

**Internal Auditing Report
for the
Northport-East Northport
Union Free School District**

**For the Year Ended
June 30, 2011**



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INTERNAL AUDITING REPORT

Board of Education and Audit Committee
Northport-East Northport Union Free School District
158 Laurel Avenue
Northport, New York 11768

Dear Members of the Board and Audit Committee:

We have performed the annual risk assessment update of the Northport-East Northport Union Free School District (the District) as required by Chapter 263 of the Laws of New York, 2005 during the fiscal year ended June 30, 2011 and we are issuing an Internal Audit Report to the District. Our risk assessment was conducted in accordance with the standards for internal audits established by the Institute of Internal Auditors and guidelines promulgated by the Department of Audit and Control and Education Department of the State of New York.

The updated risk assessment focused on the identification of the District's audit areas together with its policies and procedures, the internal controls currently in effect, as well as those that might otherwise be required or recommended. We performed a risk assessment including additional internal audit procedures as follows:

1. Special Education Services
 - Special Education Claims Processing
2. State Aid and Grants
 - Section 611 Grant
 - Section 619 Grant
 - Title I Basic Grant
 - Title II Part A Teacher and Principal Recruitment and Training
 - NCLB - Title III: Limited English Proficient (LEP) Allocation
 - System to Track and Account for Children (STAC)
3. Universal Pre-Kindergarten Program
4. Extra-classroom Activities Fund (ECAAF)
5. Follow-up on Prior Year Findings

We must emphasize that we reviewed only a sample of files. We did not examine all transactions that took place during the period of our engagement.

This report discusses the deficiencies in recording, processing, authorizing and/or documenting transactions. It does not report on the policies and procedures that were found to be reported and functioning in an appropriate manner.

During our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various management personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the use and information of the Board of Education, Audit Committee and management of the Northport-East Northport Union Free School District, and is not intended to be and should not be used by anyone other than these specified parties.

Sheehan & Company C.P.A. P.C.

June 30, 2011

Northport-East Northport Union Free School District
Updated Risk Assessment
2010-2011

Chapter 263 of the Laws of New York, 2005 requires that school districts establish an internal audit function to perform a risk assessment of district operations including, but not limited to, a review of financial policies and procedures and the testing and evaluation of district internal controls. The internal audit function shall perform an annual review and update of such risk assessment and prepare reports to the Board of Education at least annually which analyze significant risk assessment findings, recommend changes for strengthening controls and reducing identified risk and to specify timeframes for implementation of such recommendations.

Internal controls are procedures put in place by management to help achieve the stated mission and objectives of an organization. These procedures help promote efficiency in operations, reduce risk of asset losses, and ensure reliability of financial data. In addition, internal controls are designed to provide reasonable but not absolute assurance regarding the achievement of the entity's objective to promote compliance with established policy, laws and regulations. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits derived. There are inherent limitations that should be recognized in considering the potential effectiveness of any internal control system such as errors, mistakes of judgment, carelessness, collusion or other factors. For these reasons, a risk assessment is a necessary element in any organization in order to ensure that the system of checks and balances is working effectively.

Risk assessment is the entity's identification and analysis of relevant risk to the achievement of its objectives, forming a basis for determining how the risks should be managed. It should identify risk and analyze the likelihood of occurrence and impact. This process allows the Board of Education to determine how much risk they are willing to accept and to set priorities accordingly. The assessment should focus on what can go wrong that would prevent the achievement of the objectives, the likelihood and consequences of something going wrong and what actions can be taken to minimize the potential of occurrence.

In assessing risk, we consider both inherent risk; the risk associated with a system based upon the nature of the transactions processed by that system (i.e. quantity, complexity, value, etc.) and control risk; the risk that the system of internal control is not adequately designed to prevent or detect errors or irregularities.

Management is responsible for developing a system of internal controls that promotes integrity, ethical values and competence among employees in the execution of their duties and responsibilities.

We have documented the findings of the testing and assessments performed, identified and prioritized the District's significant risks and made recommendations for improvement including enhancements/corrective action.

There were no irregularities, illegal acts or indications of illegal acts that came to our attention during the audit. In the event that such findings are discovered, we will make an immediate written report to the Board of Education and Audit Committee.

CURRENT OBSERVATIONS AND RECOMMENDATIONS

1. SPECIAL EDUCATION SERVICES

Special education programs in the United States were made mandatory in 1975 when the United States Congress passed the Education for All Handicapped Children Act (EHA) in response to discriminatory treatment by public educational agencies against students with disabilities. The EHA was later modified to strengthen protections to people with disabilities and renamed the Individuals with Disabilities Education Act (IDEA). The federal laws require states to provide special education consistent with federal standards as a condition of receiving federal funds.

IDEA entitles every student to a free and appropriate public education (FAPE) in the least restrictive environment (LRE). To ensure a FAPE, a team of professionals from the local educational agency meet with the student's parents to identify the student's unique educational needs, to develop annual goals for the student and to determine the placement, program modification, testing accommodations, counseling and other special services that the student needs. Parents become part of the multidisciplinary team, along with the local educational agency professionals, and collaborate with team members to make decisions on educational placement. These choices are recorded in a written Individualized Education Program (IEP). The school is required to develop and implement an IEP that meets the standards of federal and state educational agencies. Parents have the option of refusing special education services for their child.

Under IDEA, students with disabilities are entitled to receive special educational services through their local school district from age 3 to age 18 or 21. To receive special education services, a student must demonstrate a disability in one of 13 specific categories, including autism, developmental disability, specific learning disability, intellectual impairment, emotional and/or behavioral disability, speech and language disability, deaf/blind/, or/and, visual impairment, hearing impairment, orthopedic or physical impairment, other health impaired (including attention deficit disorder), multiple disabilities and traumatic brain injury. Depending on the students' individual needs, they may be included, mainstreamed or placed in a special school and/or may receive many specialized services in a resource room or self-contained classroom. In addition to academic goals, the goals documented in the Individualized Education Program (IEP) may address self-care, social skills, physical, speech and vocational training. The program placement is an integral part of the process and typically takes place during the IEP meeting.

Special education programs at the district level are structured upon a cooperative federalism model and, therefore, governed by both state and federal law.

The IDEA is "spending clause" legislation, meaning that it only applies to those states and their local educational agencies that accept federal funding under IDEA. While states declining such funding are not subject to IDEA, all states have accepted funding under this statute and are subject to it.

Section 300.50 and Sections 300.560 through 300.577 of the Code of the Federal Regulations (CFR), relate to the implementation of the confidentiality requirements of the IDEA and 34 CFR Part 99 implements Family Educational Rights and Privacy Act Regulations (FERPA) (20 U.S.C. 1232g as amended December 9, 2008 and effective January 8, 2009).

FERPA, 34 CFR, Part 99, which is Section 444 of the General Education Provisions Act, is a federal law that applies to educational agencies and institutions that receive funding under a program administered by the U.S. Department of Education.

