

Glen Cove City School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures
March 10, 2016

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures described in the following pages, which were agreed to by the Glen Cove City School District (District), solely to determine the effectiveness related to the financial operations of the special education function, the facilities function and capital projects in complying with policies and procedures of the District for the period July 1, 2014 through September 30, 2015.

The District's management is responsible for administering these functions.

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 audit, the objective of which would be the expression of an opinion on the District's internal control related to the financial operations of the special education function, the facilities function and capital projects. Accordingly, we do not express such an opinion. 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 those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purpose.

Cullen & Danowski, LLP
March 10, 2016

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures
For the Period Ended September 30, 2015

Introduction:

This report is categorized by function (i.e., special education – financial operations, facilities and capital projects), and there are five sections under each function consisting of:

- 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, approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department.

The District should send the Corrective Action Plan (CAP) along with the respective Internal Audit Report via mail or email to the addresses listed below. The report needs to accompany the CAP to allow the Office of Audit Services (OAS) to reconcile the District's CAP to the report to ensure all items have been addressed (i.e., CAP is not missing any recommendations).

Submission Information – Mail & Email

New York State Education Department (NYSED)
Office of Audit Services (OAS)
89 Washington Avenue
Room 524 EB
Albany, NY 12234
Fsanda133@mail.nysed.gov

Contact

Office of Audit Services
(518) 473-4516

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2015

SPECIAL EDUCATION – FINANCIAL OPERATIONS

Background:

The financial control over special education costs is a significant responsibility in any New York State school system. Salaries, out of district tuition, therapy and other costs require a substantial amount of resources, and it is important that the administration of these costs is properly controlled.

The Special Education Department's (Department) adjusted budget for the 2015-16 year was \$12,925,000 as of December 3, 2015. This includes costs for salaries (excluding benefits), BOCES placements, private placements, related service providers and other expenses directly related to special education operations.

During the past year, the District has experienced staffing changes in the Department, which included administrative and clerical roles. The previous Special Education Director (Director) retired and the Assistant to the Director retired from the District at the end of the 2014-15 school year. The District filled these positions at the beginning of the 2015-16 year with the new director and the new assistant coordinator of special education. The Department has 3 clerical staff whose financial responsibilities include preparing contracts and creating purchase requisitions in the financial system (i.e., Finance Manager [FM]), reviewing invoices, preparing filings, controlling grant expenses. There are additional other duties of the Department. The clerk (STAC Clerk) who handles the System to Track and Account for Children (STAC) filings is also new to the Department having started with the District in the fall of 2015.

The Department's oversight includes the tracking and monitoring of students requiring services and programs as per the students' Individualized Education Programs (IEP). At the time of our fieldwork, the District had 549 classified students out of a total of 3,254 students during the 2015-16 year, which represented 16.9% of the total population and is on the higher percentage in comparison to other school districts.

The Department submits, via the NYSED website, the STAC Forms to the NYSED for students with special needs costs that meet or exceed the annual threshold. 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 District's public high-cost aid threshold for the 2013-14 school year was \$51,414 and the high-cost aid ratio, as determined by NYSED, is 25% per student. The STAC Forms are an estimated cost based upon the student's IEP, which are generally filed at the beginning of the school year. During the subsequent year, the District can make amendments to the STAC Forms previously submitted to the SED based on any subsequent changes related to the actual costs for each student. The Department is responsible for reviewing the SED website to ensure the accuracy of the data compared to actual costs, and to determine if there are any necessary adjustments based upon the actual costs expended for each student during the respective year. This process is formalized during the District's procedure to confirm the automated verification listings (AVL) that contains the STAC costs for each student.

We note that the District hired a consultant (i.e., Management Advisory Group [MAG]) to work with the new STAC Clerk to assist in preparing and filing the STAC Forms. The District has engaged MAG for the 2015-16 year to assist the Department and MAG also provided a procedure manual that includes a timeline for entering and approving STAC Forms. Subsequent to our fieldwork, the new STAC Clerk is no longer employed by the District and MAG has been engaged to prepare and file the STAC Forms in order to meet the current filing deadlines in March 2016.

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2015

Summary:

We note that there were a number of new staff in the Department; however, we found that these employees demonstrated a positive attitude towards improving procedures and enhancing operational efficiencies. We found that there are some opportunities for improvement based on the results of our engagement, including the development of procedures to ensure that all STAC Forms are properly filed.

