



**U.S. DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL**

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September 14, 2005

Richard P. Mills  
Commissioner of Education  
New York State Education Department  
89 Washington Avenue  
Albany, NY 12234

Dear Commissioner Mills:

This **Final Audit Report**, Control Number ED-OIG/A02-E0031 presents the results of our audit, *Wyandanch Union Free School District's (Wyandanch) Elementary and Secondary Education Act (ESEA) Title I, Part A (Title I) and Title II<sup>1</sup> Non-Salary Expenditures* for the period July 1, 1999, through June 30, 2004. Our objective was to determine whether Wyandanch's ESEA Title I and Title II non-salary expenditures, distributed through the New York State Department of Education (NYSED), were allowable in accordance with applicable laws and regulations. Due to issues arising from our review of data reliability, this report also addresses salary-related expenditures.

We provided a draft of this report to NYSED. In its response to our draft report, NYSED agreed with our findings and recommendations with the exception of Finding 1. We summarized NYSED's comments after the recommendation sections of the report and included the entire response as an Attachment to the report.

## **BACKGROUND**

Wyandanch is a suburban school district located in Suffolk County, one of the two counties in Long Island, New York. Wyandanch served approximately 2,300 students in three schools, and it has a high percentage of students who qualified for free and reduced price lunches under the National School Lunch Program. Wyandanch also experienced high personnel turnover.

The Title I program provides Federal financial assistance through state educational

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<sup>1</sup> Under ESEA, Wyandanch received Title II, Part B grant for the period July 1, 1999, through June 30, 2002. ESEA was reauthorized as the No Child Behind Act (NCLB) on January 8, 2002. Under NCLB, Wyandanch received Title II, Part A and Part D grants from July 1, 2002, through June 30, 2004.

agencies to local educational agencies with high numbers of poor children, to help ensure that all children meet challenging state academic content and student academic achievement standards. Title II programs are intended to increase student academic achievement through strategies, such as improving teacher and principal quality; and to provide assistance to states and localities for the implementation and support of a comprehensive system that effectively uses technology in elementary and secondary schools to improve student academic achievement. Wyandanch received a total of \$6.6 million in Title I and Title II program funds during our audit period July 1, 1999, through June 30, 2004.

## AUDIT RESULTS

We found Wyandanch's records for \$6.6 million of Title I and Title II expenditures were unauditible. Specifically, we noted that Wyandanch had weak controls over its accounting functions, including reconciliations, re-classifications, and recording of expenditures for Title I and Title II funds. Wyandanch did not perform, or maintain, reconciliations that would have permitted the tracing of Title I and Title II funds from Wyandanch's financial system, the Lawlor system (Lawlor), to the NYSED Financial Expenditures Reports (FS-10-F Reports). Because of the systemic weaknesses we identified, other U.S. Department of Education (ED) direct and flow-through funds could also be at risk. On March 15, 2005, we issued an Interim Audit Memorandum (IAM) to ED officials to take immediate action to protect \$6.6 million of Title I and Title II funds, and \$5.9 million of other ED direct and flow-through funds Wyandanch received during our audit period.

We also found that Wyandanch reported \$165,326 of duplicate expenditures on both the 1999-2000 Title I, Part A Program Improvement program and the 1999-2000 Comprehensive School Reform program.<sup>2</sup> In addition, we noted that Wyandanch had significant internal control weaknesses that adversely affected Wyandanch's ability to properly administer Title I and Title II funds.

In other matters, we found that Wyandanch did not submit any of its Single Audit reports to the Federal Audit Clearinghouse as required by Office of Management and Budget (OMB) Circular A-133.

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<sup>2</sup> The Program Improvement program was part of the Title I, Part A grant; and the Comprehensive School Reform program was not part of Title I but a separate grant under ESEA, for the 1999-2000 year.

**FINDING 1**  
**Wyandanch's Records For \$6.6 Million of Title I And Title II Expenditures Were Unauditable**

We found that the \$6.6 million of Title I and Title II expenditures reported on the NYSED FS-10-F Reports, were inadequately supported by Wyandanch's financial system, the Lawlor system. Although our objective focused on non-salary expenditures, both salary and non-salary expenditures were inadequately supported. Of the \$6.6 million reported on the FS-10-F Reports, \$591,515 was for non-salary expenditures.

