

**Glen Cove City School District  
Corrective Action Plan**

In response to Risk Assessment Report  
April 2014

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## GOVERNANCE AND PLANNING

### *Budget Development, Administration and Fund Balance Management*

#### Findings and Recommendations:

We understand that fund balance projections have not been provided to the Board on a regular basis. The fund balance projections are a critical part of the budget and monitoring process and the New York State Comptroller recommends that these be provided monthly beginning in January of each school year.

1. We recommend that the District immediately develop a fund balance projection for the 2013-14 fiscal year. As part of this, significant accounts should be analyzed and budget transfers should be made on a timely basis.

#### **Corrective Action**

**The District will develop a form to be used to provide a fund balance projection to the BOE from January- June of each fiscal year.**

We note that the District's general fund operated at a deficit of over \$800,000 in the 2012-13 fiscal year. This was primarily due to unbudgeted expenditures related to tax certiorari payments. Operating at a deficit for one year may not be a significant issue, but it is a sign of potential fiscal stress. We also found that the District did not include an amount in the 2012-13 or 2013-14 budgets for payments related to tax certioraris. These amounts are significant and the annual budget should include some estimated amount for these payments.

2. We recommend that the District address the operating deficit and improve the budget process to ensure estimates for all significant expenditures are included in the budget (e.g., tax certioraris).

#### **Corrective Action**

**The District has included in its 2014-15 budget estimated amounts for Tax Certioraris expense, Unemployment expense, and Workers' Compensation expenses.**

We note that the District budget monitoring requires improvement. Our review of the 2012-13 appropriation status report shows substantial year end budget transfers. This indicates that budget transfers were not processed timely during the fiscal year. In addition, these transfers are not in compliance with Board policy (Budget Transfers - #5330), which requires that budget transfers greater than \$10,000 be approved by the Board.

3. We recommend that the District provide the administrators with training related to budgeting and budget management, so that they can effectively help manage the District finances and develop procedures to ensure that budget transfers are in compliance with Board policy (Budget Transfers - #5330), which requires Board approval when the budget transfers are greater than \$10,000 be approved by the Board.

#### **Corrective Action**

**The district has begun processing budget transfers on a timely basis. All budget transfers greater than \$10,000 are Board approved.**

We found that the budget transfers are approved by the Assistant Superintendent for Business; however, they have not been approved by the Superintendent in accordance with Board Policy (Budget Transfers - #5330) and the reorganization minutes dated July 1, 2013. In addition, the policy and the reorganization minutes related to budget transfers are different. The reorganization minutes require approvals by the Assistant Superintendent for Business and the Superintendent for budget transfers up to \$10,000, while the Board Policy only requires approval by the Superintendent.

4. We recommend that the District resolve the conflicting language between the Board Policy (Budget Transfers - #5330) and the reorganization minutes related to the required approvals up to \$10,000. We also recommend

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that the District inquire with legal counsel to determine if the Board could assign the approvals of budget transfers up to \$10,000 to an administrator other than the Superintendent (e.g., Assistant Superintendent for Business).

**Corrective Action**

**The District will have the reorganization minutes agree with Board Policy (Budget transfer - #5330). Superintendent to approve budget transfers up to \$10,000 and budget transfers over \$10,000 to be approved by the BOE.**

We note that the current year (2013-14) budget has an inadequate amount related to expenditures for the Teachers Retirement System (TRS). The actual payment related to the fiscal 2012-13 fiscal year was over \$4.1M. With salary increases of approximately 2% and a rate increase of 37.2% (the TRS rate increased from 11.85% in 2012-13 to 16.25% in 2013-14) the increase in TRS expenditures will be approximately \$1.6M for a total expenditure of \$5.7M in 2013-14. The approved budget for this expenditure is only \$4.8M. Additional budget funds of approximately \$900K will be needed for this account code, and it is not clear if there are funds available within the existing budget to cover these expenditures.

5. We recommend that the District address the TRS budget issue, since these expenditures were underestimated and it is not clear if there are funds available within the existing budget to cover these expenditures. The District may need additional budget funds of approximately \$900K for this account code.

**Corrective Action**

**The District feels it has addressed the TRS budget issue and has adequately funded the 2014-15 budget for its TRS expense.**

We found that the District has not required the various budget holders to be responsible for their account budgets and to actively monitor the budgets. Some budget transfers were processed through the budget office, without budget holder, or Board review. In addition, as noted below, expenditures were routinely recorded in accounts that had available budget funds so that budget transfers were not necessary.

6. We recommend that the District develop a plan with appropriate procedures to have administrators help develop the budget and then be responsible to monitor the budget. The procedures should include a requirement that the budget holder request budget transfers that impact their account codes, and that all expenditures be accounted for in the appropriate account code.

**Corrective Action**

**The District will continue to work with their administrators to help them understand the budget process and to make sure expenditures are being expenses from the correct budget codes.**

We note that the District has not developed a multi-year financial plan to help the District manage the fund balance.

7. We recommend that the District consider developing a multi-year financial plan to provide insight into the medium-term financial condition of the District.

**Corrective Action**

**The district will work with the Internal Auditors to develop a multi-year financial plan.**

**REVENUE AND CASH MANAGEMENT**

**Revenue Management**

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Findings and Recommendations:

We found that the District has been improperly recording the receipts related to the driver's education program as a reduction of expenses rather than revenue. We were informed that the District had used a revenue code to record the receipts in the past, but this practice was changed a couple of years ago based on a request from the Board to reduce the expenses instead of posting to a revenue account.