Procedures:

Our procedures, as per the engagement letter dated July 1, 2015, were as follows:

- Review Board policies and written procedures related to the financial operations of the Department.
- Interview Business Office and Department personnel regarding policies, procedures and systems.
- Review budget for fiscal 2015-16 and compare to the 2014-15 budget and 2014-15 actual results. Obtain explanations for unusual variances. Review latest budget status report as of date of field work and obtain explanations for variances.
- Examine payroll records of Special Education personnel for 2 pay periods during the period under review, and on a test basis compare to source documentation.
- Review purchase orders (PO) for 2 of the largest vendors during the year and examine invoices related to those POs to determine if policies and procedures of the District have been followed.
- Select 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 AVL and select 12 students. Review the costs charged for accuracy and completeness.

Findings:

Interviews with District personnel regarding policies, procedures, and systems in effect noted:

- There is a lack of written, formal procedures for key financial processes of the Department (i.e., review of invoices, preparing contracts/PO requisitions, budget preparation, etc.)

Review of budget for fiscal 2015-16 and compare to the 2014-15 budget and 2014-15 actual results found:

- The adjusted budget for 2014-15 for the Department was \$11,001,000 and the adjusted budget for 2015-16 is \$12,925,000. We note that this increase is mainly due to additional staff for new Special Education classrooms and more aides (\$350,000), out-of-district tuition (\$550,000), BOCES (\$720,000), and contractual services (\$310,000).

Review of payroll records of Special Education personnel for 2 pay periods noted:

- There was 1 instance where a teacher's salary had been incorrectly charged to the Special Education Budget since 2010. We were informed that this teacher's salary had previously been charged to a grant. When the grant ended, the Payroll Department changed the teacher's budget code to the Department. We noted there is no formal process for the Payroll Department to be notified of staff changes from the Department. We understand that the Payroll Department is notified by Human Resources (HR) if there is a new hire or separation; however, there is no formal communication when there is a change in

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2015

assignment. Based on our finding, the District corrected this error to charge the teacher's salary for this fiscal year to the proper budget code.

- There was 1 instance where a teacher splits her time during the day to work 3 periods for regular education classes and 2 periods for special education classes, but a portion of her salary was not charged to a Special Education budget code.

Review of POs for 2 of the largest vendors and 25 disbursements from the Special Education accounts found:

- The Accounts Payable Department has instituted procedures to maintain a binder of contracts based on our recommendation from a previous report. We also noted the binder was well organized and all contracts were found in the binder.
- There were numerous POs prepared during October 2015 for outside placements and related service providers where the services began in September 2015. This is known as a confirming PO because the services were provided prior to the creation of the PO. We were informed that this scenario was mainly due to the staff changes in the Department as noted above.

Review of the system of compiling information related to entering and reviewing STAC Forms for a sample of students from the 2013-14 year, which included reviewing all BOCES placements, all private placements and summer school programs for summer 2013 and comparing the students' IEP to the STAC system and to state aid reports, noted:

- The District needs to improve the timeliness of filing STAC Forms as we found that the Department still needed to file these forms for the 2014-15 year, as of February 3, 2016, when we completed our fieldwork. Additionally, we noted that MAG was working with the STAC Clerk to develop procedures to review in-district students who received services during the 2014-15 year to determine if they are eligible to be STAC filed when the costs exceed the District's high-cost aid threshold.
- The files maintained in the Department related to STAC filings from prior years were incomplete and not organized to be able to review the necessary records to determine if the District appropriately filed STAC forms for all students with services that exceeded the high-cost threshold. Determining which students are near and above the dollar threshold for aid is critically important to ensure that all eligible students are reviewed to determine the total cost of providing services. We were unable to test in-district students eligible for STAC filing for the 2013-14 year, since supporting documentation was not available to support a review of in-district students.
- There was 1 student who attended a Special Education program at the District that had been STAC filed, verified by the NYSED STAC Unit and the District received the aid for the 2013-14 year. However, we were unable to review supporting documentation to substantiate the costs that were included on the student's STAC Form.
- There were 2 students who were not STAC filed for the 2013-14 year. We were informed that 1 student refused to attend Nassau BOCES; however, the District paid for the student to attend from October 2013 through February 2014. We were unable to find any records in the IEP Direct system for the other student; however, the District paid Nassau BOCES for the student to attend from May 2014 through June 2014. The total cost for the 2 students to attend Nassau BOCES was \$49,490. If the District had filed STAC Forms for these two students, the aidable amount would be \$13,500 after deducting the applicable threshold amount.
- There was 1 student who attended Nassau BOCES from September 2013 through April 2014. The District filed a STAC Form for the student; however, they did not amend the STAC to end the placement on the appropriate date and the total amount paid by the District was not updated in the STAC system. We found that it appears that the STAC Form for this student was not verified by NYSED, nor was any high-cost aid