We found material differences between amounts recorded in Title I and Title II accounts in Lawlor and claims submitted to NYSED on the FS-10-F Reports. For example, the amount of 2000-2001 Title I supplies and materials expenses reported on the FS-10-F Report was \$28,865, while the amount recorded in Lawlor was \$15,624, a difference of \$13,241, or 46 percent. Also, \$809,042 of professional salaries was reported on the 2001-2002 Title I FS-10-F Report, but the amount recorded in Lawlor was \$267,634, a difference of \$541,408, or 67 percent.

Due to the discrepancies noted between the Lawlor data and the FS-10-F Reports, we requested reconciliations for the Title I and Title II expenditures between Lawlor and the FS-10-F Reports for our audit period. Since Wyandanch did not perform or maintain these reconciliations on a regular basis, the Business Manager had to create them.

We attempted to construct the population of Title I and Title II expenses claimed on the FS-10-F Reports using the reconciliations provided by Wyandanch. However, these reconciliations contained numerous errors, omissions, and inaccurately adjusted balances. For example, the reconciliation for the 2001-2002 Title I, Part A, Program Improvement program showed \$92,456 of Board of Cooperative Educational Services expenses,<sup>3</sup> but this amount was not claimed on the FS-10-F Report.

Wyandanch did not make journal entries in Lawlor to reflect the reclassification of expenses, and it did not routinely maintain an audit trail between the Lawlor data and the FS-10-F Report submissions. According to a Wyandanch official, the Lawlor system, as it functioned during our audit period, did not allow inter-fund journal entries in the expenditure subsidiary ledger. Specifically, transfers could not be made from the Special Aid Fund accounts to the General Fund accounts or vice versa.<sup>4</sup>

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<sup>3</sup> Regional BOCES offers services that a single school district would not routinely provide. Services offered include systems technical support, interpreters, and compiling student information.

<sup>4</sup> Wyandanch follows the New York State Uniform System of Accounts to set up different account codes in Lawlor for each of the five types of funds: Special Aid Fund, General Fund, Cafeteria Fund, Capital Project Fund, and Trust & Agency Fund. The Special Aid Fund is used to account for ED grants.

In addition, our review of Wyandanch's reconciliations revealed that other non-Title I and non-Title II expenses were charged to the Title I and Title II account codes in Lawlor. For example, the reconciliation for the 2000-2001 Title I instructional staff showed \$14,456, but this amount was not claimed on the FS-10-F Report. According to Wyandanch's Business Manager, the \$14,456 should have been charged to the General Fund account for regular education, but instead it was charged to the Special Aid Fund account. Wyandanch did not reclassify any of the misclassified expenses to the correct accounts in Lawlor.

The regulation at 34 CFR § 80.20, Standards for financial management systems (2003), states "(a) . . . Fiscal control . . . must be sufficient to: . . . (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

Pursuant to 34 CFR § 76.702, a state and its sub-grantees must use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds.

Wyandanch's records for Title I and Title II were unauditible because Wyandanch did not effectively maintain records that would permit the tracing of funds to Title I and Title II expenditures. As a result we were unable to obtain a complete Title I and Title II population or determine whether the \$6.6 million in Title I and Title II funds claimed for the period July 1, 1999, through June 30, 2004, were used for their intended purpose under Title I and Title II requirements. We concluded that Wyandanch's inability to provide complete and accurate Lawlor data in a timely manner, or develop and maintain accurate reconciliations for Title I and Title II expenditures, reveals that the Title I and Title II grant funds were not properly administered. Further, \$5.9 million of other ED direct and flow-through funds for the period July 1, 1999, through June 30, 2004, could also be at risk of not being administered properly.

## **RECOMMENDATIONS**

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education (OESE), instruct NYSED to require Wyandanch to:

- 1.1 Provide proper support for the \$6.6 million in Title I and Title II expenditures for the audit period, and return any unsupported amounts to ED.
- 1.2 Improve the financial system and establish internal controls to ensure the financial system adequately identifies the source and application of Title I, Title II, and other ED direct and flow-through funds.

## **NYSED's Comments**

NYSED disagreed with our finding, but agreed with our recommendations. In its response, NYSED stated that two different Certified Public Accounting (CPA) firms, in addition to the Office of the New York State Comptroller, audited and reviewed Wyandanch's records. Therefore, it did not believe that \$6.6 million of Title I and Title

II expenditures were unauditable. However, NYSED concurred with our recommendations. NYSED indicated it would require Wyandach to provide additional support for the \$6.6 million, and ensure that Wyandach improves its financial system and establishes internal controls so that the source and application of ED grant funds could be adequately identified.

