William Floyd Union Free School District Allowability of Title I Salary and Salary-Related Expenditures

FINAL AUDIT REPORT

ED-OIG/A02-E0030

December 2005

Our mission is to promote the efficiency, effectiveness, and integrity of the Department's programs and operations.

U.S. Department of Education
Office of Inspector General
New York Audit Region

NOTICE

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.

In accordance with 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.

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
32 OLD SLIP, 26TH FLOOR
FINANCIAL SQUARE
NEW YORK, NEW YORK 10005
PHONE (646) 428-3860 · FAX (646) 428-3868

December 19, 2005

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

Dear Commissioner Mills:

Enclosed is our final audit report, Control Number ED-OIG/A02-E0030, entitled *William Floyd Union Free School District Allowability of Title I Salary and Salary-Related Expenditures*. This report was issued without your comments since you did not provide a written response to the draft report as we requested. 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

Enclosure

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The objective of the audit was to determine whether William Floyd Union Free School District's (William Floyd) Elementary and Secondary Education Act of 1965, as amended (ESEA),[1] Title I, Part A (Title I) salary and salary-related expenditures, distributed through the New York State Education Department (NYSED), were allowable and used in accordance with applicable laws and regulations. Our audit covered Title I grants expended during the period July 1, 2000, through June 30, 2004.

The audit disclosed that William Floyd could not support over $4.6 million of Title I salary and salary-related expenditures. Included in that amount was $2,518,299 charged to Title I, for the salaries of 22 full-time targeted assistance Title I employees, for whom William Floyd could not provide periodic employee certifications. During our exit conference, William Floyd officials confirmed they were unaware of the Title I certification requirements.

We questioned $39,810 of teacher retirement benefits and related indirect costs and $15,000 of purchased services charged to Title I. William Floyd had a significant internal control weakness that adversely affected William Floyd's ability to properly administer Title I funds. In addition, NYSED failed to properly monitor grants distributed to William Floyd.

To correct these deficiencies, we recommend that the U.S. Department of Education (ED), instruct NYSED to require William Floyd to:

- Provide support for the $4.6 million in unsupported Title I expenditures, return any unsupported amounts, plus applicable interest to ED, and implement procedures for maintaining proper expenditure documentation;
- Recalculate all indirect costs and return any unsupported amounts with applicable interest to ED;
- Establish policies and procedures that require full-time targeted assistance teachers or their supervisors to certify and attest to the time attributable to Title I projects;
- Return the $54,810 in unallowed costs, plus applicable interest to ED and implement procedures to ensure appropriate rates are used to calculate employee benefits and federal funds are appropriately charged; and
- Implement internal controls to limit access and the level of access to William Floyd's financial system.

We also recommend that ED require NYSED to:

- Monitor grants to William Floyd to determine compliance with applicable statutes and regulations;
- Enforce procedures for reviewing and approving budget amendments to grant applications;

[1] The Elementary and Secondary Education Act of 1965 was amended by the No Child Left Behind Act of 2001, enacted January 8, 2002.

- Establish and follow procedures to ensure funding dates are proper and consistent; and
- To ensure that William Floyd returns the $1,066 in miscalculated teacher salaries, plus applicable interest, to ED.

We provided a copy of our draft audit report to NYSED on November 10, 2005, and requested comments within 30 days of this date. Despite follow-up inquiries, we received no comments from NYSED.

BACKGROUND

William Floyd is a school district located in Suffolk County, Long Island, New York, that serves approximately 11,000 students in 8 schools. William Floyd expended a total of $11,377,895 in Title I program funds during our audit period, July 1, 2000, through June 30, 2004:

Fiscal Year	Title I Expenditures
2000-2001	$ 2,419,387
2001-2002	2,817,606
2002-2003	3,110,119
2003-2004	3,030,783
Total	$11,377,895

Of the above $11,377,895, $9,733,345 was for salary and salary-related costs.

William Floyd is responsible for tracking and monitoring the allowability of direct and indirect costs, and issuing a complete single audit report in accordance with OMB Circular A-133.