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2015

received for this placement. The total cost of the placement was \$130,070 and the aidable amount would be \$88,938 after deducting the applicable threshold amount.

- There were 2 students who attended the Bancroft at Voorhees Pediatric Facility in the 2013-14 school year with a total cost to the District of \$123,808. We were informed that these 2 students could not be STAC filed because the facility was not on the list of New York State approved private schools. Thus, the District isn't entitled to receive state aid for these placements. Further review found that these students have attended this educational facility for several years. However, the Department was unable to provide any documentation explaining the reason or supporting the decision to have the 2 students attend this facility that was not approved by the state.

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. Prepare formal written procedures for key financial processes of the Department (i.e., review of invoices, preparing contracts/PO requisitions, budget preparation, grant filings, etc.)
2. Develop procedures to promptly notify the Payroll Department of staff changes from the Special Education Department to ensure that all salary budget code changes are updated timely in FM. As part of the annual roll-over process, have the Special Education Director review the list of staff being charged to the Special Education codes.
3. Implement processes to ensure that POs are created prior to the Department receiving goods or services to prevent instances of confirming POs. In the event of staff changes, we recommend that the Department seek assistance to handle key financial tasks during these transitions.
4. Improve the timeliness of preparing and filing the STAC Forms to ensure that the District meets the deadlines and allows adequate time to make any necessary amendments. We recommend that the Department complete the STAC Forms for the 2014-15 school year and file these with the NYSED as soon as possible. In addition, the Department should aim to prepare and file STAC Forms during the fall each year for the previous fiscal year end. Also, the Department should establish procedures that require the Director to review and approve all STAC Forms and AVLs for accuracy and completeness. The District should consider having the Principal Account Clerk in the Business Office also review the STAC Forms and AVLs.
5. Establish procedures to ensure that STAC Forms for students placed in out-of-district facilities, both private and public locations (i.e., other districts and BOCES), are properly filed when costs exceed the District's thresholds. We recommend that the Department print IEP Direct system-generated reports and compare the list of students placed to the STAC system to ensure completeness and accuracy.
6. Develop procedures to perform a thorough review of all in-district students who may reach or exceed the District's high-cost aid threshold. This would include students receiving significant services (e.g., full-time aid, related services daily, etc.) and attending classes with a low number of students (e.g., 6-1-1, 8-1-1, etc.) The STAC Clerk should prepare worksheets for these students with all appropriate costs clearly detailed then enter the STAC Forms into the NYSED website. We recommend that the worksheets should be reviewed by the Director and also consider the Principal Account Clerk. These documents should then be filed within the Department.
7. Improve the recordkeeping process in the Department by maintaining a binder with all STAC Forms and AVLs that were prepared and filed for the District for each school year. The STAC Forms should include any backup documentation to be able to facilitate a review by an independent person.

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2015

8. Review the placement of the students attending the facility that was not on the list of New York State approved private schools. In the future, a memo should be written to explain the reason why any student is placed in a non-approved facility.

FACILITIES

Background:

The District's approved total general fund adjusted budget related to the Facilities Department for the 2014-15 year was \$4,726,000 and the adjusted budget for 2015-16 year is \$4,786,000 as of October 27, 2015. During the past year, the District has experienced staffing changes in the Facilities Department. The new Facilities Director and the new Facilities Clerk started during the fall of 2015. The Facilities Department consists of approximately 50 full-time employees including the Facilities Director and Facilities Clerk. The District has a full maintenance staff of 8, including a maintenance supervisor and full grounds staff of 6, including a grounds supervisor. There is a head custodian for each school building and a night supervisor at the High School and the Middle School. Additionally, there are 4 part-time employees who are paid hourly and assist where needed. The head custodians, maintenance supervisor, and grounds supervisor report directly to the Facilities Director.