The purpose of FERPA is to set out requirements for the protection of privacy of parents and students under Section 444 of the General Education Provisions Act, as amended. (*Authority: 20 U.S.C. 1232g*)

Note to Section 99.2: 34 CFR 300.610 through 300.626 contain requirements regarding the confidentiality of information relating to children with disabilities who receive evaluations, services or other benefits under Part B of IDEA. 34 CFR 303.402 and 303.460 identify the confidentiality of information requirements regarding children and infants and toddlers with disabilities and their families who receive evaluations, services, or other benefits under Part C of IDEA. 34 CFR 300.610 through 300.627 contain the confidentiality of information requirements that apply to personally identifiable data, information and records collected or maintained pursuant to Part B of IDEA.

Under FERPA, schools must generally afford students who are 18 years or over, or attending a postsecondary institution:

- access to their education records.
- an opportunity to seek to have the records amended.
- some control over the disclosure of information from the records.

The Elementary and Secondary Education Act (ESEA) PL 107-110, more popularly known as the No Child Left Behind Act, required accountability for the academic performance of all school children, including those with disabilities. It called for 100% proficiency in reading and math by the year 2012.

Review Special Education Claims

The Board is responsible for establishing an internal control system that provides reasonable assurance of safeguarding resources. District management is responsible for implementing the Board's control directives by designing and documenting operating policies, practices and procedures and delineating employee responsibilities.

We performed a review of the District's cash disbursements procedures over special education claims to determine whether there is an adequate internal control system in place to safeguard District assets.

- **Procedure Performed:**

Review the District's processes and procedures over the payment of special education claims to determine whether they are effectively designed and working appropriately.

Findings and Recommendations:

No findings or recommendations at this time.

Based on a review of a sample size of 5 special education claims from population of 255 claims paid from July 1, 2010 through January 22, 2011 during fiscal year 2010-2011, we found claims processing procedures in Office of Special Education are effectively designed and working appropriately.

- **Procedure Performed:**

Review the District's internal control mechanisms such as verification, approval and monitoring controls over special education claims to ensure District assets are safeguarded and payments made are for legitimate departmental purposes.

Findings and Recommendations:

No findings or recommendations at this time.

During our assessment of District procedures over special education claims, we found that all claims are reviewed and computations are verified by social workers, Chairperson, Director of Special Education Department and by the District's Claims Auditor. Special education claims are approved for payment by the Director of Special Education Department and the District's Claims Auditor. Monitoring of special education claims is performed by the Office of Special Education Director, Chairperson and social workers. In addition, we found claims are not approved for payment without adequate supporting documentation attached such as invoices, dates of services, services rendered, products purchased and name(s) of services provider as applicable.

2. STATE AID AND GRANTS

Districts are entitled to a variety of aids (formula, expense driven and categorical) from the state as a major source of funding for public education. Each of the aids requires certain claim forms to be submitted on a rigid schedule. Some state and federal grants are allocated to all districts that meet certain criteria and make their applications within certain timeframes, while other grants are competitive and are awarded based on the evaluation of criteria submitted with the application.

Regular IDEA, Part B, Section 611 Grant: Special Education - Grants to States

CFDA Number: 84.027

Program Type: Formula Grants

Also known as: Grants to States for Education of Children with Disabilities, Part B, Section 611

Legislative Citation: Individuals with Disabilities Education Act, as amended, Part B, Section 611; 20 U.S.C. 1411

Program Regulations: 34 CFR 300

The program provides formula grants to states, the District of Columbia, Puerto Rico, the Secretary of the Interior, freely associated states and outlying areas to assist them in meeting the costs of providing special education and related services to children with disabilities. In general, if the appropriation increases, funds to states, the District of Columbia and Puerto Rico are distributed based on the amounts each state received for fiscal year 1999 and the relative numbers of children age 3 through 21 in their general populations and living in poverty, who are within the age range for which each of these entities mandates services to children with disabilities. The formula contains numerous provisions for situations in which the appropriation for the program remains constant, increases or decreases and for several maximum and minimum funding limitations. Funds not reserved for state-level activities must be distributed to local education agencies. Funds reserved for state-level activities may be used for state administration and other state-level activities, including a Local Education Agencies (LEA) high-cost fund.

Funds under this program are combined with state and local funds to provide FAPE to children with disabilities. Permitted expenditures include the salaries of special education teachers and costs associated with related services personnel, such as speech therapists and psychologists. States may use funds reserved for other state-level activities for a variety of specified activities, including: for support and direct services, technical assistance and personnel preparation, to assist LEA's in providing positive behavioral interventions and supports and to improve the use of technology in the classroom. Some portion of funds reserved for other state-level activities must be used for monitoring, enforcement and complaint investigation and to establish and implement the mediation process required by Section 615(e) of IDEA, including providing for the cost of mediators and support personnel. Each state has the option to reserve a portion of funds the state reserves for other state-level activities for a fund to assist LEA's in addressing the needs of high-cost children with disabilities. If the state opts to reserve for this fund, it may reserve a larger portion of its award for other state-level activities and must reserve at least 10% of the amount set aside for other state-level activities for the fund.

- **Procedure Performed:**

Perform a review of the District's procedures over the Regular IDEA, Part B, Section 611 Grant application process for state aid namely "Proposed Budget for a Federal or State Project", Form FS-10, "Request for Funds for a Federal or State Project", Form FS-25 process, "Proposed Amendment for a Federal or State Project", Form FS-10-A, and the

year end report "Final Expenditure Report for a Federal or State Project", Form FS-10-F, to determine whether the District submits all required state aid and other forms and data in a timely manner in order to prevent the loss or delay of state aid.

Findings and Recommendations:

No findings or recommendations at this time.

We found the District submits all required state aid reports, forms and data on a timely basis to the State Education Department for the Regular IDEA, Part B, Section 611 Grant.

- **Procedure Performed:**

Review the District's procedures over Regular IDEA, Part B, Section 611 Grants to determine the District's computations of allowable costs to ensure it is meeting compliance requirements set forth in the federal and state laws and regulations.

Findings and Recommendations:

No findings or recommendations at this time.

We found the District's procedures used to compute allowable costs for the Section 611 Grants are in compliance with requirements set forth in the federal and state laws and regulations.

- **Procedure Performed:**

Verify whether the District sends its IDEA sub-allocation payments to Approved Special Education Programs (ASEP) in the same proportion as its receipt of funds within 30 days of receipt in accordance with Chapter 6 of the Laws of 2000.

Findings and Recommendations:

No findings or recommendations at this time.

The District sends payments to ASEP's as soon as invoices are received from them. It may not be remitted within 30 days if the ASEP's do not provide sufficient information and details of expenditures on invoices.