### **OIG's Response**

Our position remains unchanged. Wyandach's records did not provide an adequate audit trail to allow the tracing of Title I and Title II expenditures claimed on the FS-10-F Reports. As a result, we were prevented from obtaining a complete Title I and Title II population for our audit period. NYSED indicated that two CPA firms and the Office of the New York State Comptroller reviewed Wyandach's records. According to the CPA reports, for the four-year period, July 1, 1999 through June 30, 2003, ". . .the district's documentation, regarding the Title I program, was non-existent." The New York State Office of the State Comptroller's audit report had not been published as of September 7, 2005, and NYSED did not provide further documentation to support its response.

## **FINDING 2**

### **Questioned Duplicate Expenditure**

We found that Wyandach submitted identical expenditure claims for two ED grant programs, 1999-2000 Title I, Part A Program Improvement program<sup>5</sup> and the 1999-2000 Comprehensive School Reform program.<sup>6</sup> We compared the FS-10-F Reports for both programs and found that Wyandach claimed \$165,326 for each of them. The documentation supporting each of the \$165,326 grant expenditures were identical.

In January 2001, the Interim Superintendent at Wyandach certified and filed the FS-10-F Report for the Title I, part A Program Improvement program with NYSED. The FS-10-F Report was processed and approved by NYSED. In March 2001, NYSED mailed a delinquency notice to Wyandach in relation to their failure to file the FS-10-F Report for the Comprehensive School Reform program. The delinquency notice indicated that a stop was placed on all payments for Federal and State Categorical grants awarded to Wyandach.

Wyandach's Business Manager responded to the delinquency notice by notifying NYSED that the expenses for both programs were identical. Despite this, NYSED advised Wyandach to file the FS-10-F Report for the Comprehensive School Reform program. Wyandach filed the FS-10-F Report in April 2001. NYSED processed and

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<sup>5</sup> NYSED's project number for the 1999-2000 Program Improvement program was 0122-00-1210. During 1999-2000, this program was part of Title I, Part A.

<sup>6</sup> NYSED's project number for the 1999-2000 Comprehensive School Reform program was 0223-00-1210. During 1999-2000, this program was a separate program from Title I, Part A.

approved the delinquent FS-10-F Report containing the same detail expenditures as those reported for Title I, Part A Program Improvement program. The stop was lifted and Wyandanch received final payment for both the Title I, Part A Program Improvement program and the Comprehensive School Reform program. When we questioned Wyandanch officials about the expenditures for the two programs, they admitted they had filed duplicate expenditures and agreed to return the \$165,326.

## RECOMMENDATIONS

We recommended that the Assistant Secretary for OESE, instruct NYSED to require Wyandanch to:

- 2.1 Return the duplicate ED grant expenditures of \$165,326, plus applicable interest, to ED.
- 2.2 Review its accounting records to determine if there were other duplicate expenditures submitted for payments during the period of July 1, 1999, through June 30, 2004, and return any such funds to ED.

## NYSED's Comments

NYSED concurred with our finding and recommendations, but stated that it had not advised Wyandanch to submit duplicate expenditures. NYSED further stated that it would require Wyandanch to return the \$165,326 to ED, and request that Wyandanch review its accounting records for other duplicate expenditures.

<p style="text-align: center;"><b>FINDING 3</b> <b>Wyandanch Had Significant Internal Control Weaknesses</b></p>
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We found that Wyandanch had significant internal control weaknesses that placed ED funds at risk of being misused. Specifically, we identified the following internal control weaknesses:

- Lack of segregation of duties;
- Lack of periodic reconciliations and cash management oversight;
- Obsolete policy manual, and failure to follow the policy manual; and
- Ineffective and inefficient Board of Education (Board).

### Lack of Segregation of Duties

Our audit noted a lack of segregation of duties existed from May 2003 to September 2004. During this period, one employee was performing the tasks of two positions. The tasks that this individual performed included, but was not limited to the following:

- Prepared FS-10-F Reports;
- Prepared the Requests for Funds for Federal or State Project form;
- Entered budget information into Lawlor;
- Prepared checks after the purchase orders and the invoices were approved for payments;

- Prepared bank reconciliations;
- Signed checks; and
- Monitored cash flow.

Since one individual performed all of the above functions there was no segregation of duties to ensure ED funds were adequately safeguarded.