All of the Facilities Department's PO requisitions are entered into FM by the Facilities Clerk, based on information received from the Facilities Director. The PO requisition is electronically routed to the Facilities Director for review and approval. Upon approval, the PO requisition is electronically forwarded to the Business Office for review and approval by the Purchasing Agent. Invoices are reviewed by both the Facilities Director and the Facilities Clerk, signed and returned to the Business Office for processing the vendor payment. The Facilities Department procedure is to create a PO before ordering the goods or services, except when there is an emergency. The purchases are made through various methods including quotes, state contract, BOCES bids, Nassau County bids and a few district bids.

Summary:

We found that the new Facilities Director and the new Facilities Clerk demonstrate positive attitudes towards improving procedures, are eager to learn in their positions and understand the requirements related to their responsibilities. We noted some areas that require improvement including implementing procedures to improve the overall financial controls in the Facilities Department. These processes include adhering to the purchasing policy for proper quotes when necessary, purchasing from the lowest bidder, attaching or filing any necessary bid and pricing documentation, and attaching all necessary certified payroll records to the invoice. We also noted that the receiving process could be improved.

Procedures:

Our procedures, as per the engagement letter dated July 1, 2015, were as follows:

- Interview appropriate personnel regarding internal controls over purchasing and invoice approval, budget preparation, budget monitoring, inventory control, fuel, District vehicles and other areas of responsibility within the Facilities Department. Document the various systems and identify key internal control attributes for testing.
- Review processes related to District vehicles to ensure that procedures are in place to adequately monitor their usage, mileage and fuel consumption. Also validate that these assets are properly safeguarded. Assist with developing written, formal procedures related to these activities.

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2015

- Examine payroll records of the Facilities Department employees for three (3) pay periods during the review period and, on a test basis, compare to source documentation.
- Review a selection of POs for 5 of the 10 largest Facilities Department vendors during the period and examine invoices related to those POs to determine if policies and procedures of the District have been followed.
- Select 25 additional disbursements from the Facilities Department accounts and review supporting documentation to determine if applicable purchasing and disbursement policies and procedures have been followed.
- Review the work order process to determine if there are opportunities for improvement.
- Review the Facilities Department budget for 2015-16 and compare to the 2014-15 budget and the 2014-15 actual expenditures. Obtain explanation for unusual variances.

Findings:

Interviews with facilities personnel found:

- The employees understand the need to have proper internal controls. We also noted that the Facilities Department has standard processes related to time reporting, work flow, budget preparation, budget monitoring, inventory control, fuel and District vehicles. There are opportunities to improve some of these procedures as noted in some bullet points below.
- There is an opportunity to improve the procedures related to the inventory at the Maintenance and Grounds Building. We understand that there are no inventory records of the items that fall below the threshold amount required for tagging these assets. Further review noted that this includes District property that has a risk of potential theft (e.g., small equipment, tools and materials).
- There is a Board Policy related to the use of facilities; however, the policy does not address the rate to charge for custodians working during non-district events. Also, the policy does not address whether or not to charge certain groups such as Glen Cove City, Northshore Pop, etc. We also noted that District's use of facilities invoices to third parties included only a total amount recorded on the invoice with no breakdown of costs.

Review of the processes related to the District vehicles noted:

- The bargaining unit contract language states that maintenance employees who use their own vehicles to perform District duties will be compensated a standard amount of \$2,500 for the year. We noted that two times a year, the Payroll Department receives a memo from the Facilities Director with a list of employees entitled to such benefit. We found no exceptions during our review of these payments.
- The procedures in place to monitor the usage and fuel consumption related to District vehicles appear adequate. However, we noted that there is a lack of procedures to monitor the mileage of each vehicle.

Review of payroll records of the employees for 3 pay periods noted:

- There was 1 timesheet that was approved by an individual who the Payroll Department could not initially identify. Upon inquiry, we were informed that the signature was appropriate. We noted that there is no list of authorized approvers available for the Payroll Department to consult when reviewing timesheets for proper approvals.