- **Procedure Performed:**

Verify whether the District has controls over the IDEA Grants such as a review of documents and reports by a party independent of the preparation process, verification and approval by departmental supervisor and monitoring of senior management to ensure accuracy and that records and reports are prepared in compliance with federal and state laws and regulations.

Findings and Recommendations:

No findings or recommendations at this time.

We found there is an independent review of the work performed by the preparer of grant reports. In addition, senior management is verifying, approving and monitoring grant reports to ensure accuracy and that they are performed in compliance with federal and state laws and regulations.

Regular IDEA, Part B, Section 619 Grant: Preschool Grants for Children with Disabilities

CFDA Number: 84.173

Program Type: Formula Grants

Also known as: Special Education Preschool Grants, Part B, Section 619

Legislation: Individuals with Disabilities Education Act, Part B, Section 619, as amended; 20 U.S.C. 1419

Regulations: 34 CFR 300, Subpart H

This program provides grants to states, the District of Columbia and Puerto Rico to make special education and related services available to children with disabilities, ages 3 through 5 and, at a state's discretion, to 2-year-olds with disabilities who will turn 3 during the school year. At their discretion, states may include preschool-age children who are experiencing developmental delays, as defined by the state and measured by appropriate diagnostic instruments and procedures, who need special education and related services. Funds are distributed to eligible State Educational Agencies (SEA) based on the amount each state received in fiscal year 1997 and on the relative number of children aged 3 through 5 in the state's general population and the number of these children living in poverty. The formula contains numerous provisions for situations in which the appropriation for the program remains constant, increases or decreases and several maximum and minimum funding limitations. States must distribute the bulk of their grant awards to LEA's. They may retain funds for state-level activities up to an amount equal to 25% of the amount they received for fiscal year 1997 under the Preschool Grants Program, adjusted upward each year by the lesser of either the rate of increase in the state's allocation or the rate of inflation. The amount that may be used for administration is limited to not more than 20% of the amount available to a state for state-level activities.

- **Procedure Performed:**

Perform a review of the District's procedures over the Regular IDEA, Part B, Section 619 Grant application process for state aid namely "Proposed Budget for a Federal or State Project", Form FS-10, "Request for Funds for a Federal or State Project", Form FS-25 process, "Proposed Amendment for a Federal or State Project", Form FS-10-A, and the year end report "Final Expenditure Report for a Federal or State Project", Form FS-10-F, to determine whether the District submits all required state aid and other forms and data in a timely manner in order to prevent the loss or delay of state aid.

Findings and Recommendations:

No findings or recommendations at this time.

We found the District submits all required state aid reports, forms and data on a timely basis to the State Education Department for the Regular IDEA, Part B, Section 619 Grant.

- **Procedure Performed:**

Review the District's procedures over the Regular IDEA, Part B, Section 619 Grant to determine the District's computations of allowable costs to ensure the District is meeting compliance requirements set forth in the federal and state laws and regulations.

Findings and Recommendations:

No findings or recommendations at this time.

We found the District's procedures used to compute allowable costs for the Section 619 Grants are in compliance with requirements set forth in the federal and state laws and regulations.

- **Procedure Performed:**

Verify whether the District sends its IDEA sub-allocation payments to ASEP's in the same proportion as its receipt of funds within 30 days of receipt in accordance with Chapter 6 of the Laws of 2000.

Findings and Recommendations:

No findings or recommendations at this time.

The District sends payments to ASEP's as soon as invoices are received from them. It may not be remitted within 30 days if the ASEP's do not provide sufficient information and details of expenditures on invoices.

- **Procedure Performed:**

Verify whether the District has controls over the IDEA, Part B, Section 619 Grants such as a review of documents and reports by a party independent of the preparation process, verification and approval by departmental supervisor and monitoring of senior management to ensure accuracy and records and reports are prepared in compliance with federal and state laws and regulations.

Findings and Recommendations:

No findings or recommendations at this time.

We found there is an independent review of the work performed by the preparer of grant reports. In addition, senior management is verifying, approving and monitoring grant reports to ensure accuracy and that they are performed in compliance with federal and state laws and regulations.

TITLE I, PART A Program: Improving Basic Programs Operated by Local Educational Agencies

CFDA Number: 84.010

Program Type: Formula Grants

Also Known As: Education for the Disadvantaged - Grants to LEA, Improving the Academic Achievement of the Disadvantaged, Title I ESEA, Title I LEA Grants

Legislation: Elementary and Secondary Education Act of 1965, as amended, Title 1, Part A; 20 U.S.C. 6301-6339, 6571-6578

This program provides financial assistance to LEA's and schools with high numbers or high percentages of poor children to help ensure that all children meet challenging state academic standards.

More than 50,000 public schools across the country use Title I funds to provide additional academic support and learning opportunities to help low-achieving children master challenging curricula and meet state standards in core academic subjects. For example, funds support extra instruction in reading and mathematics, as well as special preschool, after school and summer programs to extend and reinforce the regular school curriculum.

LEA's target the Title I funds they receive to public schools with the highest percentages of children from low income families. Unless a participating school is operating a school wide program, the school must focus Title I services on children who are failing, or most at risk of failing, to meet state academic standards. Schools enrolling at least 40% of students from poor families are eligible to use Title I funds for school wide programs that serve all children in the school.

Title I is designed to help students served by the program to achieve proficiency on challenging state academic achievement standards. Title I schools with percentages of low income students of at least 40% may use Title I funds, along with other federal, state and local funds, to operate a "school wide program" to upgrade the instructional program for the whole school. Title I schools with less than 40% low income students, or that choose not to operate a school wide program, offer a "targeted assistance program" in which the school identifies students who are failing, or most at risk of failing, to meet the state's challenging academic achievement standards. Targeted assistance schools design, in consultation with parents, staff and district staff, an instructional program to meet the needs of those students. Both school wide and targeted assistance programs must use instructional strategies based on scientifically based research and implement parental involvement activities.

Under Title I, LEA's are required to provide services for eligible private school students, as well as eligible public school students. In particular, Section 1120 of Title I, Part A of the ESEA, as amended by the No Child Left Behind Act (NCLB), requires a participating LEA to provide eligible children attending private elementary and secondary schools, their teachers and their families with Title I services or other benefits that are equitable to those provided to eligible public school children, their teachers and their families. These services must be developed in consultation with officials of the private schools. The Title I services provided by the LEA's for private school participants are designed to meet their educational needs and supplement the educational services provided by the private school.

- **Procedure Performed:**

Perform a review of the District's procedures over the Title I, Part A Program: Improving Basic Programs Operated by Local Educational Agencies, the application process "Proposed Budget for a Federal or State Project", Form FS-10, "Request for Funds for a Federal or State Project", Form FS-25 process, "Proposed Amendment for a Federal or State Project", Form FS10-A, and the year end report "Final Expenditure Report for a Federal or State Project", Form FS-10-F, to determine whether the District submits all required state aid and other forms and data in a timely manner in order to prevent the loss or delay of state aid.