8. We recommend that the District improve the accounting of the activities related to the driver's education program by properly recording the receipts in a revenue code, instead of a reduction of expenses.

**Corrective Action**

**The District has set up revenue and appropriation accounts for driver's education and adult education in the 2014-15 budget.**

***Billings, Collections and Posting of Receipts***

Findings and Recommendations:

We found that the Principal Account Clerk (PAC) in the Business Office does not maintain a receipt book. No receipt is prepared by the PAC and returned to the depositor to let them know the deposit has been received and was deposited.

9. We recommend that a three part pre-numbered receipt book be maintained and used by the PAC to advise the school that a deposit was received and deposited. The PAC would prepare a receipt every time a deposit from a club is received. One copy of the receipt would be sent back to the school for its records, one copy of the receipt would be attached to the paperwork and one copy of the receipt would remain in the receipt book. The receipt book would then function as a log and anyone reviewing it can determine that there are no breaks in the sequence and all receipts are accounted for.

**Corrective Action**

**The PAC has been instructed to order pre-numbered receipt books and follow the process the Internal Auditors have suggested.**

We note that deposits from the schools are not recorded in the cash receipts log immediately when received. They are recorded by the Receptionist after the PAC counts the deposit and agrees the amount to the form.

10. We recommend that deposits from the schools be recorded in the cash receipts log immediately when received. The amount of the receipt can be recorded subsequent to the work by the PAC.

**Corrective Action**

**The District will change its policy and begin to log cash receipts immediately when received.**

We found that there is no log for the courier to sign when they pick up the deposits to take them to the bank.

11. We recommend that the District create a log for the courier to sign when they pick up the deposits to take them to the bank.

**Corrective Action**

**The District will have the courier sign a log book when a deposit is picked up to be taken to the bank.**

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We were informed that the PAC is the backup person for several steps in the process (i.e., prepare the deposit slip, bring deposit to the bank), which does not always allow for proper segregation of duties.

12. We recommend that the District review the access levels of the PAC and ensure that there is proper segregation of duties; and if so, limit the processes that the PAC is able to perform.

**Corrective Action**

**The District is in the process of reviewing the duties of the PAC to insure that proper segregation of duties are in place.**

**Cash and Investment Management**

Findings and Recommendations:

We were informed that the District Treasurer does not review the collateral maintained by the banks to ensure that the value of the collateral is sufficient to cover the District's deposits in excess of federal insurance limits.

13. We recommend that the District establish procedures to require the District Treasurer to review the collateral maintained by the banks on a regular basis to ensure that the value of the collateral is sufficient to cover the District's deposits in excess of federal insurance limits.

**Corrective Action**

**The District Treasurer is providing a Collateral Schedule in the monthly Treasurer Report.**

**Bank Reconciliations**

Findings and Recommendations:

We found that the procedures related to bank reconciliations require improvement because these are not always prepared timely (i.e., more than three weeks after month end) and the District does not utilize the financial management system's bank reconciliation functionality to prepare them more efficiently. We noted that there three instances where the Board agendas did not include the bank reconciliation for the prior month (i.e., October 21, 2013, January 27, 2014 and February 24, 2014).

14. We recommend that the District improve the bank reconciliations by preparing these timely and utilizing the financial management system's bank reconciliation functionality to prepare them more efficiently. We suggest that a reasonable standard for timeliness is to complete the bank reconciliations by the third week after a month end. Therefore, any Board meeting held on or after the 21st of the month should include the bank reconciliation for the prior month.

**Corrective Action**

**The District Treasurer has begun utilizing the District's financial management system to do bank reconciliations. At this time all bank reconciliations are up to date.**

**PAYROLL**

**Payroll Accounting and Reporting**

Findings and Recommendations:

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We were informed that a system-generated payroll comparison report of the current payroll to the prior payroll is not supplied to the Superintendent to facilitate the payroll certification process. The payroll comparison report would detail the payroll changes that occurred during the pay period by pay category type and assist in the payroll certification process.

15. We recommend that the Payroll Department print and provide a copy of the payroll comparison report to the Superintendent to facilitate the payroll certification process. The signed copy should be filed in the Payroll Department.

**Correction Action**

**The Superintendent is now receiving the payroll change report with the other reports needed to certify payroll.**

**Payroll Distribution**

**Findings and Recommendations:**

We were informed that each pay period a list of employees for each building is printed and sent to the building along with the paychecks and pay stubs; however, the completed listing is not returned to Payroll.

16. We recommend that the District establish procedures to return the completed listing from the buildings to the Payroll Department, upon all paychecks and pay stubs being distributed. The completed listings should be filed with the payroll in the Payroll Department.

**Corrective Action**

**In the 2014-15 school year, the payroll department will request the building principals to sign off on the payroll sheets (since employees do not sign for their checks) and return them to the payroll department where they will be filed with the appropriate payroll.**

**HUMAN RESOURCES**

**Findings and Recommendations:**

We found that salary letters are not generated and sent to employees to notify them of their annual salary for the year along with the respective step, as well as level for teachers.