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2015

Review of POs for 5 of the 10 largest Facilities Department vendors and the selected 25 disbursements found:

- The District does not require vendors that perform labor-related services (e.g., companies with employees who perform physical work) to submit certified payroll documents. The Department of Labor (DOL) laws mandate that governmental agencies contract with vendors who pay their workers in accordance with minimum hourly wages based on the type of work, and this must be supported by certified payroll statements.
- There was 1 payment of \$5,290 for the purchase of air conditioners where the District did not obtain the required 3 written quotations. We were informed that the vendor was selected because it has been used by the District for a number of years.
- There were some instances where the purchase was based on a bid; however, there were items that were not included on referenced bid list. The District purchased window glass from a vendor from the Nassau County (NCSBGA) co-op bid; however, we were unable to tie the price paid by the District to the bid price. Also, this vendor was not the bid winner for the item that the District purchased. We reviewed invoices from two vendors and noted some items purchased were either not included in the bid or the lowest price for items purchased from the bid were awarded to another vendor. In these instances, there was no explanation recorded on the invoice or PO to indicate why the items were not purchased from the lowest bidder.
- There were vendor invoices from a vendor under a Nassau County Contract related to the purchase of natural gas. However, the voucher packets excluded pricing documentation to validate the rates as per the Nassau County Contract.
- There were instances when packing slips should have been included with the receiving copy of the PO. We also noted that there were times when items were picked up from a vendor, but there was only 1 employee signature instead of having a second person sign that the item was received at the District.
- There was 1 instance where the services were purchased from a sole source vendor; however, this was not documented on the PO and there was no letter from the vendor.
- There was 1 instance where a PO was increased by \$3,500; however, no PO Increase Form was included in the voucher packet.
- The vendor invoice related to purchases of fuel for District vehicles included a summary report that lists the fuel usage by vehicle. However, we found that this information is not tracked and monitored for reasonableness. Our review of this invoice also noted that the bid pricing was not attached to the invoice for review.
- There were 3 instances where the services were performed prior to the creation of the PO. We were informed that each situation was due to an emergency; however, this was not documented on the PO.
- There were 3 instances where the goods or services were received prior to a PO being in place.
- Many of these POs and invoices tested were prepared and paid by the prior Facilities Department administration. All of the exceptions were reviewed with the current Facilities Director and Facilities Clerk to explain the issues and proper purchasing procedures.

Review of the work order process and the work order system found:

- The description of work to be performed that is entered into the work order system could be improved because there are many times when the Facilities Department needs to contact the requestor for additional information related to the work request.

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2015

Review of the budget for 2015-16 and comparison to the 2014-15 budget and the 2014-15 actual results noted:

- There were no unusual variances as a result of the budget review.

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 Facilities Department:

1. Create an inventory list of all items that fall under the District's threshold dollar amount for tagging to strengthen controls and improve safeguarding of District property that has a risk of potential theft (e.g., small equipment, tools and materials). We also recommend that the Facilities Department perform periodic physical inventories of all assets (i.e., tagged and non-tagged items) and document the results.
2. Develop procedures related to District vehicles by utilizing an Excel spreadsheet to improve the tracking and monitoring of the fuel usage (gasoline and diesel) of each District vehicle to ensure that there is no misappropriation of usage and that the miles per gallon is reasonable. We also recommend establishing a formal process to handle any excessive mileage or fuel usage that is identified.
3. Prepare a list of authorized approvers and provide a copy to the Payroll Department, so the payroll clerks can verify that the timesheets are approved by the appropriate employees. We noted during our review, the Timesheet Form was amended to have the appropriate signature lines on the form.
4. Improve the procedures related to purchasing and invoice review in the Facilities Department:
 - a) Include the bid or quote specifications that certified payroll is required when the vendors perform labor-related services (e.g., companies with employees who perform physical work) in compliance with DOL laws. These documents should be reviewed and agreed to the invoice. Additionally, these documents should be attached to the voucher packet and provided to the Claims Auditor for review.
 - b) Ensure compliance with the District's purchasing policy that includes obtaining quotes as required and selecting the lowest responsible bidder. In the event that the Facilities Department does not select the lowest bidder, the reason should be clearly described on the PO.
 - c) Implement processes to ensure that POs are created prior to the Department ordering goods or services to prevent instances of confirming POs.
 - d) Attach the signed packing slip to the signed receiving copy of the PO, if feasible, when submitting the paperwork to the Accounts Payable Department for processing the vendor payment. Additionally, if items are picked up by District employees from a vendor, a procedure should be setup for a second employee at the District to sign off that the items were delivered to the District.
 - e) Print the pricing information from the bids or state contracts, agree the amounts to the vendor invoices and indicate that this review was completed on the invoice. This printout should be included with the submission to the Business Office and available for the Claims Auditor's review.
 - f) Invoices related to natural gas, oil etc. should be accompanied by the delivery ticket and pricing information that should be compared to the invoice to ensure accuracy. This documentation should also be available for the Claims Auditor's review.
 - g) Develop procedures to document that a purchase was due to an emergency circumstance and include any supporting documentation.
 - h) Establish procedures to document that a purchase was from a vendor that is a sole source and obtain a letter from the vendor stating such to validate this scenario.
 - i) Document all PO increases on the PO Increase Form and have the form signed by the Purchasing Agent prior to entry into FM.