Findings and Recommendations:

No findings or recommendations at this time.

We found the District submits all required state aid reports, forms and data on a timely basis to the State Education Department for the Title I, Part A Program: Improving Basic Programs Operated by Local Educational Agencies.

During our review of the District's records for fiscal year 2009-2010, we found no indications of any loss or delay of state aid for Title I, Part A Program.

- **Procedure Performed:**

Verify whether the District has controls over the Title I, Part A Program Grants such as a review of documents and reports by a party independent of the preparation process, verification and approval by departmental supervisor and monitoring of senior management to ensure accuracy and records and reports are prepared in compliance with federal and state laws and regulations.

Findings and Recommendations:

No findings or recommendations at this time.

We found there is an independent review of the work performed by the preparer of grant reports. In addition, senior management is verifying, approving and monitoring grant reports to ensure accuracy and that they are performed in compliance with federal and state laws and regulations.

Title II, Part A Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Program Type: Formula Grants

Also Known As: Title II, Part A

Legislation: Elementary and Secondary Education Act of 1965, as amended, Title II, Part A; 20 U.S.C. 6601–6641

ESEA/NCLB Title II, Part A provides funds to all New York State LEA's for the purpose of meeting NCLB highly qualified teaching requirements, by:

- providing high quality professional development to ensure that teachers become, and remain, highly effective in helping all students to learn and achieve high performance standards;
- meeting "highly qualified teacher" requirements for core course teaching through effective teacher recruitment, retention and professional development practices; and
- ensuring strong instructional leadership through effective principal recruitment, retention and professional development practices.

The purpose of the program is to increase academic achievement by improving teacher and principal quality. This program is carried out by increasing the number of highly qualified teachers in classrooms, increasing the number of highly qualified principals and assistant principals in schools and increasing the effectiveness of teachers and principals by holding LEA's and schools accountable for improvements in student academic achievement.

In exchange, agencies that receive funds are held accountable to the public for improvements in academic achievement. Title II, Part A provides these agencies with the flexibility to use these funds creatively to address challenges to teacher quality, whether they concern teacher preparation and qualifications of new teachers, recruitment and hiring, induction, professional development, teacher retention, or the need for more capable principals and assistant principals to serve as effective school leaders.

State-level activities include but are not limited to: (1) recruiting and retaining highly qualified teachers and principals, (2) increasing the number of highly qualified teachers in classrooms and (3) reforming teacher and principal certification programs. They must be based on a needs assessment and, among other things, be aligned with state academic content standards, student academic achievement standards and state assessments (for formula grants). The State Agencies for Higher Education (SAHE) works in conjunction with SEA to make competitive sub grants to partnerships of Institutions of Higher Education (IHE), high need LEA's and other entities (for competitive grants) through specific activities that focus on professional development for teachers, highly qualified paraprofessionals and, if appropriate, principals.

- **Procedure Performed:**

Perform a review of the District's procedures over the Title II, Part A Program: Improving Teacher Quality State Grants, the application process "Proposed Budget for a Federal or State Project", Form FS-10, "Request for Funds for a Federal or State Project", Form FS-25 process, "Proposed Amendment for a Federal or State Project", Form FS-10-A and the year end report "Final Expenditure Report for a Federal or State Project", Form FS-10-F, to determine whether the District submits all required state aid and other forms and data in a timely manner in order to prevent the loss or delay of state aid.

Findings and Recommendations:

No findings or recommendations at this time.

We found the District submits all required state aid reports, forms and data on a timely basis to the SEA for the Title II, Part A Program: Improving Teacher Quality State Grants.

During our review of the District's records for fiscal year 2009-2010, we found no indications of any loss or delay of state aid for Title II, Part A Program.

- **Procedure Performed:**

Verify whether the District has controls over the Title II, Part A Program Grants such as a review of documents and reports by a party independent of the preparation process, verification and approval by departmental supervisor and monitoring of senior management to ensure accuracy and records and reports are prepared in compliance with federal and state laws and regulations.

Findings and Recommendations:

No findings or recommendations at this time.

We found there is an independent review of the work performed by the preparer of grant reports. In addition, senior management is verifying, approving and monitoring grant reports to ensure accuracy and that they are performed in compliance with federal and state laws and regulations.

Title III, Part A Program: Language Instruction for Limited English Proficient and Immigrant Students of the No Child Left Behind Act of 2001

CFDA Number: 84.365A

Program Type: Formula Grants

Also known as: English Language Acquisition State Grants

Legislation: Elementary and Secondary Education Act of 1965, as amended, Title III, Sections 3111-3141; 20 U.S.C. 6821-6871

Regulations: EDGAR; 34 CFR 76

Funds under Title III, Part A: Language Instruction for LEP and Immigrant Students of the NCLB Act of 2001 will continue to be made available in 2010-2011 to eligible LEA's, including Charter Schools, based on the number of LEP and immigrant students enrolled in the LEA.

Those LEA's with LEP students and with a significant increase in the number of immigrant students may be eligible to receive both Title III, Part A LEP and Title III, Part A immigrant funds.

To be eligible for Title III LEP funds, LEA's must have an instructional program for LEP students in compliance with Part 154 of the Commissioner's Regulations (CR) Part 154. A Charter School LEA must implement the instructional program for LEP students approved in its charter. All applicants must be eligible to receive a Title III, Part A allocation of \$10,000 or more. Those LEA's with allocations that are less than \$10,000 may apply by joining a consortium (see "Sub Grants to Eligible School Districts" below). Approval of the funds will also be contingent upon the receipt and approval of the required 2010-2011 CR Part 154 and Title III, Part A reports, if applicable.

Programs and activities funded under Title III, Part A of NCLB must help LEP students attain English proficiency while meeting state academic achievement standards. Instruction may be given in both English and the student's native language and may include the participation of English proficient students in programs such as the Two-Way Bilingual Education/Dual Language Program. Programs and activities implemented under Title III, Part A may not supplant programs required under CR Part 154 or a charter school's charter.

Sub Grants to Eligible School Districts (Section 3115)

Under Title III, Part A, the New York State Education Department (NYSED

) will provide sub grants to eligible LEA's that agree to expend the funds to improve the education of LEP students by assisting them to learn English, meet the state's challenging academic content and student academic achievement standards. In carrying out the activities approved under such sub grants, LEA's must use approaches and methodologies founded on scientifically based research on teaching LEP students and immigrant children and youth.

The NYSED is allocating funds under Title III, Part A for sub grants to LEA's for the education of LEP students and funds for sub grants to eligible LEA's experiencing significant increases in immigrant student populations.