17. We recommend that the District consider generating salary letters on an annual basis, which lists the employee's annual salary for the year along with the respective step, as well as level for teachers.

**Corrective Action**

**The District will consider generating salary agreements for employees starting in the 2015-2016 school year.**

We note that the PAC does not have a contract with the District and they are not included in a bargaining unit agreement. Further review found that there are other employees who also lack a formal contract or agreement signed by the Board, which includes the District Treasurer and District Clerk. We note that the annual salaries for these two Board-appointed positions are included in the annual reorganizational meetings. However, there are no signed contracts and there is also a lack of documentation listing the responsibilities of these two Board-appointed positions, or the benefits provided.

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18. We recommend that the District ensure that there are Board-approved agreements or contracts with all of the employees to clearly outline the entitlements of each person that includes the annual salary and benefits (earned time off [sick, vacation, personal and bereavement days], health insurance, other insurances [life, dental, etc.]). We also recommend that the District formally document the job responsibilities of the two Board-appointed positions (i.e., District Treasurer and District Clerk).

**Corrective Action**

**The district is working on developing salary agreements for all employees not included in a bargaining unit. Those employees should have salary letters for the 2014-2015 school year.**

**Employee Attendance**

Findings and Recommendations:

We found that no reconciliation is performed between AESOP (teacher call in system) and the entries into the financial system for accuracy; however, the daily sign in sheets are reconciled to the entries into the financial system for accuracy.

19. We recommend that the District develop procedures to perform a reconciliation between the absence information recorded in AESOP and the entries into the financial system.

**Corrective Action**

**The Human Resource senior clerk will reconcile the information from AESOP with the entries entered into the Finance Manager.**

**BENEFITS**

**Benefits Payments and Cost Sharing**

Findings and Recommendations:

We understand that the New York State pension system can only withhold retiree contributions towards health insurance when the percentage amount is divisible by 5 (e.g., 5%, 10%, 15%, etc.). Therefore, any retiree health insurance contribution amount that is not divisible by 5 (e.g., 12%, 17%, etc.) must be handled by the District resulting in additional administrative time to invoice and collect these contributions.

20. We recommend that the District contact the New York State pension system to determine if there is a way to have any percentage amount withheld (e.g., 12%, 17%, etc.) from retirees related to the health insurance contributions. The withholdings being handled directly by the pension system would enhance operational efficiencies, decrease administrative workload and reduce potential errors.

**Corrective Action**

**The District has contacted the NYS pension system to inquire about this situation. The District was told the pension system could only withhold retiree contributions toward health insurance when the percentage amount is divisible by 5.**

We have been informed that the Benefits Senior Account Clerk reviews all of the insurance provider invoices before submitting these documents to be processed for payment. However, we found that this employee is not signing off or placing initials on the invoices as evidence of such review. We also noted that the Accounts Payable Clerk completes reconciliations of the invoice costs from one month to the next using an Excel spreadsheet, but this reconciliation is not reviewed by an administrator.

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21. We recommend that the Benefits Senior Account Clerk memorialize their review of the insurance provider invoices by signing off or placing initials on the documents before submitting these for payment. Also, due to the amount of money involved, a detail review should be performed by an administrator to authorize the payment.

**Corrective Action**

**The senior account Benefits Clerk will begin signing off on all health insurance invoices. The Accounts Payable Clerk will provide the Assistant Superintendent for Business a copy of the monthly spreadsheet and health insurance invoice to review and approve.**

**PURCHASING AND RELATED EXPENDITURES**

**Purchasing System and Process**

Findings and Recommendations:

We were informed that the PAC's access in Finance Manager is set up to allow the employee to create purchase order (PO) requisitions, approve requisitions, and add vendors to the vendor master file resulting in conflicting duties.

22. We recommend that the District review the user accounts and permissions in the Finance Manager system's purchasing module to ensure that there is proper segregation of duties. An employee's access should not be set up to allow them to create PO requisitions, approve requisitions and add vendors.

**Corrective Action**

**The Assistant Superintendent for Business will review all user accounts and permissions in Finance Manager to insure that each employee has access to only what is necessary to perform their job duties.**

We were informed that not all annual expenditures were encumbered at the start of the school year. The District does not consistently use blanket POs to encumber amounts for the full year at the beginning of the school year.

23. We recommend that the District encumber annual expenditures at the start of the year, using blanket POs where required.

**Corrective Action**

**The Assistant Superintendent for Business will work with all employees to help them set up blanket POs at the beginning of the school year.**

We were informed that there is no form to document a request to add a new vendor to the system. Additionally, no review is performed on a regular basis by an independent person of all new vendors entered into the system.

24. We recommend that a form be developed to document the request to add a new vendor to the system. The form should be approved by the Purchasing Agent and upon entry be filed in the Purchasing Office. Additionally, a review by an independent person should be performed of the vendor master file prior to adding the vendor.

**Corrective Action**



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**The District has developed and is now using a Vendor Request Form that is to be used to set up a new vendor, update a vendor or reactivate a vendor.**

We were informed that there are numerous confirming PO situations, where an invoice is received and a PO is not in place or a PO is entered after services have begun or an order was placed.

25. We recommend that the District develop a procedure to address confirming POs. The procedure should include informing the individual department head of the instance and requiring an explanation for the instance.