#### Lack of Periodic Reconciliations of Accounts and Cash Management Oversight

Our review of the Independent Public Accountant (IPA) reports for fiscal years 2000, 2001, and 2002 indicated Wyandanch's bank statements had not been reconciled to the appropriate general ledger controls timely. During our audit period Wyandanch experienced high personnel turnover, as evidenced by having three different Treasurers from 2000 to 2005. Based on our discussion with a Wyandanch employee responsible for signing checks, reconciling bank statements, and monitoring cash flow, we determined that the cash flow and bank reconciliations were not reviewed by any Wyandanch official prior to submission to the Board on a monthly basis. Therefore, Wyandanch lacked an appropriate level of supervisory review of cash management activities.

#### Obsolete Policy Manual and Failure To Follow The Policy Manual

Wyandanch's policy manual, which had not been updated for 16 years, did not appropriately reflect changes in laws, regulations, and guidance affecting ED grants. For example, the purchasing section of the policy manual did not include the current competitive bidding procedures as required by the New York State General Municipal Law. Section 103 of the General Municipal law states that there must be formal bidding, with legal advertisement, if a single item to be purchased exceeds \$10,000 or the aggregate annual purchases of a reasonable commodity grouping will exceed that figure (Opinion of the State Comptroller 59-647). The limitation on public works contracts is \$20,000 before formal advertisement is required. However, the purchasing section of the policy manual indicated \$5,000 for single item bidding and \$7,000 as a limitation on public works contracts.

In addition, Wyandanch's personnel did not follow its policy manual. For example, the policy manual required a packing slip to be attached to the documentation when the purchase orders and invoices are submitted for payment. We found that Wyandanch personnel did not always attach the required packing slip.

#### Inadequate Oversight by the Board

The Wyandanch Board did not always perform an employee background check and fingerprinting, as required by New York State Law. Our review of the IPA report for the period July 1, 2003 to June 30, 2004, revealed that some employees did not have personnel files, nor had they received clearance from the New York State Central Registry, as required by New York State School law.<sup>7</sup> From our review of the Board meeting minutes, we noted that the Board failed to do a background check and

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<sup>7</sup> Among the required qualifications, all persons holding teaching position must be cleared through the NYS Central Registry of Child Abuse and fingerprints submitted to required authorities.

fingerprinting when it appointed one of the current employees.

We also found that the Wyandanch Board approved resolutions for the hiring of unqualified personnel. The hiring procedure involved Wyandanch's Superintendent recommending qualified candidates, by resolution, to the Board for hiring. Our review of the Board meeting minutes, related documents, and interviews of key Wyandanch officials, disclosed that individual Wyandanch Board members pressured the Superintendent to put forth, for resolution, friends and relatives of Board members who were not always qualified for the vacancies. Wyandanch Board's approval of resolutions to hire unqualified personnel could result in non-compliance with the teacher qualification requirements under Title I.

According to OMB Circular A-133 §\_\_\_. 300 (1997), "The auditee shall . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Further, OMB Circular A-133 Compliance Supplement, Part 6 (2004), provides a description of the components of internal control and examples of characteristics common to compliance requirements:

Control Activities are the policies and procedures that help ensure that management's directives are carried out.

- Operating policies and procedures clearly written and communicated.
- Procedures in place to implement changes in laws, regulations, guidance, and funding agreements affecting Federal awards . . .
- Adequate segregation of duties provided between performance, review, and recordkeeping of a task . . .
- Appropriate level of supervisory review of cash managements activities.

Background checks per New York State Education Law Chapter 147 § 2 (2001) Subdivision 39 of Section 1604 of the education law, as added by chapter 180 of the laws of 2000 is amended to read as follows:

39. a. Shall require, for purposes of a criminal history record check, the fingerprinting of all prospective employees pursuant to section three thousand thirty-five of this chapter, who do not hold valid clearance pursuant to such section or pursuant to section three thousand four-b of this chapter or section five hundred nine-cc or twelve hundred twenty-nine-d of the vehicle and traffic law . . . Every set of fingerprints taken pursuant to this subdivision shall be promptly submitted to the commissioner for purposes of clearance for employment.

b. Upon the recommendation of the superintendent, the trustees may



conditionally appoint a prospective employee. A request for conditional clearance shall be forwarded to the commissioner along with the prospective employee's fingerprints, as required by paragraph a of this subdivision. Such appointment shall not commence until notification by the commissioner that the prospective employee has been conditionally cleared for employment and shall terminate when the prospective employer is notified of a determination by the commissioner to grant or deny clearance, provided that if clearance is granted, the appointment shall continue and the condition status shall be removed.