The Title I Program provides Federal financial assistance through state educational agencies to local educational agencies (LEA) with high numbers of poor children, to help ensure that all children meet challenging state academic content and student academic achievement standards. LEAs target the Title I funds they receive to public schools with the highest percentages of children from low-income families. A participating school that is operating a targeted assistance program must focus Title I services on children who are failing, or most at risk of failing, to meet State academic standards.

AUDIT RESULTS

FINDING 1
William Floyd Could Not Provide Adequate Support For Over $4.6 Million of Title I Salary and Salary-Related Expenditures.

We randomly and judgmentally sampled $6,422,047 out of a total $9,733,345 in Title I salary and salary-related expenditures. William Floyd could not provide adequate support for $4.6 million of the $6.4 million of sampled salary and salary-related expenditures charged to Title I, during our audit period, July 1, 2000, through June 30, 2004. The $4.6 million of unsupported expenditures were all included in our judgmental sample, and consist of the following:

Salaries Unsupported By Periodic Employee Certification	$2,518,299
Nonprofessional Salaries and Academic Intervention Services	98,468
Journal Entries	146,477
Employee Benefits	1,824,465
Associated Indirect Costs	35,103
Total	$4,622,812

Salaries Unsupported By Periodic Employee Certification
William Floyd could not provide periodic employee certifications to support $2,518,299 charged to Title I for the salaries of 22 full-time targeted assistance Title I employees. We reviewed personnel files to verify that (1) teachers were paid the proper salary, and (2) Title I certifications were signed by either the employee or a supervisory official, attesting to the fact that the work performed by the full-time teacher was attributed solely to Title I. We found no evidence that William Floyd maintained such certifications. Based on our discussion with William Floyd's Title I Program Coordinator, we determined that employees and supervisors did not sign any periodic written certifications for full-time Title I work, as William Floyd was unaware of the requirement. William Floyd officials confirmed that the Title I certifications were never maintained.

Unsupported Nonprofessional Salaries and Academic Intervention Services
William Floyd was unable to provide adequate documentation to support $98,468 of nonprofessional salaries and salaries for per diem, Academic Intervention Services,[2] were allocable to Title I. We judgmentally selected 44 employees for review. Of the 44 employees, we selected 35 due to dollar discrepancies between data reported on New York State Final Expenditure Reports (FS-10-F Reports) and Finance Manager, William Floyd's financial accounting system. We selected 9 other employees based on payroll

[2] Academic Intervention Services, a before-school and/or after-school program covered under Title I, was provided, on a per diem basis.

discrepancies identified during our review of personnel files. Salaries of these 44 employees, which included some full-time salaries, totaled $544,534.

William Floyd could not provide support to show that the salaries of 29 of the 44 employees, totaling $98,468 were allocable to Title I. We attempted to trace the entire $544,534 to payroll journal summaries (salary allocation reports) generated from Finance Manager, and available timesheets. However, the $98,468 could not be verified as salary costs incurred to administer Title I programs.

Unsupported Journal Entries Made by William Floyd

William Floyd was unable to provide timesheets or payroll journal summaries to show that most of the salary expense data within 12 journal entries were allocable to Title I. The net unsupported amount of the 12 journal entries was $146,477. We selected all 12 journal entries, totaling $169,754, pertaining to Title I salaries for our audit period to determine their accuracy and validity.

After reviewing available documentation, we determined that only $2,520 could be supported, while $147,216 could not be supported. We found within the journal entries that $20,757, related to salaries for employees, was included as "Unsupported Nonprofessional Salaries and Academic Intervention Services." In relation to 2 of the 12 journal entries, net ($739), William Floyd officials stated that Miller, Lilly, & Pearce, LLP (ML&P)[3] posted each journal entry directly into Finance Manager. William Floyd's accountant could not explain why ML&P made the direct entry or provide any detailed support for these two journal entries.

In total, William Floyd could not provide adequate documentation to support $146,477 of Title I expenditures.