**Corrective Action**

**The Assistant Superintendent for Business will create a letter for individuals to complete when there is a confirming purchase order requiring an explanation.**

We were informed that there is no review process for open POs to ensure that all POs are properly closed out if no longer needed.

26. We recommend that the District develop a procedure to address a review process for open POs. The procedure should address the frequency of review and the process to close out POs. The procedure should also address year end procedures.

**Corrective Action**

**The District will work on putting into place procedures to review open POs. The procedure will involve quarterly review by the Assistant Superintendent for Business and department heads.**

We note that the Purchasing Department does not utilize a purchasing calendar to record the review dates for various bids for the District.

27. We recommend that the Purchasing Department develop a purchasing calendar to help ensure different commodities and services are reviewed on a regular basis.

**Corrective Action**

**With the help of the internal auditors, the Purchasing Department will develop a purchasing calendar.**

**Payment Process**

**Findings and Recommendations:**

We found that the Accounts Payable Clerk has the ability to enter PO requisitions into the system. They enter the PO requisitions for some open POs for the Business Office (i.e., Verizon, BOCES, Pitney Bowes, etc). The POs are routed to the Purchasing Agent for review and approval.

28. We recommend that the District discontinue the practice of allowing the AP Clerk access to enter PO requisitions in the system. The data entry of PO requisitions for Business Office items should be performed by another employee who does not have access to pay invoices in the system.

**Correction Action**

**The two AP clerks will no longer have access to requisition manager. Their POs are now being done by the Purchasing clerk who does not have access to pay invoices.**

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## **General Processing and Monitoring**

### **Findings and Recommendations:**

We found that the District is not in compliance with the Federal Government's Office of Management and Budget (OMB) Circular No. A-87 *Cost Principles for State, Local and Indian Tribal Governments*, which states that recipients of federal awards must comply with federal payroll certification requirements. The District is required to document salary expenditures charged to grants using Personal Activity Reports (PAR) and since the PARs are not being prepared, the District risks forfeiture of the grant funds.

**29.** We recommend that the District implement procedures to comply with OMB Circular No. A-87 immediately by preparing the required PARs, depending on whether the employee works solely on a single federal award or on multiple activities, as follows:

- a) When an employee is expected to work solely on a single federal award, charges for salaries need to be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. This type of employee certification should be supported by a personnel activity report (PAR) that needs to be prepared at least semiannually and needs to be signed by the employee or by a supervisory official having first-hand knowledge of the work performed by the employee.
- b) When an employee works on multiple activities (such as more than one federal award or a federal and a non-federal program), a distribution of their salary needs to be supported by a PAR that meets the following standards:
  - Reflects an after-the-fact distribution of the actual activity of each employee (not a budget estimate).
  - Accounts for the total activity for which each employee is compensated.
  - Prepared at least monthly and must coincide with one or more pay periods.
  - Signed by the respective employee.

### **Corrective Action**

**The District has issued PAR forms to all employees paid from a federal grant. The payroll department will collect the completed forms and follow up on those that are not returned.**

## **Special Education**

### **Findings and Recommendations:**

We found that the Director of Special Education has not been required to actively monitor and manage the budget. Budget transfers in the special education budget codes should be initiated by the Director.

**30.** We recommend that the District provide training for the senior administrators to administer the budget within District policies and to participate in the budget transfer process, as noted above.

### **Corrective Action**

**The District will provide training to administrators to enable them to monitor and manage their budget.**

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We note that the District recently had a review of the Special Education Department's filing of STAC forms by MAG. As a result, an additional amount of approximately \$150,000 of state aid will be received. There were a number of filings which should be reviewed and procedural changes implemented to improve the operations.

31. We recommend that the District review the issues noted in the review of Special Education in the report by MAG and develop a corrective action plan to address the issues that were raised.

**Corrective Action**

**The Special Education Department will continue to file the reports that were missed in the past. The District will have MAG continue to do a Special Aid review every three years to make sure that all filings are done.**

We found that the clerical staff primarily responsible for the financial activities of special education are experienced and have been cross trained in their responsibilities. Training related to the STAC filing process has been provided, but neither of the two clerical employees has attended training related to grant administration.

32. We recommend that the District provide training for the two clerical employees related to grant administration.

**Corrective Action**

**The District will look into training for the clerical employees in the special education department on grant administration.**

We found that the District regularly reviews the vendors providing services. However, a formal request for proposal has not been circulated for several years. The use of requests for proposals (RFPs) is helpful to ensure that the costs of services are appropriate, so that the District receives full value for its expenditures.

33. We recommend that the District strengthen procedures related to procuring professional services in the Special Education Department. The District should obtain RFPs from various related service providers in order to ensure the most prudent use of District funds.

**Corrective Action**

**The District was involved in this North Shore Quadrant RFP process for special education services this spring. This process is done every three years. The district will continue to be involved in the process.**

**FACILITIES AND CAPITAL PROJECTS**

**Facilities Maintenance and Operations**

Findings and Recommendations:

We found that the Facilities Department schedules regular maintenance activities on major building systems, such as HVAC; however, these activities are not formally documented.

34. We recommend that the Facilities Department formally document and create a checklist related to scheduling, detailing and documenting maintenance activities on major building systems, such as HVAC. Efficient operations require work schedules based on current job descriptions that give employees a clear understanding of their assignments. The schedules should include daily tasks and weekly, monthly, and semi-annual assignments.