The lack of segregation of duties, inadequate oversight of cash management activities, an obsolete policy manual, and failure to follow its policy manual could lead to the misuse of ED grant funds. Also, the Wyandanch Board's failure to ensure that background checks and fingerprinting were done for employees, coupled with management hiring unqualified individuals to fill vacancies could harm the school children.

Wyandanch had weak internal controls because the Board did not provide adequate oversight to ensure that employees were qualified and trained for their positions. In addition, the policy manual was not updated appropriately. The Wyandanch Board consisted of seven members elected by the qualified voters of the school district at the annual election as prescribed by law. Current regulations do not require Board members to be trained in management accountability. Recently, the New York State Office of the State Comptroller, in cooperation with a coalition of education organizations, drafted a Five-Point Plan for School Financial Accountability legislation.<sup>8</sup> One of the points in the legislation is to require that all school boards receive six hours of training in financial oversight, accountability, and fiduciary responsibilities.

The significant lack of proper management by the Board, over Wyandanch's affairs, could have an adverse effect on Wyandanch's ability to administer Title I and Title II funds, as well as other Federal funds.

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<sup>8</sup> This five-point plan bill was passed by the New York State Legislature in June 2005.

## **RECOMMENDATIONS**

We recommend that the Assistant Secretary for OESE, instruct NYSED to require Wyandanch to:

- 3.1 Establish and implement adequate internal controls, for the segregation of duties, oversight of cash payments, and proper review of payment documentation.
- 3.2 Ensure that all bank statements and financial reports are reviewed for accuracy prior to submission to the Board.
- 3.3 Update the policy manual to reflect the changes in laws, regulations, guidance, and funding agreements affecting ED grants, and ensure the policy manual is implemented.
- 3.4 Provide necessary management accountability training to all Board members and adhere to laws and regulations related to hiring experienced candidates to fill vacant positions.

### **NYSED's Comments**

NYSED agreed with our finding and recommendations. NYSED indicated in its response that it would work with Wyandanch to ensure all recommendations are implemented.

## **OTHER MATTERS**

Wyandanch did not submit any of its Single Audit reports to the Federal Audit Clearinghouse as required by OMB Circular A-133, Subpart C §\_\_.320. Wyandanch submitted its Single Audit reports to NYSED, but it failed to submit them to the Federal Audit Clearinghouse.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective of our audit was to determine whether Wyandanch's ESEA Title I and Title II non-salary expenditures for the period July 1, 1999, through June 30, 2004, were allowable in accordance with applicable laws and regulations.

To accomplish our audit objectives, we

- Reviewed Wyandanch's Title I and Title II approved grant applications and the related budgets;
- Interviewed various Wyandanch officials and NYSED officials;
- Reviewed and analyzed Wyandanch's FS-10-F Reports expenditures charged to the Title I and Title II grants during the audit period;
- Reviewed Wyandanch's written policy manual and related purchase documentation to gain an understanding of the purchasing process;
- Reviewed selected Wyandanch Board meeting minutes and related documents;
- Reviewed the IPA reports for Wyandanch's fiscal years 2000 through 2004, and NYSED reports on Wyandanch for the period July 1, 1998, through March 31, 2000.

We also reviewed the FS-10-F Report of the 1999-2000 Comprehensive School Reform program since the expenditure amount was exactly the same as the 1999-2000 Title I, Part A Program Improvement program.

To ensure the completeness and accuracy of the data, we obtained from Lawlor all Title I and Title II salary and non-salary expenditures for the period July 1, 1999, through June 30, 2004. We attempted to construct the population of all Title I and Title II charges claimed on the FS-10-F Reports using the Lawlor data and the reconciliations provided by Wyandanch. Our analyses determined that the Lawlor data was incomplete and we noted numerous errors and omissions on the reconciliations. As a result, we were unable to obtain a complete Title I and Title II population.

On March 15, 2005, we issued an IAM bringing to the attention of the U.S. Department of Education, Office of Elementary and Secondary Education, the significant weaknesses we found in Wyandanch's utilization of the Lawlor system. An exit conference was held with Wyandanch officials on April 14, 2005.

Our audit was conducted in accordance with generally accepted government auditing standards appropriate to the limited scope of the review described above.