Over $1.8 million of Employee Benefits Were Unsupported

William Floyd could not provide adequate documentation to support $1,824,465 of the $2,318,146 in employee benefits charged to Title I during the audit period.[4]

William Floyd was not able to provide adequate documentation to support the rates used to compute Health and Life Insurance Benefits claimed on all of the FS-10-F Reports filed with NYSED for fiscal years 2001 through 2004. As a result, $1,555,255 of employee benefits was unsupported. This amount represents 100 percent of Health and Life Insurance charged to Title I on the FS-10-F Reports for the fiscal years indicated. See Table A below.

[3] ML&P, the independent public accountant that audited William Floyd's financial statements for the fiscal year ending June 30, 2004 is currently out of business. Furthermore, one of the partners of ML&P has been indicted by the Nassau County District Attorney's Office.

[4] The employee benefits were calculated based on various rates applied to the applicable salaries.

Table A. Unsupported Employee Benefits

Employee Benefits	Unsupported Dollar Amount				
	2000-2001	2001-2002	2002-2003	2003-2004	Total
Health Insurance	$297,415	$346,395	$532,002	$370,484	$1,546,296
Life Insurance	1,008	2,825	3,526	1,600	8,959
Total	$298,423	$349,220	$535,528	$372,084	$1,555,255

In addition, we considered the employee benefits associated with the $2,763,244 of unsupported salaries identified during our audit to be unsupported. William Floyd calculated certain employee benefits by applying a specified rate to the total salaries claimed on the FS-10-F Reports. Based on the application of the correct[5] rates to the unsupported salaries, we determined that $269,210 of employee benefits related to the unsupported salaries during the audit period were also unsupported. See Table B below.

Table B. Employee Benefits Related to Unsupported Salaries

Employee Benefits	Amount Resulting from Unsupported Salary				
	2000-2001	2001-2002	2002-2003	2003-2004	Total
Teacher Retirement	$1,733	$2,192	$2,486	$22,698	$29,109
Employee Retirement	529	1,050	0	118	1,697
Social Security	28,262	44,255	42,809	56,040	171,366
Worker's Compensation	4,786	7,495	5,731	8,948	26,960
Medicare	6,610	10,350	10,012	13,106	40,078
Total	$41,920	$65,342	$61,038	$100,910	$269,210

In total, William Floyd charged $1,824,465 ($1,555,255 and $269,210) in unsupported employee benefits to Title I during the audit period. Furthermore, if William Floyd cannot provide certification support for all of the full-time Title I employees, then all the benefits associated with their salaries will be unsupported.

Unsupported Indirect Costs

William Floyd charged a total of $35,103 of unsupported indirect costs to Title I in fiscal years 2002 and 2003.[6] William Floyd calculated indirect costs by applying an approved restricted indirect cost rate to the direct cost base. The direct cost base included the amounts charged for professional salaries, support staff salaries, purchased services, supplies and materials, travel expenses, and employee benefits. Due to the unsupported items we identified during our audit, we recalculated the indirect cost. Unsupported indirect costs for fiscal year 2002, was $15,797, and for fiscal year 2003, was $19,306.

Office of Management and Budget (OMB) Circular A-87 § C.1.j states that to be allowable under Federal awards, costs must be adequately documented. Furthermore, OMB Circular A-87 defines direct costs as those costs that can be identified specifically with a particular final cost objective. OMB Circular A-87 § E.2.a identifies typical direct

[5] See Finding 2 for correct teacher retirement rate.

[6] William Floyd charged indirect costs to Title I for only two years included in the audit period. No indirect costs were charged to Title I for fiscal year 2001 or 2004.

costs chargeable to Federal awards as compensation of employees for the time devoted and identified specifically to the performance of those awards.

According to 34 CFR § 80.20 (b), Standards for financial management systems, the financial management systems of grantees and subgrantees must meet the following standards:

> (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant . . .
>
> (6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Per OMB Circular A-87, Attachment B, Paragraph 8.h.3—

> Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

William Floyd did not maintain certifications for employees who worked solely on the Title I program because they were unaware of this requirement. William Floyd did not have adequate procedures to maintain proper documentation to support salary expenditures for nonprofessional salaries, Academic Intervention Services, employee benefits, and related salary journal entries. Due to the unsupported items we identified, indirect costs had to be recalculated. As a result, William Floyd was unable to support $4,622,812 of salary and salary-related expenditures charged to Title I.