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2015

- j) Pricing related to bids, state contracts, etc. should be checked to the invoice to ensure that all prices are accurate. We also recommend that the bid or state contract pricing is attached, electronically if possible, to the PO to facilitate the review process.
- 5. Develop a standard hourly rate related to the use of facilities that includes either an average of the rate of the employees to be working or the highest rate of any possible employee to be working, plus social security taxes and all applicable retirement system costs.
- 6. Establish procedures to enter a complete description into the work order system. There should be sufficient details for the Facilities Department staff to be able to complete the requested work without having to contact the requestor for additional information.

CAPITAL PROJECTS

Background:

The District is required to ensure proper accounting is maintained for the Capital Projects Fund. As part of this responsibility, the District must report the status of individual capital projects in the annual financial statements (i.e., Capital Projects Schedule). The Supplemental Schedule at June 30, 2015 includes 5 items with authorization amounts totaling \$2,249,728 and fund balance of only \$133,332. The Supplemental Schedule lists the authorization amounts, expenditures/transfers to date, unexpended balance, methods of financing, and the ending fund balance amount for each project. We found that the capital projects' costs are accounted for in the District's Capital Projects Fund within FM.

Summary:

Overall, we found that the District has appropriate policies and procedures in place to manage the capital projects. The administrators and employees we interviewed demonstrate a positive attitude, understand their responsibilities and perform a diligent job in tracking, recording and maintaining the capital projects records. We recommend that the District implement the recommendations below to further strengthen internal controls and enhance operational efficiencies related to the capital projects.

Procedures:

Our procedures, as per the engagement letter dated July 1, 2015, were as follows:

- On a test basis, compare budgets for projects in the Capital Projects Fund to NYSED filings.
- Review state aid reports and compare to District records.
- Select 12 invoices to ensure that they were properly reviewed and approved, and that the charges were to the correct project.
- Review the Supplemental Schedule included in the audited financial statements and compare to the financial records of the District.

Findings:

Comparison of budgets for projects in the Capital Projects Fund to the NYSED filings noted:

- There were no exceptions or errors noted as a result of this comparison.
- The District has procedures and controls in place related to capital projects including the following:

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2015

- The Assistant Superintendent for Business and the Principal Account Clerk monitor capital projects to ensure that the District does not overspend the budget for capital projects.
- There is a formal filing system for the capital projects to ensure that all required documents are submitted to the state in a timely manner.
- The District is using FM to properly record and track the capital projects to account for the transactions in the appropriate codes.
- The District follows purchasing laws and procedures that include requests for proposals and bids for construction managers, contractors and materials.

Review of state aid reports and comparison to District records found:

- There were no exceptions or errors noted as a result of this comparison.

Testing of the selected 12 invoices noted:

- The invoices were properly reviewed and approved, and the charges were to the correct project.

Review of the Supplemental Schedule included in the audited financial statements and comparison to the financial records of the District found:

- The 4 projects listed on the schedule are now completed and could be closed by filing the Final Cost Report (FCR) with the NYSED. We understand that 1 of these projects, High School Track Lighting, is in litigation with the vendor because the lighting does not meet the requirements.

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to capital projects:

1. Close out the 4 projects in the Supplemental Schedule by filing the FCR with the NYSED by June 2016.
2. Inquire with legal counsel to determine the status of the lawsuit related to the High School Track Lighting project and make efforts to resolve this matter to close out the project.