Title III, Part A LEP sub grants will not be granted to LEA's with allocations that are less than \$10,000. One or more LEA's, alone or in collaboration with IHE or community-based organizations (CBO), are eligible to apply for the funds. Therefore, in order to receive funding, an LEA generating an allocation of less than \$10,000 under Title III, Part A LEP, may form a consortium with one or more LEA's for a combined total of \$10,000 or more. The lead applicant in consortia must serve as the fiscal agent for the total funds pooled from each member LEA in their respective consortium. Consortium members that are eligible for Title III, Part A Immigrant funds are individually responsible for completing its own application for Title III, Part A Immigrant funds and for the fiscal management of these monies.

The District participated in Title III, Part A Program: Language Instruction for LEP and Immigrant Students during fiscal year 2009-2010. We were informed that during the 2010-2011 school year, the District only participated in the Title III, Part A: Language Instruction for LEP Students.

- **Procedure Performed:**

Perform a review of the District's procedures over the Title III, Part A Program and the Grant application process "Proposed Budget for a Federal or State Project", Form FS-10, "Request for Funds for a Federal or State Project", Form FS-25 process, "Proposed Amendment for a Federal or State Project", Form FS10-A, and the year end report "Final Expenditure Report for a Federal or State Project", Form FS-10-F, to determine whether the District submits all required state aid and other forms and data in a timely manner in order to prevent the loss or delay of state aid.

Findings and Recommendations:

No findings or recommendations at this time.

We found the District submits all required state aid reports, forms and data on a timely basis to the State Education Department for the Title III, Part A Program.

During our review of the District's records for fiscal year 2009-2010, we found no indications of any loss or delay of state aid for Title III, Part A Program.

- **Procedure Performed:**

Verify whether the District has controls over the Title III, Part A Program Grants such as a review of documents and reports by a party independent of the preparation process, verification and approval by departmental supervisor and monitoring of senior management to ensure accuracy and records and reports are prepared in compliance with federal and state laws and regulations.

Findings and Recommendations:

No findings or recommendations at this time.

We found there is an independent review of the work performed by the preparer of grant reports. In addition, senior management is verifying, approving and monitoring grant reports to ensure accuracy and that they are performed in compliance with federal and state laws and regulations.

System to Track and Account for Children (STAC) Processes

STAC and Special Aids is the unit within the NYSED responsible for processing requests for Commissioner's approval for reimbursement. This includes reimbursement approval for the costs of providing services to preschool and school-age students placed in special education programs at public and SED-approved private schools, special-act school districts, BOCES and at state-supported and state-operated schools for the deaf and blind. It also includes reimbursement approval for students who have been determined to be homeless, runaway youth and for education services provided to incarcerated youth. STAC is also the process for requesting Payment of High Cost Public Excess Cost Aid and Payment of Aid for Summer School Programs for Students with Disabilities.

To have effective internal controls, duties must be adequately segregated so that no single individual controls most, or all, phases of a transaction. The work of one employee should be routinely verified in the course of another employee's regular duties. This reduces the risk that errors and irregularities could occur and go undetected and uncorrected. When it is not practical to segregate all duties because of limited staff resources, District officials should establish compensating controls, such as managerial review of an employee's work.

- **Procedure Performed:**

Review District processes over requests for commissioner's approval for reimbursement for services provided to preschool and school-age students placed in special education programs in District, at private schools, BOCES and at state operated schools to determine whether the District is requesting reimbursement from the State Education Department STAC Unit for the amount it is entitled to receive.

Findings and Recommendations:

No findings or recommendations at this time.

Based upon our review of the District's STAC processes, we found they are well designed and working effectively to ensure the District is requesting for reimbursement the amount it is entitled to receive.

- **Procedure Performed:**

Determine whether there is a process in place whereby another District employee is reviewing the District's special education documentation and STAC's reimbursement requests to verify the accuracy of said documentation and ensure the District is requesting the reimbursement amounts it is entitled to receive.

Findings and Recommendations:

No findings or recommendations at this time.

District management is reviewing the District's special education documentation and STAC's reimbursement requests to verify the accuracy of said documentation and ensure the District is requesting the reimbursement amounts it is entitled to receive.

- **Procedure Performed:**

Review the District's procedures to calculate costs of providing special education services to individual students to ensure the calculations for each student are based on the level of services the child is receiving and determine the cost of service providers who provide services to each student.

Finding:

1. We were informed the District does not have a procedure in place whereby another District employee is verifying the accuracy of the calculations performed by the accountant to determine the cost of providing special education services to specific children.

Recommendation:

1. It is a good business practice to have an independent review of information prior to submission and a discussion of the methodologies to obtain it, to help ensure the information is reasonable and accurate.

District Response:

1. District management is reviewing the District's special education documentation to verify the accuracy of said documentation prior to submission.

3. UNIVERSAL PRE-KINDERGARTEN PROGRAM

Legislation: New York Education - Part 1 - Section 3602-E Universal Prekindergarten Program

Regulations: Subpart 151-1 of the Commissioners Regulations

The primary purpose of Universal Pre-Kindergarten Program (UPK) is to provide 4 year old children access to high quality pre-kindergarten programs that prepares them for future school success by developing strong foundational skills in early literacy and numeracy.

Pursuant to Section 3202 of the Education Law, no parent and/or guardian of a child participating in a UPK program should be subjected to a fee/charge for the instructional program.

Section 3602-E of Education Law defines an "eligible child" as a child who resides within a UPK participating school district and who is 4 years of age on or before December 1st or otherwise eligible to attend kindergarten the following school year. A child who is age eligible to attend kindergarten is not eligible for the UPK program.

UPK is a voluntary program for both school districts and children. Parents and/or guardians may choose, but are not required, to enroll their children in a UPK program.

UPK programs must operate a minimum of 2 1/2 hours per day, 5 days per week for a minimum of 180 days per year. By law, the school year is defined as July 1st through June 30th. Therefore, a district could design its UPK program to operate for a minimum of 180 days and include a schedule other than the traditional school calendar, including during summer and school vacation periods.

The law requires that districts use a minimum of 10% of their UPK grant award to contract with one or more eligible agencies to collaborate in the provision of the instructional program for a specified number of enrolled children. These agencies are selected based on a competitive process established by the school district. Eligible agencies include child care and early education providers, day care providers, early childhood programs or centers or community-based organizations such as approved preschool special education programs, Head Start, nursery schools, libraries and museums which meet the standards and requirements of this subpart. (Regulations of the Commissioner of Education Subpart 151-1.2 (b)).

The regulations require that the program adhere to uniform quality standards for all UPK classrooms including both district-based and eligible agency-based classrooms. The standards include curricula aligned with state learning standards and with instruction in the early elementary grades of the district, effective and developmentally appropriate instructional strategies, a process for baseline and ongoing assessment of development of language, cognitive and social skills, screening for health and nutrition and employment of staff with a teaching license or certificate valid for service in the early childhood grades. The collaborating agencies may employ staff with a bachelor's degree in early childhood education or a related field with a written plan to obtain early childhood certification within 5 years.