RECOMMENDATIONS

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

1.1 Provide proper support for the $4,622,812 in Title I expenditures for the audit period and return any unsupported amounts with applicable interest to ED.

1.2 Recalculate all indirect costs and return any unsupported amounts with applicable interest to ED.

1.3 Establish policies and procedures that require full-time targeted assistance teachers, or their supervisors, to certify and attest to the time attributable to Title I projects.

1.4 Establish and implement procedures for maintaining proper documentation to support nonprofessional salaries, Academic Intervention Services, journal entries, and rates used to compute employee benefits.

FINDING 2
William Floyd Charged Unallowable Employee Benefits, Related Indirect Costs, and Purchased Services to Title I.

William Floyd applied incorrect rates for teacher retirement benefits. As a result, we questioned $39,385 of teacher retirement benefits and $425 of related indirect costs charged to Title I. We also questioned $15,000 of purchased services overcharged to Title I. In total, William Floyd charged $54,810 in unallowable costs for employee benefits, related indirect costs, and purchased services to Title I.

Teacher Retirement Benefits

William Floyd applied incorrect rates to Title I teacher salaries, for fiscal years 2001 through 2004, in the calculation of teacher retirement, resulting in unallowable costs of $39,385. We compared the rates established by the New York State Teachers' Retirement System to the rates used by William Floyd on the FS-10-F Reports. We found that the rates William Floyd used were higher than the rates established by the New York State Teachers' Retirement System for 2001 through 2003, but lower for 2004. We determined, after applying the correct rates, that Title I was overcharged $39,385 of teacher retirement benefits.

Indirect Cost

William Floyd charged $425 of unallowable indirect costs to Title I in fiscal years 2002 and 2003. Due to the questioned teacher retirement benefits we identified above, we recalculated the related indirect costs. We found that questioned indirect costs amounted to $191 and $234 for fiscal years 2002 and 2003, respectively.

Purchased Services

William Floyd overcharged Title I by $15,000 for Purchased Services Performed by an independent contractor during 2000-2001. Our review of the FS-10- F Report for fiscal year 2001, and personnel files, revealed that a retired William Floyd teacher was employed as an independent contractor at William Floyd. According to our review of vendor history reports generated from Finance Manager, the independent contractor was paid $18,600 for services rendered during the 2001-2002 fiscal year. Of this amount, only $7,500 was allocable to Title I. However, on the FS-10-F filed with NYSED, William Floyd claimed $22,500, overcharging Title I by $15,000.

Pursuant to OMB Circular A-87 Attachment A § C.1, allowable costs must be necessary and reasonable. Attachment B, § 8.d specifically states that the costs of fringe benefits, are allowable to the extent that the benefits are reasonable. It also states that the costs shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the employees whose salaries and wages are chargeable to such Federal awards and other activities. Attachment A, § C.3 states that a cost is allocable to a particular cost objective in accordance with the relative benefits received.

William Floyd did not have procedures in place to ensure the correct rates were used to calculate certain employee benefits reported on the NYSED FS-10-F Reports.

RECOMMENDATIONS

We recommend that the Assistant Secretary for OESE instruct NYSED to require William Floyd to:

2.1 Return the $54,810 in unallowable costs, plus applicable interest, to ED.

2.2 Develop and implement procedures to ensure that appropriate rates are used to calculate employee benefits and federal funds are appropriately charged.

FINDING 3
William Floyd Had a Significant Internal Control Weakness

William Floyd had a significant internal control weakness that placed ED funds at risk of being misused. Specifically, we found a lack of adequate controls over access to Finance Manager, the accounting software used for William Floyd's financial system.

Lack of Adequate Controls Over Access to Finance Manager
William Floyd did not have adequate access controls over its financial system, Finance Manager. William Floyd contracted with Eastern Suffolk Board of Cooperative Educational Services (BOCES)[7] to obtain certain services related to Finance Manager. In order to perform the contracted services, BOCES personnel were granted access to William Floyd's financial system. During our audit work, we interviewed BOCES executives and found that at least seven BOCES employees had unrestricted access to William Floyd's financial system. Furthermore, accounting personnel at William Floyd stated that William Floyd's audit firm, ML&P, posted journal entries directly into Finance Manager. Although Finance Manager contained an application control to generate a report with every change, this application control was not always activated. Inadequate access controls leave ED funds vulnerable to misuse.

