees to verify that these employees were being

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properly paid in accordance with their approved salary and that the payments made to these employees were properly supported. Our review of these payroll selections found the following exceptions:

- There was 1 instance where the supporting documentation for a payment to a per diem substitute did not include the signature of the building principal.
 - There was 1 instance where the hourly rate paid to a Hearing Impaired Teacher did not appear to align with the Board approved rate.
 - There was 1 instance where an employee was paid a 6th Period Coverage stipend, but this employee was not included in the Board resolution approving this payment to other employees. Although the District was able to provide documentation related to the approval by District administrators, they were unable to locate documentation to support approval by the Board.
- We reviewed the purchase orders for five of the largest vendors paid during the fiscal years under audit and selected 3–4 invoices related to those purchase orders to determine if policies and procedures of the District have been followed. Our testing of purchasing and invoices related to these vendors showed the following exceptions:
 - Although the Special Education Department is reviewing the BOCES invoice to confirm that the services listed have been provided, the Assistant Superintendent for PPS does not memorialize this verification process by signing the invoice.
 - Although the Special Education Department emailed the Districts Accounts Payable Department to confirm the receipt of services and approve payments to the Greenburgh-Graham UFSD, the email sent to Accounts Payable was from the Department’s Clerical Support, rather than the Assistant Superintendent for PPS who is responsible for administering the budget code.
 - There was 1 instance where the supporting documentation for a payment to a related services provider did not include an attendance sheet from the provider. Although the invoice included the dates that services had been rendered, the other disbursements to this vendor included an attendance sheet that was signed by the therapist providing these services. In addition, the Board approved contract was not included as supporting documentation for the disbursements to this vendor.
 - There was 1 instance where a payment was made more than 45 days after the date of the invoice.
- We selected an additional 25 disbursements from the Special Education accounts over the 2019-20 and 2020-21 fiscal years. For the items selected, we reviewed documentation to support payment to determine if applicable purchasing and disbursement policies and procedures are being followed. Our review of the 25 disbursements selected for testing noted the following exceptions:
 - There were 9 instances where invoices were received, but not processed for payment within 45 days of the invoice date.
 - There were 23 instances where the receipt of goods or services and authorization to pay was made by the Clerical Support in the Special Education Department, rather than the Assistant Superintendent for PPS who is responsible for administering the Department’s budget code. In addition, there was 1 instance in which the Special Education Department did not sign-off on the receiving copy of the purchase order to memorialize the receipt of goods or services.

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- There were 7 instances where a disbursement did not include documentation to support the procurement of goods or services (e.g., additional quotes, contracts, etc.)
- There were 12 instances where the purchase order date was after either the invoice date or the date goods and services were received.
- We reviewed the system of compiling information related to entering and reviewing STAC forms and obtained the most current Automated Verification Listing (AVL). From the listing of students on the AVL's, 15 students were selected at random and the costs charged for the student were reviewed for accuracy and completeness. All 15 students selected for testing had adequate documentation present to support amounts reported in the online STAC system from review and approval from New York State. However, there was 1 instance where it appeared that an employee whose full salary was being charged to the 611 grant for the 2019-20 year was also being used in a student's STAC calculations. In addition, the review of the worksheet used to prepare the STAC forms found that the computation for the costs related to the District's share of Social Security includes an employee's total salary and does not account for the Social Security wage base limit, which is the maximum wage that is subject to the tax for a calendar year (e.g., \$147,000 in 2022; \$142,800 in 2021; \$137,700 in 2020; and \$132,900 in 2019). Thus, the Social Security costs were slightly overstated when an employee earned more than the Social Security wage base limit.
- The Special Education office handles the IDEA Section 611 and 619 grants, which are part of the Special Education Cluster. We obtained grant documents for the aforementioned grants from the 2019-20 and 2020-21 fiscal years and performed the following:
 - We reviewed grant documents for proper approvals noting that all documents were properly certified by the Superintendent before being submitted to NYS.
 - We tied out FS-10 grant budgets, FS-10A grant amendments and FS-10F final grant expenditure reports (if applicable) to the Financial Software for the 2020-21 IDEA Section 611 and 619 grants. We did not note any issues with approved grant budgets being over-expended.
 - We selected, on a test basis, expenditures recorded in the grants over the fiscal years under audit and noted that all expenditures were adequately supported, properly approved, recorded in the proper grant period and are reasonable expenditures per the approved grant budget.
 - We selected six employees charged to the IDEA grants for the period under audit. All employees charged had personnel activity reports to support their time and effort charged to federal fund, were budgeted in the grant per review of FS-10 and, if applicable, were properly certified to be charged to the program.

Recommendations:

1. We recommend that the District develop formal written procedures for the tasks performed by the employees with duties related to Special Education and Grant administration.
2. We recommend that the District establish procedures to ensure all payments made to employees are properly approved and are in alignment with Board approved rates.
3. We recommend that the District establish procedures to ensure the Assistant Superintendent of PPS memorializes the review and approval of invoices by signing-off on invoices prior to payments being disbursed.
4. We recommend that the District establish procedures to ensure all disbursements are properly supported.

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5. We recommend that the District ensure that invoices received for special education services provided are processed for payment within 45 days of receipt.
6. We recommend that the District establish procedures to ensure purchase orders are created prior to the procurement of goods and services.
7. We recommend that the District establish procedures to ensure employees that are being charged to a grant are not being used in the STAC calculations for high cost students.
8. Modify the STAC worksheet used to compute salary and benefit costs by ensuring that the calculation used for Social Security costs takes into account the wage base limit (e.g. \$147,000 in 2022; \$142,800 in 2021; \$137,700 in 2020; and \$132,900 in 2019).