A collaborating agency with staff without teaching certificates must employ an onsite director with a teaching license or certificate for early childhood or childhood grades.

• **Procedure Performed:**

Review the District's UPK program processes and procedures to determine whether they are in compliance with federal and state laws and regulations.

- Determine whether the District is in compliance with Section 3202 of the Education Law, which states that no parent and/or guardian of a child participating in a UPK program should be subjected to a fee/charge for the instructional program.
- Determine whether the District is in compliance with Section 3602-E of Education Law which defines an "eligible child" as a child who resides within a UPK participating school district and who is 4 years of age on or before December 1st or otherwise eligible to attend kindergarten the following school year. A child who is age-eligible to attend kindergarten is not eligible for the UPK program.
- Determine whether the District contracts out the UPK program through a Request for Proposal process.
- Determine whether the UPK is a voluntary program for both school districts and children and whether children were awarded participation to the UPK program on a lottery basis as required by law.
- Determine whether the District's UPK program operates a minimum of 2 1/2 hours per day, 5 days per week for a minimum of 180 days per year and during the school year which is defined as July 1st through June 30th. If not conducted during school year, determine whether the District operates this program during summer and school vacation periods.
- Determine whether the District is in compliance with the law requiring the District to use a minimum of 10% of their UPK grant award to contract with one or more eligible agencies to collaborate in the provision of the instructional program for a specified number of enrolled children. Also determine whether the UPK providing agencies are selected based on a competitive process established by the school district.

Findings and Recommendations:

No findings or recommendations at this time.

Based on our review of the District's UPK program processes and procedures, we found the District is in compliance with federal and state laws and regulations as summarized below.

- The District is in compliance with Section 3202 of the Education Law. Parents and/or guardians of children participating in a universal pre-kindergarten program are not charged a fee/charge for the instructional program.

- The District is in compliance with Section 3602-E of Education Law. The children participating in the District's UPK program are eligible children who are residents of the District, are 4 years of age on or before December 1st.
- The District contracted out the UPK program through a Request for Proposal process during the spring of 2010.
- The District's UPK program is a voluntary program for the District and the children of the District. In addition, we found the District awarded participation to the UPK program to eligible children on a lottery basis as required by law.
- The District's UPK program operates a minimum of 2 1/2 hours per day, 5 days per week for a minimum of 180 days per year and during the school year which is defined as July 1st through June 30th.
- The District is in compliance with the law requiring the District to use a minimum of 10% of their UPK grant award to contract with one or more eligible agencies to collaborate in the provision of the instructional program for a specified number of enrolled children. Moreover, we found the UPK providing agencies are selected based on a competitive process established by the school district.
- **Procedure Performed:**

Review the District's approval, verification and monitoring processes over the UPK program to ensure District assets are safeguarded.

Findings and Recommendations:

No findings or recommendations at this time.

Bills are first verified by the Senior Account Clerk Typist and then by her supervisor, the Assistant Superintendent of Curriculum. Afterwards, claims are forwarded to the Accounts Payable Clerk for review and payment processing.

Assistant Superintendent of Curriculum performs the approval, verification and monitoring processes over the UPK Grant.

- **Procedure Performed:**

Review the District's procedures used to prepare UPK Reports, the Proposed Budget Summary for a Federal or State Project FS-20 Report (grant application), Request for Funds, Form FS-25, Grant Amendments FS-10-A and the Final Report FS-10-F to determine whether the District is in compliance with NYSED Laws and Regulations over UPK Grant.

Findings and Recommendations:

No findings or recommendations at this time.

We found the District prepared all UPK Reports timely during the 2009-2010 school year and in compliance with NYSED laws and regulations over UPK Grant.

4. EXTRA-CLASSROOM ACTIVITIES FUND (ECAF)

An Extra-classroom Activity Fund is used to account for the monies received from the conduct, operation or maintenance of any extracurricular student activities. Extra-classroom Activity Funds are defined in CR Section 172.1 as funds "raised other than by taxation or through charges of a Board of Education" for, by, or in the name of a school, student body, or any subdivision thereof. The activities are operated by and for the students. The students collect money and spend it as they determine, in accordance with established regulations. CR Section 172 specifies the requirements for Extra-classroom Activity Funds. In addition, the Department has prepared Finance Pamphlet 2, found at http://www.emsc.nysed.gov/mgtserv/extrclas_old.pdf, *The Safeguarding, Accounting, and Auditing of Extra-classroom Activity Funds* to assist boards and schools in establishing Extra-classroom Activity Funds and setting up procedures for the management and accounting for the funds.

CR Section 172.2 requires boards to establish policies governing Extra-classroom Activity Funds. In addition, Section 172.3(b) of the Regulations requires the Central Treasurer of the Extra-classroom Activity Fund to maintain a record of receipts and expenditures of the fund and to submit that record to the Board on at least a quarterly basis.

CR Section 172.4 requires the Board to designate a central treasurer of the Extra-classroom Activity Fund to receive the moneys received from the conduct, operation, or maintenance of the extra-classroom activities.

CR Section 172.5 requires the Board to assign its officers or employees responsibilities for and with the extra-classroom activities in accordance with rules and regulations established by the Board for those activities.

The Board is responsible for adopting policies and procedures that describe the records that District personnel and students must maintain and the duties and control procedures that they must follow, to adequately safeguard extra-classroom activity funds. The Regulations of the Commissioner of Education require the Board of Education of most school districts to "make rules and regulations for the establishment, conduct, operation and maintenance of extra-classroom activities and for the safeguarding, accounting and audit of all moneys received". Having a good system of internal controls over these funds helps minimize the risk that errors or irregularities may occur and go undetected.

Extra-classroom Activity Funds are raised and spent by students and should provide a learning experience for students by allowing them to participate in the business procedures needed to safeguard the collection, deposit and disbursement of money. District officials should develop clearly defined procedures and should provide training which allow both District staff and students to understand and participate in the business process required to properly run an extra-classroom activity account.

▪ **Procedure Performed:**

Determine whether the District is in compliance with Commissioner's Regulations Section 172.2 which requires boards to establish policies governing Extra-classroom Activity Funds.

Finding:

2. As per inquiry of the Board Clerk, we found the District's Extra-classroom Activities Policy #6145 was abolished by the Board in December 2009. As a result, the District is not in compliance with Commissioner's Regulations Section 172.2.

Recommendation:

2. We recommend the Board adopt an Extra-classroom Activity policy in accordance with requirements set forth in Commissioner's Regulations Section 172.2.

District Response:

2. Corrective action was taken by the District. The Board adopted Policy # 5252, Student Activities Funds Management, on March 21, 2011.

▪ **Procedure Performed:**

Review cash receipt procedures for ECAF to determine whether there are internal controls in place to safeguard student funds.