[7] Regional BOCES offers services that a single school district would not routinely provide. Services offered include technical support for Finance Manager, William Floyd's financial system, and printing services for payroll and vendor checks while accessing William Floyd's Finance Manager database.

According to OMB Circular A-133 §__. 300, "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."

William Floyd did not take the appropriate steps to limit access and the level of access to Finance Manager. Inadequate access controls leave ED funds vulnerable to misuse, and William Floyd's financial system and records susceptible to manipulation.

RECOMMENDATION

We recommend that the Assistant Secretary for OESE to instruct NYSED to require William Floyd to:

3.1 Establish and implement adequate internal controls to limit access and the level of access to William Floyd's Finance Manager Program.

FINDING 4
NYSED Failed to Monitor Grants Distributed to William Floyd

We found that NYSED had not performed required monitoring of William Floyd to ensure compliance with applicable Federal requirements. NYSED had not conducted a monitoring visit at William Floyd in the past 10 years. Our review of FS-10 (Initial Budget) Reports, FS-10-F (Final) Reports, and FS-10-A (Amendment) Reports submitted by William Floyd to NYSED, revealed that NYSED did not properly monitor Title I grants. If NYSED regularly monitored Title I grants distributed to William Floyd, it could have detected the following:

- Non-compliance with the State grant budget amendment requirements;
- Inconsistent funding dates reported on FS-10 Reports and FS-10-F Reports; and
- Mathematical errors in calculating total teacher salaries on the 2002-2003, FS-10-F Report, as well as errors in the calculation of indirect costs on the 2001-2002, FS-10-F.

<u>William Floyd Did Not Comply with State Grant Budget Amendment Requirements</u>
NYSED did not enforce its own Fiscal Guidelines.[8] Specifically, NYSED did not address William Floyd's failure to follow budget amendment filing requirements. School districts are required by NYSED to submit amendments prior to the approved termination date of the project. The requirement states that amendments must be filed for any increase in a budgetary subtotal (professional salaries, purchased services, travel, etc.) of more than 10 percent, or $1,000, whichever is greater. Our review of FS-10 Reports for fiscal years 2002, and 2003, showed that no funds were originally budgeted for indirect

---

[8] The Fiscal Guidelines for Federal and State Aided Grants is intended to provide general guidance for financial management of Federal and State grants by local agencies.

costs. Upon review of the FS-10-F Reports, we found that William Floyd charged $37,267 in fiscal year 2002, and $42,918 in fiscal year 2003, for indirect costs in their final FS-10-F submission to NYSED. However, William Floyd did not submit any amendments that reflected these changes. Furthermore, in fiscal year 2001, William Floyd filed an $11,944 amendment for Employee Benefits, but the actual increase was $57,483. Therefore, $45,539 for Employee Benefits was not reported to NYSED with the filing of an FS-10A.

Funding Dates Reported on the FS-10 Reports Were Not Always Consistent with Those Reported on FS-10-F Reports

NYSED did not address conflicting reported funding dates listed on the FS-10-F Reports. Our review of FS-10 Reports and FS-10-F Reports for fiscal years 2002, and 2003, disclosed discrepancies and inconsistencies between reported funding dates. Specifically, funding dates assigned by NYSED were different from funding dates reported by William Floyd. For example, in fiscal year 2001, the funding dates established by NYSED were from July 1, 2000, through June 30, 2001, and the funding dates reported by William Floyd were September 1, 2000, through August 31, 2001.

William Floyd Made Mathematical Errors in Calculating Teacher Salaries and Indirect Costs on the FS-10-F Reports

NYSED failed to detect an error in the calculation of total teacher salaries and indirect costs. Proper review by NYSED could have detected William Floyd's overstating the teacher salaries by $1,066 for the 2003 fiscal year. Our review of the reported teacher and paraprofessional salaries revealed that on the FS-10-F Report for fiscal year 2003, William Floyd made a mathematical error in calculating teacher salaries.