**Corrective Action**

**The Building and Grounds Director will create checklists and work schedules for employees.**

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We note that the Department has procedures to perform regular inspections of the vehicles; maintain complete records of each District vehicle (registrations, insurance cards, inspection dates and titles); prepare vehicle mileage and fuel logs; perform administrative reviews of the mileage logs; and restrict access to the fuel pumps. However, we found that there are no procedures to monitor the miles per gallon of the vehicles and fuel usage for the equipment used mainly by the grounds workers and there are no procedures to perform random checks of the mileage recorded by the employees to the District's odometer readings to ensure accuracy.

35. We recommend that the District develop a process to strengthen the monitoring of fuel usage of the vehicles and equipment owned by the District by determining the standard miles per gallon for each vehicle, and developing formal procedures to handle any excessive fuel usage that is identified. We also recommend establishing procedures to perform random checks of the mileage recorded by the employees to the District's odometer readings to ensure accuracy. We provided the Director of Facilities with a mileage spreadsheet that determines the miles per gallon of each vehicle to further improve the monitoring on the fuel usage of the vehicles.

#### **Corrective Action**

**The Director of Facilities has started using the mileage spreadsheet that was given to him by the internal auditors.**

### **CAPITAL ASSETS**

#### **Acquisition and Disposal**

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There are Board policies related to capital assets that include the threshold amount for classifying purchases as capital assets and require all disposals to be Board approved (Accounting of Fixed Assets - #5621 and Sale and Disposal of School District Property - #5250).
- There are formal procedures related to the acquisition of capital assets that include placing sequentially numbered tags on the capital assets upon receipt by the District.
- There are procedures to track the movement of assets in the District using a standard form and to ensure that changes in assets, such as location, disposition, etc., are reflected in the inventory system.

Findings and Recommendations:

None noted.

#### **Maintenance and Inventories**

Findings and Recommendations:

We found that the inventory controls related to technology assets requires improvement, since there are no procedures to perform periodic physical inventories of these assets, and we were informed that there was an occurrence where technology equipment was stolen from the District and later found in a home. We also note that there are instances where capital assets are moved without a transfer form being submitted to the Information Technology (IT) Department.

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36. We recommend that the District establish procedures to perform periodic physical inventories of the IT assets. In addition, we recommend that the District require that staff prepare the standard Asset Transfer Form when moving IT assets and submit the form to the IT Department timely.

**Corrective Action**

**The Assistant Superintendent for Business will work with the Director of Technical Services to establish procedures to perform periodic physical inventories of IT assets. An Asset Transfer Form will be developed and used to track IT equipment.**

We note that the Board policy related to capital assets (Accounting of Fixed Assets - #5621) states that “the School Business Official shall arrange for the annual inventory and appraisal of School District property, equipment and material. Any discrepancies between an inventory and the District's property records on file should be traced and explained.” However, the District is not in compliance with this policy requirement because it does not perform an annual inventory.

37. We recommend that the District consider revising the Board policy related to capital assets (Accounting of Fixed Assets - #5621) with regards to the annual inventory. An effective control over capital assets, as well as furniture and equipment, is a physical inventory. However, instead of performing an annual inventory of all capital assets, the District should consider rewording the Board policy to state that this needs to be done in some of the departments each year. Over a three or four-year period, physical inventories should be performed for all departments. According to OSC's Financial Management Guide for Local Governments, as part of any capital asset inventory control system, the District should see to it that a physical inventory is conducted of each department and the results of the inventory should be reconciled with the property records on file.

**Corrective Action**

**The District will ask the Policy Committee to review Policy #5621 and to make the policy more in line with the OSC guidelines.**

We understand that the procedure for tracking and managing textbooks for students attending parochial or private schools is very manually intensive.

38. We recommend that the District establish procedures to track and manage the textbooks for students attending parochial or private schools more efficiently. We suggest using iPads and bar code scanners to track the textbooks and consider setting up an online process for parents to enter their book requests.

**Corrective Action**

**The District will look into the process for tracking and managing textbooks for non-public students.**

**SCHOOL LUNCH**

**Sales Cycle and System**

Findings and Recommendations:

We found that the District has established procedures when a student does not have money to pay for a meal and has no funds available on their account. The student is allowed to charge for meals only (i.e., no snacks) and these charges are entered into the POS system. We understand that students can charge up to 3 meals on account and after that an alternate meal would be provided. The District also provides a weekly notice to the parents of students with negative balances. However, there is no Board policy related to charging meals to support this practice.

39. We recommend that the District establish a Board policy related to charging meals when the student does not have money and has no available funds in their account. The Board policy should include the District's

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existing procedures for handling this matter and include the threshold (i.e., number of meals). We provided the District with a sample Board policy covering the charging of meals.

#### **Corrective Action**

**The Policy Committee was given a meal policy to review.**

#### **Free and Reduced Lunch**

##### **Findings and Recommendations:**

We found that the free and reduced lunch applications are handled at each school. We were informed that there were instances when these forms were not entered into the system timely due to backlogs resulting from heavier volume at the start of the school year and/or the absence of the employee responsible for entering this data and the lack of a backup person to assist during such absence.

40. We recommend that the District consider having more than one person trained at each school to handle the free and reduced applications, so this workload could be managed more effectively and efficiently in the event that the person assigned this duty is absent or is experiencing significant volume (e.g., start of school year).