Findings:

3. As per inquiry and review of the District's Faculty Advisors, we found most Faculty Advisors do not utilize cash receipt books to record cash receipts. As a result, there is a loss of paper trail from initiation of cash receipt transactions until money is remitted to the District's Central Treasurers and this is an internal control weakness in relation to safeguarding of student activity funds.
4. We found Student Treasurers and Faculty Advisors are not required to maintain Daily Cash Receipt Logs to record all transactions.
5. We found the District management is not monitoring cash receipts activity from initiation of a transaction to deposit in bank accounts to booking in cash receipt ledger.
6. We found the District Treasurer and management are not performing a comparison of validated deposit slips to bank statements for the ECAF.

Recommendations:

3. It is a good business practice to require Faculty Advisors to utilize cash receipt books and record cash receipts in a manual or electronic accounting ledger to ensure there is an adequate paper trail for student activity transactions.
4. The District should require Student Treasurers and Faculty Advisors to maintain Daily Cash Receipt Logs to records all transactions.
5. The District should require the District Treasurer to reviews the records of Faculty Advisors for a sample of clubs on a monthly basis to ensure there is adequate supporting documentation on file for cash receipt and disbursement transactions. We further recommend the Treasurer should spot check cash receipt and disbursement transactions and trace to bank deposits and bank withdrawals.
6. The District Treasurer should perform a comparison of validated deposit slips to bank statements for the ECAF to ensure the bank statement reflects all deposits for the month.

District Response:

The District met with all Student Activity Fund Central Treasurers and/or Assistant Principals on April 20, 2010. At that time, management provided the attendees with New York State recommended procedures guide and other pertinent information. The District will continue to provide on-site training during the 2010-2011 and 2011-2012 fiscal years.

Accounting personnel attended a training workshop on best practices for ECAF. This information will be brought back to schools, faculty advisors and central treasurers will be trained and procedures will be implemented to remedy this finding.

The Central Treasurers are performing a comparison of validated deposit slips to bank statements for the ECAF to ensure bank statements reflect all deposits for the month.

Procedure Performed:

Review accounts payable procedures for ECAF to determine whether there are internal controls in place to safeguard student funds.

Findings:

7. We found the District does not have a requirement that all officers of each club must meet before any money is disbursed from that club's bank account and that minutes are maintained recording payment order.
8. We found invoices are not stamped "paid" by Central Treasurers to reduce the risk of duplicate payments.

Recommendations:

7. The District should require that all officers of each club must meet before any money is disbursed from student activity club's bank account and that minutes are maintained recording payment order.
8. The District should require the Central Treasurer to stamp all invoices "paid" to reduce the risk of duplicate payments.

District Response:

District management is looking at Central Treasurer payment procedures and is looking to correct this deficiency during fiscal year 2011-12.

▪ **Procedure Performed:**

Review District-wide procedures of all student activity clubs to determine whether administration of clubs is done in accordance with ECAF guidelines and best practices.

Findings:

9. We found profit and loss statements are not prepared for fundraising activities for the District's ECAF.
10. We found charters are not filed for each active student activity club as is recommended by the Regulations of the Commissioner of the NYSED.
11. Minutes are not generated by the District's student activity clubs in all school buildings.
12. We found quarterly sales tax returns are prepared by the Northport High School building only. The East Northport Middle School and Northport Middle Schools are not filing quarterly sales tax returns.

Recommendations:

9. The District should require the preparation of profit and loss statements for fundraising activities of the ECAF.
10. The District should require the filing of charters for each active student activity club as is recommended by the Regulations of the Commissioner of the NYSED.
11. The District should require student activity clubs maintain minutes documenting any major actions taken by the clubs relating to financial activities.
12. The District should require the East Northport Middle School and Northport Middle Schools file quarterly sales tax returns as required by Regulations of the Commissioner of Education.

Recommendations:

7. The District should require that all officers of each club must meet before any money is disbursed from student activity club's bank account and that minutes are maintained recording payment order.
8. The District should require the Central Treasurer to stamp all invoices "paid" to reduce the risk of duplicate payments.

District Response:

District management is looking at Central Treasurer payment procedures and is looking to correct this deficiency during fiscal year 2011-12.

Procedure Performed:

Review District-wide procedures of all student activity clubs to determine whether administration of clubs is done in accordance with ECAF guidelines and best practices.

Findings:

9. We found profit and loss statements are not prepared for fundraising activities for the District's ECAF.
10. We found charters are not filed for each active student activity club as is recommended by the Regulations of the Commissioner of the NYSED.
11. Minutes are not generated by the District's student activity clubs in all school buildings.
12. We found quarterly sales tax returns are prepared by the Northport High School building only. The East Northport Middle School and Northport Middle Schools are not filing quarterly sales tax returns.

Recommendations:

9. The District should require the preparation of profit and loss statements for fundraising activities of the ECAF.
10. The District should require the filing of charters for each active student activity club as is recommended by the Regulations of the Commissioner of the NYSED.
11. The District should require student activity clubs maintain minutes documenting any major actions taken by the clubs relating to financial activities.
12. The District should require the East Northport Middle School and Northport Middle Schools file quarterly sales tax returns as required by Regulations of the Commissioner of Education.

District Response:

Central Treasurers at East Northport Middle School and Northport Middle School prepare annual sales tax returns. The High School Central Treasurer files quarterly sales tax returns.

5. FOLLOW-UP ON PRIOR YEAR FINDINGS

INTERNAL AUDIT REPORT FISCAL YEAR 2008-2009

INFORMATION TECHNOLOGY

• **Procedure Performed:**

Perform a follow-up to determine whether the District has taken corrective action from prior year finding to establish a formal Disaster Recovery Plan (DRP).

Finding:

13. Repeat finding. We found the District has not established a formal DRP.

Recommendation:

13. The Board should consider adopting a DRP - sometimes referred to as a Business Continuity Plan (BCP) or Business Process Contingency Plan (BPCP). This plan describes how an organization is to deal with potential disasters. A plan consists of the precautions taken so that the effects of a disaster will be minimized and the organization will be able to either maintain or quickly resume mission-critical functions. Typically, disaster recovery planning involves an analysis of business processes and continuity needs; it may also include a significant focus on disaster prevention.

District Response:

13. The District shall prepare and the Board shall adopt a DRP during the 2010-2011 fiscal year. The District is in the process of centralizing all data systems and implementing systems for redundancy and data backup. This will include new servers, power backup, centralized storage area networks, environmental controls and enterprise-level virtualization software. The District is also in the process of procuring and installing new internal switching connection, a PRI-based IP phone system, redundant wireless networking and fiber-optic connections between buildings and to the Internet. All of these changes are scheduled to take place in the fall and early winter, so a comprehensive DRP will be authored in the spring to address information technology data and service recovery based on the introduction of these new systems.

Current Condition:

Partial corrective action was taken by the District during the 2010-2011 school year. We recommend the District finalize the DRP and the Board of Education approve such a plan.