### **ADMINISTRATIVE MATTERS**

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on this audit:

Henry L. Johnson  
Assistant Secretary  
Office of Elementary and Secondary Education  
U.S. Department of Education  
Federal Building No. 6, Room 3W315  
400 Maryland Avenue, SW  
Washington, D.C. 20202

It is the policy of the U. S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

/s/

Daniel P. Schultz  
Regional Inspector General for Audit



**THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234**

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August 30, 2005

Mr. Daniel P. Schultz  
Regional Inspector General for Audit  
U.S. Department of Education  
Office of the Inspector General  
32 Old Slip, 26<sup>th</sup> Floor  
New York, NY 10005

Dear Mr. Schultz:

The following is the New York State Education Department's (NYSED) response to recommendations contained in the draft audit report, Control Number ED-OIG/A02-E0031 for the audit *Wyandanch Union Free School District's (Wyandanch) Elementary and Secondary Education Act (ESEA) Title I, Part A (Title I) and Title II Non-Salary Expenditures*.

**FINDING 1: Wyandanch's Records For \$6.6 Million of Title I And Title II Expenditures Were Unauditable**

We disagree that \$6.6 million of Title I and Title II expenditures were not auditable. Two different Certified Public Accounting Firms in addition to the Office of the New York State Comptroller audited and reviewed the district's records. We do agree the district needs to improve recordkeeping.

**RECOMMENDATIONS**

**We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education (OESE), instruct NYSED to require Wyandanch to:**

- 1.1 Provide proper support for the \$6.6 million in Title I and Title II expenditures for the audit period, and return any unsupported amounts to ED.**

We agree with the recommendation and will require Wyandanch to provide additional support for the \$6.6 million in Title I and Title II expenditures for the audit period, and return any unsupported amounts to U.S. Department of Education (ED).

**1.2 Improve the financial system and establish internal controls to ensure the financial system adequately identifies the source and application of Title I, Title II, and other ED direct and flow-through funds.**

We agree with the recommendation and will work with the district to ensure that the district administrators improve the financial system and establish internal controls to ensure the financial system adequately identifies the source and application of Title I, Title II, and other ED direct and flow-through funds.

**FINDING 2: Questioned Duplicate Expenditure**

We agree with the finding that the district submitted duplicate expenditures. We disagree that NYSED advised the district to submit duplicate expenditures. Districts are often required to submit amended FS-10 forms but are not allowed to submit duplicate expenditures. NYSED's "Fiscal Guidelines" found on the web at <http://www.oms.nysed.gov/cafe/guidelines.html> state that allowable costs *must not be included as a cost in any other project or grant.*

**RECOMMENDATIONS**

We recommended that the Assistant Secretary for OESE, instruct NYSED to require Wyandanch to:

**2.1 Return the duplicate ED grant expenditures of \$165,326, plus applicable interest, to ED.**

We agree with the recommendation and will require the district to return \$165,326, plus applicable interest, to ED.

**2.2 Review its accounting records to determine if there were other duplicate expenditures submitted for payments during the period of July 1, 1999, through June 30, 2004, and return any such funds to ED.**

We will request that Wyandanch review its accounting records to determine if there were other duplicate expenditures submitted for payments during the period of July 1, 1999, through June 30, 2004, and return any such funds to ED.

**FINDING 3: Wyandanch Had Significant Internal Control Weaknesses**

We agree with the finding that there are weaknesses in the district's internal controls.

**RECOMMENDATIONS**

We recommend that the Assistant Secretary for OESE, instruct NYSED to require Wyandanch to:

**3.1 Establish and implement adequate internal controls, for the segregation of duties, oversight of cash payments, and proper review of payment documentation.**

We agree with the recommendation and will work with the district to ensure that internal controls procedures are improved and that staff and the board of education are trained in the new procedures.

**3.2 Ensure that all bank statements and financial reports are reviewed for accuracy prior to submission to the Board.**

We agree with the recommendation and will work with the district to ensure that all bank statements and financial reports are reviewed for accuracy.

**3.3 Update the policy manual to reflect the changes in laws, regulations, guidance, and funding agreements affecting ED grants, and ensure the policy manual is implemented.**

We agree with the recommendation and will work with the district to ensure that the policy manual is updated to reflect the changes in laws, regulations, guidance, and funding agreements affecting ED grants, and ensure the updated policy manual is implemented.

**3.4 Provide necessary management accountability training to all Board members and adhere to laws and regulations related to hiring experienced candidates to fill vacant positions.**

We agree with the recommendation and will ensure that the board of education receives management accountability training and adheres to the laws and regulations related to hiring experienced candidates to fill vacant positions.

If you have any questions, please contact Charles Szuberla, Coordinator, Office of School Operations and Management Services, at (518) 474-2238.

Sincerely,

/s/

Theresa E. Savo

c: Commissioner Mills  
Charles Szuberla