#### **Corrective Action**

**The Assistant Superintendent for Business will speak to the building administrators to come up with a more efficient way to enter the free and reduced lunch applications.**

### **EXTRACLASSROOM ACTIVITY FUNDS**

#### **General Controls and Administration**

##### **Findings and Recommendations:**

We found the following related to the Middle School Extraclassroom activities accounts:

- There are some clubs that do not have student officers or student involvement (i.e., field trip clubs). Additionally, student officers are not required to sign the deposit or disbursement forms.
- The student officers are not always participating in all of the club activities.
- The Yearbook Club has a club advisor and student involvement; however, the students do not collect the money from yearbook sales. The Middle School Central Treasurer collects money directly from the students and deposits the funds for yearbook sales. A receipt is provided to the student and records are maintained by the Central Treasurer of the students who have paid. This information is forwarded to the club to update its records.

41. We recommend that the District establish procedures to ensure that all extraclassroom clubs at the Middle School have student officers participating in all of the club activities, including deposits and disbursements. We also recommend that all clubs have a club charter detailing the purpose of the club and the student officers for the club. Further, we recommend that the Faculty Advisor along with the student officers collect the funds for yearbooks and send the deposits to the Central Treasurer for deposit. Alternatively, the District should look into using an online system to collect money for yearbook sales.

#### **Corrective Action**

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**The Assistant Superintendent for Business will work with the Central Treasurer at the Middle School to help put into place procedures for the extraclassroom clubs.**

We note that there are no procedures at the Middle School to require the clubs to agree their financial records to the Central Treasurer's statements.

42. We recommend that Middle School establish procedures to have the Central Treasurer print and distribute the club balance statements and require each club (advisor and student treasurer) to sign off on the statement to document that their records are in agreement with the Central Treasurer's statement. This process should be performed at least once during the school year and at the end of each school year.

**Corrective Action**

**The Assistant Superintendent for Business will work with the Central Treasurer at the Middle School to help put into place procedures for the extraclassroom clubs.**

**Cash Receipts**

**Findings and Recommendations:**

We found the procedures related to deposits at the High School and Middle School could be improved, since deposits are not always properly secured while waiting to be deposited in the bank. Although all deposits are maintained in the school's extraclassroom activities safe or lock box within the walk-in safe, these are left open during the day and all individuals in the main offices have access to the safe.

43. We recommend that the extraclassroom activities safe and lock box in the Main Office be locked at all times, so that deposits are always secured and access to the safe is restricted to the appropriate employees.

**Corrective Action**

**The Principal in both the HS and MS will set up procedures to restrict access to the safe to only appropriate employees.**

We note that the Central Treasurer at the High School does not maintain a receipt book. No receipt is prepared by the Central Treasurer and returned to the depositor to let them know the deposit has been received and was deposited.

44. We recommend that a three part pre-numbered receipt book be maintained and used by the Central Treasurer to advise the club that a deposit was received and deposited. The Central Treasurer would prepare a receipt every time a deposit from a club is received. One copy of the receipt would be sent back to the Faculty Advisor for the club's records, one copy of the receipt would be attached to the paperwork and one copy of the receipt would remain in the receipt book. The receipt book would then function as a log and anyone reviewing it can determine that there are no breaks in the sequence.

**Corrective Action**

**The Central Treasure in both the HS and MS will begin in the 2014-2015 school year using pre-numbered receipt books and distribute the receipts to the Faculty Advisors for their records.**

We found that the High School extraclassroom accounts have not been consistently paying sales tax. Sales tax has only been remitted for vending machine sales through the school store and for yearbook sales. They have not been consistently remitting sales tax for items purchased that are used for fundraising events.

45. We recommend that the High School extraclassroom clubs begin to consistently pay sales tax; including taxes for items purchased that are used for fundraising events.

**Corrective Action**

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**The HS extraclassroom Treasurer has begun informing all advisors about sales tax. She is advising that sales tax be paid on items at the time of purchase that are to be resold during a fundraiser.**

We note that the club account balances are printed by the High School Central Treasurer each month and provided to the advisors; however, they do not have to sign the account balance statements and return them. Signing and returning the statements documents that both parties are in agreement with the club balance.

46. We recommend that the High School Central Treasurer continue to print club balance information monthly and require the clubs (advisors and student treasurers) to sign off on the statement to document that their records are in agreement with the Central Treasurer's statement at least once during the school year and at the end of each school year.

**Corrective Action**

**The HS Central Treasurer will send two copies of the monthly statement at the end of January and again at the end of June for the advisors to sign off on and return to her.**

We performed a limited review of a few cash receipts forms processed by the High School Central Treasurer and found that there is a lack of documentation supporting most of the receipts (e.g., listing of the products sold; list of the pre-numbered tickets sold; student listings; profit and loss statement; etc.) that are submitted to the Central Treasurer. A loss of funds can often be traced to a lax pre-audit of receipts and lack of adequate documentation to support the money collected. This lack of documentation to support the receipts does not allow the Central Treasurer to be sure that they have received a complete deposit.