District Response:

The District is planning on finalizing the DRP during the 2011-2012 school year.

• **Procedure Performed:**

Determine whether the Board has adopted a computer use policy for District administrators and employees.

Finding:

14. We found the Board has not adopted a computer use policy for District administrators and employees. The District currently requires only teachers and students to sign a computer use policy.

Recommendation:

We recommend the Board consider implementing a computer use policy for District administrators and employees in order to establish guidelines for proper use of the District's computer information systems.

District Response:

The Policy Committee of the Board of Education shall adopt a computer use policy for District administrators and employees during the 2010-2011 fiscal year.

Current Condition:

Corrective Action was taken by the District during the 2009-2010 school year.

INTERNAL AUDIT REPORT FISCAL YEAR 2009-2010

• **Procedure Performed:**

Determine whether the Board established a strong control environment, issued comprehensive policies and ensures the District operates in accordance with its mission and all legal requirements.

Finding:

15. During the course of reviewing the District's financial policies, we found Policy #9270.1 Code of Ethics for Board Members does not address conflict of interest transactions with Board members, and is not in compliance with GML Section 800-802. In addition, this policy is also silent on acceptance of any gratuities in excess of \$75 by Board members from any supplier of materials or services to the District.

Recommendation:

15. We recommend the District consider updating #9270.1, Code of Ethics for Board Members, to include conflict of interest transactions with Board members and acceptance of any gratuities in excess of \$75 by Board members in order to be in compliance with GML Section 800-802.

District Response:

Policy # 9270.1 and Policy #4001 (adopted November 17, 1997) are being reviewed by the Policy Committee who are considering combining them into one policy. Moreover, Policy #4001 contains procedures over acceptance of gratuities in excess of \$75 by Board members.

Current Condition:

Corrective action was taken by the District.

• **Procedure Performed:**

We performed an audit test comparing employees on payroll register and payroll certification document to employee I-9 forms contained in each employee's personnel file.

Finding:

16. Based on a sample test performed of 25 employees, we found the District does not have I-9 forms on file for 2 employees. We noted some employees who have been employed by the District for more than 10 years generally do not have an I-9 form on file.

Recommendation:

We recommend the District review personnel files to determine whether there are any employees who do not have any I-9 forms on file and have them completed.

District Response:

The I-9 form is included as part of the employment packet and is completed by every new hire.

Current Condition:

Corrective action was taken by the District during the 2009-2010 school year.

• **Procedure Performed:**

Based on inquiry of District's management and claims auditor, determine whether payroll procedures are effectively designed to detect errors and the District has a monitoring mechanism in place over payroll activity to safeguard District assets.

Findings:

17. We were informed management has found errors occurring during payroll processing and there is no mechanism in place where payroll calculations are audited on a periodic basis.
18. The payroll clerk responsible for inputting hours worked from information contained in time sheets is the same person who proofreads the data to ensure it is accurate.
19. Time sheets submitted to payroll contain clerical and numerical errors that cause delays in payroll processing. Sometimes time sheets have to be returned to the originating department to be corrected. At other times, the payroll clerks need to call the originating department or the Office of Human Resources to have time sheets corrected. Time sheets errors are creating a bottleneck in payroll processing which may be contributing to insufficient time for payroll clerks to perform a payroll audit in an orderly and timely fashion.

Recommendations:

17. We recommend the District perform an audit of payroll calculations to ensure their accuracy prior to the disbursement of payroll checks.
18. We further recommend the District restructure current proofreading processes to minimize data entry errors. The District should consider reassigning the responsibility of proofreading data entered on Finance Manager against the information contained on time sheets to another District employee and not the person inputting the data.
19. We recommend the District consider requiring department heads, supervisors and Directors responsible for signing off on time sheets to carefully scrutinize their department's time sheets to ensure their accuracy prior to submitting them to the Human Resources Department who subsequently remits them to payroll. We further recommend the District consider eliminating the process of sending time sheets to the Office of Human Resources for sign-off by the Director since this is contributing to further delays in the process to generate payroll. Time sheets should be sent directly to payroll to allow sufficient time for payroll clerks to input the data in a timely manner and to allow a proper audit of data entered on Finance Manager against information contained on time sheets.

District Response:

17. Every bi-weekly payroll is audited by the District claims auditor who prepares a monthly report for the Board of Education. Since July 2008, the Superintendent and the Assistant Superintendent for Business have performed payroll audits. Either five instructional or five non-instructional employees are chosen at random. Contractual salary, taxes withheld and all deductions are reviewed for accuracy. The District has begun to utilize pivot tables as a means of comparison of contractual salaries from one payroll to the next. Finally, a payroll change analysis report is generated and reviewed by the appropriate personnel every payroll for all salary and deduction changes. These are the mechanisms in place to isolate errors.
18. During the 2009-2010 fiscal year, the Account Clerk that enters the time sheets has not been involved in the payroll proofing. Another Account Clerk and a Senior Account Clerk proof the payroll. Any entries done by the Senior Account Clerk have been reviewed by the Account Clerk and vice versa.
19. The District has prepared a timetable for the bi-weekly payroll process that can be implemented, if approved. In order to test the finding of the internal auditors, a log of those time sheets that had to be returned during a bi-weekly period was maintained. This was done to see if there were any patterns in errors and/or departments. It was determined that the type and origin of errors was sporadic among the departments. A time and attendance management program called Timepiece is currently being developed by Finance Manager. This software will address the needs of municipalities and school districts. When available, the District will have to explore the possibilities of implementing this module.

Time sheets will no longer require the signature of the Assistant Superintendent for Human Resources. Upon approval of the direct supervisor, all time sheets will be forwarded to the Accounting Department to be processed for payment.

Current Condition:

Corrective Action was taken by the District during the 2009-2010 school year.

• **Procedure Performed:**

Perform a review of the District's claims audit reports to determine whether they contain complete information on the audit process such as audit findings, corrective action taken by the District, and contain status of questionable claims such as were they approved or disapproved by the claims auditor.

Finding:

20. We found the District's claims audit reports do not contain complete information on the results of audit procedures. In addition, these reports do not contain details on the nature of the findings for each inquiry and whether the District took corrective action to remedy the findings. We could not determine whether there was a resolution for each finding and whether the claims auditor approved the payment of claims listed in Warrant Report dated August 31, 2009.

Recommendation:

We recommend the Board of Education direct the Claims Auditor to fully document the results of the claims audit processes in order to assist the District to take corrective action, to mitigate findings and to allow the Board to be fully informed of the status of all questionable claims.

District Response:

The Claims Auditor has developed a more comprehensive report that is forwarded to the Board of Education for their review. The content of the report was enhanced beginning in October 2009. The Board of Education has received copies of the revised report.

Current Condition:

Corrective action was taken by the District during the 2009-2010 school year.