

Glen Cove City School District
Internal Audit Report on Detailed Testing
February 8, 2023

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INTERNAL AUDIT REPORT ON DETAILED TESTING

To the Board of Education and Audit Committee
Glen Cove City School District
Glen Cove, New York

We have prepared this report as the result of our detailed testing as further described, which were agreed to by the Glen Cove City School District (District), on the financial operations of special education for the period July 1, 2021 through September 30, 2022.

The District's management is responsible for administering this area.

This engagement for detailed testing was performed in accordance with consulting 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 financial operations of special education. 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
February 8, 2023

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Introduction:

This report is organized as follows:

- Background information
- Summary of the engagement
- 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.

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FINANCIAL OPERATIONS OF SPECIAL EDUCATION

Background:

We were engaged to perform a review of the financial operations of the Special Education Department (Department) as per the engagement letter dated July 1, 2022. During our fieldwork, we found that the District entered into an agreement with a third party (North Star Consulting, Inc.) to perform consulting services during the 2022-23 year consisting of an assessment of the current functioning of the Department, a review of the established policies and practices, and to make recommendations to identify operational efficiencies within the Department.

The financial control over special education costs is a significant responsibility in any New York State school system. Salaries, out of district tuition, related services (e.g., occupational therapy, physical therapy, etc.), student placements, Nassau BOCES and other costs require appropriate resources, and it is important that the administration of these costs is properly controlled.

The Department is managed by the Director of Special Education (Director), who has been in this role since September 2015, and the Department staff includes an Assistant Director of Special Education, Secondary Committee on Special Education (CSE) Chairperson, Elementary CSE and Committee on Preschool Special Education (CPSE) Chairperson, 1 account clerk and 5 clerical support staff who report to the Director. There have been recent changes with employees in the Department that includes a new Assistant Director, who started in late November 2022 after this position was vacant since early September 2022, and 3 clerical staff changes in the past 2 fiscal years. We have been informed that the District is considering the addition of another administrator (e.g., Assistant Director) due to the increases in the number of special education students and increases with the amount of needed services.

The Account Clerk has financial responsibilities that include assisting with preparing contracts with related service providers and agencies regarding student placements; creating purchase requisitions in the nVision financial system (nVision); reviewing vendor invoices; maintaining budget spreadsheets; and assisting with grant management. The duties of the clerical support staff includes the compilation of spreadsheets that are used to support the submission of the filings to the NYSED through the System to Track and Account for Children (STAC). The STAC filing system is the mechanism that school districts use to report special education related costs for students receiving high cost services during the school year and services during the summer program. The amounts submitted to the state through the STAC process are used in the calculation of high-cost aid. The STAC forms are an estimated cost based upon the student's IEP and generally filed at the start of the school year.

The Department had an annual budget for the 2022-23 fiscal year of \$18,171,827 in the General Fund as of December 1, 2022, which includes costs for salaries (excluding benefits), BOCES placements, private placements, related service providers and other expenses directly related to special education operations. At the time of our fieldwork, the Department had approximately 650 students in the CSE programs and 86 students placed by the CSE outside of the District. The total aidable excess cost amount per the automated verification listing (AVL) forms submitted during the 2021-22 year related to services provided to 79 students during the 2020-21 year totaled \$3,227,577 as per the Public Excess High Cost Aid Report (PUB) and Private Excess Cost Aid Report (PRI).

The Department's oversight includes the tracking and monitoring of students requiring services and programs as per the students' IEP. The District engages a third party, Management Advisory Group (MAG), to provide special education services related to the management and claims of high-cost aid and Medicaid. The Department submits spreadsheets that include data related to students with potential high-cost aid to MAG who files the STAC forms to the NYSED for students with special education costs that meet or exceed the annual high-cost aid threshold. During the subsequent year, MAG reviews the STAC forms to ensure the accuracy of the data initially

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filed compared to actual costs or determine if there are any necessary adjustments based upon the actual costs expended for each student during the respective year. This process is formalized by submitting the AVL that contains the STAC costs for each student. The District's public high-cost aid threshold was \$54,105 and \$56,556 per student and public excess cost aid ratio was 35.4% and 37.9% for the 2020-21 and 2021-22 years, respectively. The District's private excess cost aid ratio was 81.8% and the total private excess cost aid amount was \$939,598 for the 2021-22 year.

Summary:

We found that the employees demonstrated a positive attitude towards strengthening the procedures related to financial tasks of the Department. We also noted that certain financial activities require collaboration between the Department and the Business Office that includes budgeting, purchasing, disbursements, state aid and grants. We also understand that North Star Consulting, Inc. is assisting with the reorganization of the Department and helping the new Assistant Director acclimate in their role at the time of this report.