47. We recommend that the District strengthen controls related to receipts, particularly cash, at the club level since the collection of funds has a high level of inherent risk, to ensure completeness and timeliness of the funds submitted to the Central Treasurer. In order to facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. Such a statement should, on its face, include all of the essential data for a complete check and audit of the receipts. We recommend that the forms used to account for transactions be revised to provide an expanded comment or description section in which the club advisor can fully explain the transaction and completely account for the items by documenting the purchase information and utilize pre-numbered receipts or tickets (i.e., number of items purchased, number of items sold, the number of left over items and the status of the remaining items).

**Corrective Action**

**The Assistant Superintendent for Business will work with the Internal Auditors to develop a form that is to be used that will provide more essential data. This will then be shared with the Central Treasurer and the various club advisors.**

We found that High School Store club does not prepare any profit and loss statements. In addition, the only receipts received by the Central Treasurer from the High School Store club since the beginning of the 2013-14 year are receipts from the vending machine sales.

48. We recommend that the High School Store prepare a quarterly profit and loss statement and send it to the Central Treasurer for review. We also recommend that the High School Store submit all receipts, in addition to the vending machine sales, to the Central Treasurer and support these funds with the profit and loss statement.

**Corrective Action**

**The Central Treasurer and the Assistant Superintendent for Business will have a meeting with the High School Store advisor to go over the proper procedure to be used during the 2014-2015 school year.**



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We note that the snacks and beverages sold during the drama club performances are purchased by parents using club funds and receipts are provided for reimbursement. The snacks and beverages are also often sold by the parents during the performances and the deposit forms are prepared by the parent or the faculty advisor.

49. We recommend that the District discontinue the practice of allowing parents to purchase and sell concession items during the drama production using club funds. Additionally, only the club advisors or student advisors for the club should complete a deposit form and make a deposit for the club.

**Corrective Action**

**The Central Treasurer at the High School will inform the Drama Club Advisor that parents are not to purchase and sell snacks during drama club performances. This activity should be performed by the students**

**Cash Disbursements**

**Findings and Recommendations:**

We found that the High School does not use a form to document the approval of a disbursement. In addition, invoices are not required to be approved for payment.

50. We recommend that a standard disbursement form be utilized to document the approval of all invoices. The form should have a space for approvals by the Faculty Advisor, Student Treasurer and the Principal. The approved form should accompany each invoice for payment.

**Corrective Action**

**A disbursement form will be developed and used for each invoice submitted for payment.**

We performed a limited review of a few disbursement forms and found that there were some payments to vendors that were supported by a statement instead of a detailed invoice.

51. We recommend that the District develop procedures to require that payments be made only from detailed invoices and not solely supported by a vendor statement.

**Correction Action**

**The Central Treasurer will be informed that disbursements are not to be made from statements and if the original invoice is not available the advisor is to make sure a duplicate invoice is obtained.**

We note that the Middle School does not require the student treasurers to sign the disbursement form, which is submitted along with the invoice or receipt to the Central Treasurer for payment.

52. We recommend that the District establish procedures to require the Middle School disbursement form be signed by the faculty advisor, student treasurer and the Principal. The approved form should accompany each invoice for payment.

**Corrective Action**

**The MS Central Treasurer will use the same form that is developed for the HS and will need to have faculty advisor, student treasurer and Principal signature before any reimbursement can be made.**

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## INFORMATION TECHNOLOGY

### Governance

#### Findings and Recommendations:

We found that the new employee orientation procedures could be improved, since the process related to employee identification cards is not centralized resulting in employees having to visit one location to obtain system access to the network and another location (e.g., school building) to obtain the identification card.

53. We recommend that the District improve the new employee orientation process by revising the checklist for new hires and separations to include all of the system accesses and by centralizing this process to handle the identification cards and system access at one location.

#### **Corrective Action**

**The Assistant Superintendent for Business will meet with the IT Director, Head of Security and Human Resource to see how the District can improve the hire and exit process for employees.**

We were informed that the lines of supervision for the two data employees are nebulous and may need to be clearly defined. The Director of Technology Services said that he was asked to manage these employees, but the logistics make this difficult (these employees work in the administration building while the Director has an office in the High School) and there has been no further communications to formalize this scenario.

54. We recommend that the District clearly define the reporting lines of the two data management employees and assess the impacts of logistics (these employees work in the administration building while the Director has an office in the High School).

#### **Correction Action**

**The Superintendent is looking into relocating the data management employee. The data management employee does not work out of her office all the time. Most of the time she goes to the various building when there are problems or staff and faculty need support.**

We found that the District could improve procedures related to the network acceptable use policy, since this document is not included in the new student registration or the student re-registration packets.

55. We recommend that the District establish procedures to include Board policy District Network Acceptable Use and Safety Policy - #7314 in the new student registration and the student re-registration packets to inform them of the appropriate use of the District's network.

#### **Corrective Action**

**The Assistant Superintendent for Business will meet with the building Principals to see how this form is now being handled. A process will be put into place to make sure all new students are aware of the District Network Acceptable Use and Safety Policy.**

#### Findings and Recommendations:

We found that the employee separation process could be improved, since staff separations are not always communicated to the IT Department or the database administrators resulting in user accounts remaining active when they should be inactivated.

56. We recommend that the District improve the employee separation process by establishing formal procedures where the Personnel Department provides timely communications to the IT Department and the database administrators to inactivate the separated employee's user accounts and system accesses.