We note that there are some opportunities for improvement based on the results of our engagement as stated in the findings section below. We suggest that the District continue being active with enhancing its processes and consider implementing the recommendations noted below to further strengthen internal controls and improve operational efficiencies related to the financial operations of the Department.

Procedures:

Our procedures, as per the engagement letter dated July 1, 2022, were as follows:

- Review Board policies and written procedures related to the financial operations of the Department.
- Interview Business Office and Special Education Department personnel regarding policies, procedures and systems in effect.
- Review budget for fiscal 2022-2023 and compare to the 2021-2022 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 3 pay periods under review, and on a test basis compare to source documentation.
- Review purchase orders for 5 of the largest vendors during the period 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.

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Findings:

Review of Board policies and District procedures and interviews with personnel noted:

- There are Board policies including *Board Policy #4321 - Programs for Students with Disabilities* related to administration, students, fiscal management and support services. We also found that the District has standard processes covering the financial activities of the Department. However, there is a lack of written, formal procedures related to these key tasks performed by the Department staff.
- The use of state contracts and cooperative bids can be an efficient method of purchasing goods and services. However, as noted below, many of the purchases being ordered through state contracts or bids did not properly include the state contract or bid number on the purchase order (PO) and copies of the contract or bid pages were not attached to support the price being charged.
- There are good practices that included filing the documentation related to quotes with the respective PO, marking invoices “paid” after processing the vendor payments and utilizing blanket POs appropriately with the proper tracking of the balances of these POs.
- There is opportunity for improvement related to the communications between the Department and the Transportation Supervisor, since the timeliness and/or completeness of information regarding the students requiring transportation could be improved.

Review of the budget for fiscal 2022-23 and comparison to the 2021-22 actual results and review of the latest budget status report during our fieldwork found:

- The Department’s initial budget of \$15,603,980 for the 2021-22 fiscal year was subsequently adjusted to \$16,790,440, which was an increase of \$1,186,460 or 7.6%. The Director stated that this adjustment was due to a higher number of students placed at BOCES and other agencies, as well as additional services for social needs being provided to students than initially projected in the original budget.
- The Department’s budget for the 2022-23 fiscal year is \$18,171,827 as of December 1, 2022 which is \$1,381,387 or 8.2% more than the final budget for the 2021-22 fiscal year of \$16,790,440 and \$1,476,341 or 8.8% more than the actual results for the 2021-22 fiscal year of \$16,695,486. During our fieldwork, we found that the Department may require an increase to the 2022-23 budget by over \$1M due to needed adjustments similar to the 2021-22 fiscal year as noted in the previous bullet point.
- The Department maintains a binder to retain pertinent records to facilitate the budget preparation process that includes the Director meeting with the Account Clerk utilizing the budget spreadsheets. The District also meets with the Assistant Superintendent for Business regarding the decisions to determine the budget amounts for the Department’s accounts. However, we found that the Department uses a minimal projected increase related to the costs for placements and service providers with a percentage of only 2%. Further review found that the actual percentage increases during the past couple of years has been 5% or higher. This has resulted in budget shortfalls related to these costs.

Examination of payroll records of Department personnel for the 3 selected pay periods and comparison to source documentation noted:

- There were no exceptions as the payroll amounts for the selected Department staff agreed to their respective salary amounts within the bargaining unit contracts or employee agreements.

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Review of the POs and invoices for 5 of the largest vendors from the Department's accounts found:

- There were 14 instances where the PO did not state the type of purchase and the voucher documentation also excluded this information to support the method of procurement (e.g., BOCES bid, state contract, sole source, etc.). Further review found that this supporting documentation was filed elsewhere. However, the inclusion of this information within the PO, when the requisition is processed, is a preferred practice to facilitate subsequent reviews by District staff and auditors.
- There were 3 instances where a copy of the signed receiving copy of the PO was not included with the documentation to support the payment to the respective vendor.

Review of the POs and invoices for the additional 25 disbursements from the Department's accounts noted:

- There were 18 instances where the PO did not state the type of purchase and the voucher documentation also excluded this information to support the method of procurement (e.g., BOCES bid, state contract, sole source, etc.). Further review found that this supporting documentation was filed elsewhere. However, the inclusion of this information within the PO when the requisition is processed is a preferred practice to facilitate subsequent reviews by District staff and auditors.
- There were 2 instances where a payment was made to a vendor more than 60 days after the date of the vendor invoice.

Review of the system of compiling information related to the STAC and AVL forms and the testing of the selected 15 students found:

- The District engages MAG to compile and submit the STAC forms and the corresponding AVL forms to the NYSED. The Department provides the requested information to the third party to allow them to calculate and submit the STAC forms as noted above. However, we found that the Department does not receive the STAC worksheets prepared by MAG that support the STAC amounts and the corresponding AVL forms. Thus, there is a lack of procedures within the Department to review the STAC and AVL information calculated by MAG to ensure the completeness and accuracy of these filings.
- We were unable to independently validate and verify the STAC and AVL amounts due to the lack of sufficient supporting documentation maintained by the Department. The data needed to perform this review includes the specific names of the special education teachers, aides and related service providers; actual number of students in the classroom; and duration of services provided throughout the year.

Review of the Districts IEP Direct application's user listing to determine if all users with access are current employees or vendors and discussions of user access levels noted:

- The Frontline Special Education Management system has numerous levels of access, various rights (e.g., all access, view only, modify only, etc.) and different approval levels based on the users job responsibilities (e.g., special education teacher, school building administrator, school psychologist, related service provider, etc.).
- The Department is responsible for managing the Frontline Special Education Management system and the support staff have system administrator rights to the system related to activating and inactivating user accounts. However, the Department does not perform an annual reconciliation of all user accounts to the nVision list of active employees and a list of current service providers entitled to have such access.
- The review of all active user accounts in the Frontline Special Education Management system as of December 8, 2022, found that there were 144 user accounts associated with a District email address; however, we were unable to align 36 of these accounts with current active employees of the District. Further review noted that the other active accounts were set up to allow access for third party providers

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(e.g., related services professionals), but we understand that the Department has not reviewed all of these accounts recently to ensure that the access is appropriate.

- In addition, we found that a third party consultant has inappropriate permissions that allow this person the ability to edit data instead of the proper set-up restricting their access to view only.
- The system administrator of the Frontline Special Education Management system spends an inordinate amount of time to set up all of the instructional-staff user accounts each year that includes manually entering the assigned students to the respective user accounts. This process could be improved by using the potential functionality of technology to post this data systematically via an upload or interface.

Review of all grants managed by the Special Education office and testing of expenditures and funding found:

- There were 2 instances where a payment was made to a vendor more than 60 days after the date of the invoice.

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to the financial operations of the Department:

1. Develop written, formal procedures for key financial processes of the Department using Word documents and/or Google forms. These should include reviewing vendor invoices, preparing contracts, setting up and approving pending POs, verifying the receipt of goods or services and preparing the budget, filing grant filings, etc.) In addition, these written, formal procedures should include processes related to properly completing STAC forms, filings with the state and procedures to retain detailed documentation substantiating the information in the STAC worksheets and AVL forms. This includes the review and approval process related to the STAC and AVL data prior to submission to the NYSED to ensure that these transactions were recorded timely and accurately, as well as, properly supported. These documents are helpful to facilitate tasks that are performed infrequently (e.g., annually) and to assist in the event of staff changes (e.g., retirements, resignations, unexpected absences, etc.).
2. Establish procedures in the Department to ensure there are timely and complete communications related to student placements to the Transportation Supervisor to properly schedule the transportation services for these students.
3. Improve the budget development process by (a) anticipating an estimated 5% increase in costs of goods and services and (b) consider being more conservative regarding the number of student placements and services. Incorporating these enhancements as part of the initial budget will result in more accurate projections and reduce the chances of significant budget adjustments during the fiscal year
4. Improve the purchasing process by requiring (a) the receiving copy of the PO, which needs to have a signature of a Department employee who verifies such receipt of goods or services, to be included with the documentation used to support the payment to the respective vendor and (b) the type of purchase (e.g., state contract, BOCES bid, sole source, etc.) to be included within the PO by the requisitioners when processing the requisition. The inclusion of the signed PO and type of purchase is a preferred practice to facilitate subsequent reviews of POs by District staff and auditors.
5. Improve the procedures in the Department related to the STAC and AVL processes by requesting the third party (i.e., MAG) to provide the worksheets and develop procedures to review such worksheets to ensure completeness and accuracy of the data. In the absence of this procedure, the District is unable to independently validate and verify the STAC and AVL amounts each year.

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6. Strengthen procedures related to the IEP Direct user accounts by performing a complete reconciliation of the user accounts to ensure only appropriate access is provided to active employees and current related service providers. We also recommend that the District develop procedures to perform this reconciliation process at least annually going forward.
7. Investigate the functionality of the PowerSchool and Frontline Special Education Management systems to determine if data could be systematically transferred via an upload or other process. This would reduce the manual efforts currently required to set up user accounts in Frontline Special Education Management system each year related to assigning students to the instructional-staff user accounts.
8. Establish procedures to ensure that the vendor invoices are paid timely in accordance with good business practices and to prevent any potential late fees charged by vendors related to payments being processed after the due dates.