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### **Corrective Action**

**The Assistant Superintendent for Personnel will develop a form or a process to communicate any employee separation with the IT Department and Payroll Department.**

### **Financial Application Security**

#### **Findings and Recommendations:**

We found that the Finance Manager system's user accounts and permissions need to be reviewed in detail to ensure that the accounts are appropriate and the permissions are aligned with each employee's job duties.

57. We recommend that the District review the Finance Manager system's user accounts and permissions in detail to ensure that the accounts are appropriate and the permissions are aligned with each employee's respective job duties.

### **Corrective Action**

**The Assistant Superintendent for Business will review the accounts and permissions for all user accounts in Finance Manager to make sure the permission and accounts are aligned with each employees job duties.**

### **Disaster Recovery**

#### **Findings and Recommendations:**

We found that the disaster recovery, backup procedures and maintenance of IT equipment could be improved, since we noted:

- The District lacks a formal disaster recovery plan and/or contingency plan.
- There are backup procedures in place to store data at an offsite location; however, there is no storage at a remote facility off of Long Island. In addition, we found that the backups are not being tested due to time constraints.
- There is a network closet at each of elementary schools that may not be cooled and a server/network room at the Middle School with only a single window air conditioner. The High School room with servers and switches lacks a proper temperature and humidity control system, with temperatures exceeding 103 degrees at times. Also, some of the schools server/network closets are not cooled.
- There is no generator in place to cover the IT equipment during power outages.

58. We recommend that the District improve the disaster recovery, backup procedures and maintenance of IT equipment as follows:

- Develop a formal disaster recovery plan and/or contingency plan and subsequently establish procedures to periodically test the plan to ensure its effectiveness.
- Establish procedures to store backup files at a remote location offsite, preferably off Long Island, and periodically test these backup files to ensure the data recovery is complete and retrievable as planned.
- Create climate controlled environments for the server/network rooms.
- Consider setting up a generator at the High School to adequately protect and maintain IT equipment during power outages.

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**Corrective Action**

**The District will work on the recommendations of the internal auditors. Creating climate controlled environments at each building is part of the Districts Energy Performance Contract that is being developed. Also in the EPC is the purchase of a generator that can be used during power outages.**

**STUDENT RELATED DATA AND SERVICES****Student Attendance Data****Findings and Recommendations:**

We understand that the District has retained a significant amount of records, including student data information, in the safe (i.e., bank vault) at the administration building. We were informed that there are numerous outdated documents that could be destroyed or filed electronically in compliance with the SED requirements.

59. We recommend that the District develop a plan for addressing the outdated documents in the safe (i.e., bank vault) at the administration building. We suggest that the records be destroyed or filed electronically, using the current scanners/photocopiers, in compliance with the SED requirements.

**Corrective Action**

**The District will address this finding in the future.**

**Student Transportation****Findings and Recommendations:**

We found that the District has routinely recorded expenditures into incorrect codes, as noted above. This is clear in the transportation related expenses. In the 2012-13 school year, over \$500,000 of costs associated with in-District transportation were recorded in the account for Private School Transportation. In addition, the gasoline costs have been charged to different accounts each year.

60. We recommend that the District establish procedures to record the transportation related expenditures in the correct codes.

**Corrective Action**

**The Assistant Superintendent for Business has developed the 2014-2015 budget to reflect the anticipated expenditures in the correct budget codes. A separate code for fuel costs has been added.**

We note that the contract with the District's primary transportation provider provides that the District purchases fuel for the buses. The amount of fuel to be provided is based on a calculation so that for each mile driven by the bus an assumed miles per gallon of xx for a large van and yy for a small van is used. This is a common arrangement and allows the District to purchase the gas utilizing a state contract and allows the fuel to be purchased without sales tax. The bus provider has invoiced the District approximately \$150,000 per year for gas, but has not provided the calculation to support the amount of fuel charged to the District. We found that the same provider has not provided detail support to the monthly invoices so that the costs can be properly reviewed and the costs charged to the proper budget codes.

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61. We recommend that the District request the documentation related to gas purchases for the last two years to determine whether the amounts billed were appropriate and also require the provider to support the monthly invoice with an appropriate amount of detail back up documentation.

**Corrective Action**

**The District has spoken to the current transportation provider multiple times in regard to providing fuel logs to the District for 2012-2013 and 2013-2014 that the District can understand. The District at this time has not received the requested information.**

We note that although the budget for transportation was reduced in 2013-14 by \$650,000 from the prior year 2012-13 budget. This resulted in a budget which approximates the 2012-13 actual expenditures. It is not clear at this point, how much of the planned operational savings will be realized in this 2013-14 year.

62. We recommend that the District perform a review of the budget and projected costs as soon as practical and budget transfers be processed as necessary. This updated information should be used to assist in the development of the 2014-15 fiscal year budget.

**Corrective Action**

**The Assistant Superintendent for Business had reviewed the transportation budget lines and has made the appropriate budget transfers. At the end of the 2013-2014 school year an analysis will be done to determine how much of the planned operational savings will be realized.**

**Student Safety and Security**

Findings and Recommendations:

We understand that the Board needs to approve the structure and members of District-wide safety committee.

63. We recommend that the Board approve the structure and the members of District-wide safety committee. The members of this committee should be formally approved by the Board annually.

**Corrective Action**

**The Superintendent will work with the Board of Education to form the District -wide Safety Committee.**