Also, in computing indirect cost based on expenditures reported for the 2002 fiscal year, William Floyd understated its direct cost base. As a result, indirect cost for the 2002 fiscal year was understated by $840.

Regulations at 34 CFR § 80.40 (a) provide ". . . Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity." Furthermore, according to 34 CFR § 76.770, NYSED is required to have "procedures for reviewing and approving applications for subgrants and amendments to those applications, for providing technical assistance, for evaluating projects, and for performing other administrative responsibilities the State has determined are necessary to ensure compliance with applicable statutes and regulations."

NYSED did not adequately follow its monitoring policies and procedures at William Floyd. NYSED disbursed ED funds based on inaccurate information filed by William Floyd. In addition, William Floyd overcharged Title I for miscalculated teacher salaries by $1,066.

RECOMMENDATIONS

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

4.1 Increase monitoring to ensure William Floyd is in compliance with applicable statutes and regulations.

4.2 Enforce procedures for reviewing and approving budget amendments to grant applications.

4.3 Establish and follow procedures to ensure funding dates are proper and consistent.

4.4 Ensure that William Floyd returns the $1,066 resulting from miscalculated teacher salaries, plus applicable interest, to ED.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether William Floyd's Title I salary and salary-related expenditures for the period July 1, 2000, through June 30, 2004, were allowable and used in accordance with applicable laws and regulations.

To accomplish our audit objective, we

- Reviewed William Floyd's Title I approved grant applications,
- Interviewed various William Floyd and NYSED officials;
- Interviewed BOCES personnel, and reviewed its substitute teacher attendance procedures, payroll procedures, and check writing procedures, to gain an understanding of its role in William Floyd's payroll process;
- Reviewed and analyzed William Floyd's FS-10 Reports, FS-10-A Reports, and FS-10-F Reports for expenditures budgeted, amended, and charged to the Title I grants during the audit period;
- Randomly sampled 10 payroll transactions, totaling $249,152, and judgmentally sampled five of the highest payroll transactions, totaling $621,044 (103 employees);
- Compared FS-10-F Reports to Finance Manager data and, based on discrepancies identified, judgmentally selected a stratified sample of 73 employees with salaries totaling $3,028,848,
- Reviewed all 12 journal entries related to Title I salary for our audit period, with a net amount of $169,754;
- Reviewed 100 percent of transactions relating to employee benefits, totaling $2,318,146;
- Reviewed William Floyd's Single Audit Reports for fiscal years 2001 through 2004; and
- Reviewed William Floyd's School Board Minutes for the meetings held between January 1999, and August 2004.

To achieve our objectives, we assessed the reliability of computer-processed data extracted from Finance Manager and found that the data are sufficiently reliable for meeting our audit objectives. To ensure the completeness and accuracy of the data, we extracted from William Floyd's financial system, Finance Manager, all Title I expenditures for the fiscal period, July 1, 2000, through June 30, 2004. We obtained a universe of Title I salary and salary-related expenditures claimed on the FS-10-F Reports, which totaled $9,733,345. We randomly and judgmentally sampled payroll and payroll related charges to arrive at our findings. Based on these tests, we conclude that the data are sufficiently reliable to support the findings, conclusions, and recommendations and using the data would not lead to an incorrect or inaccurate conclusion. Despite our December 12, 2005, follow-up request to NYSED for management comments to the draft audit report, NYSED did not provide any comments. Consequently, we did not have NYSED management comments to consider when preparing the final report.

On March 10, 2005, we issued an Interim Audit Memorandum (IAM), bringing to the attention of ED OESE, the auditor independence issues involving ML&P, the independent public accountant that audited William Floyd's financial statements for the fiscal year ending June 30, 2004.[9]

On May 13, 2005, the Assistant Secretary of Education responded to our IAM, stating that an action plan, developed by the Student Achievement and School Accountability Program, would evaluate and report out on the conditions reported in the IAM.

As part of our review we assessed the system of internal controls, policies, procedures, and practices applicable to William Floyd's administration of the Title I salary and salary-related expenditures. Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the internal controls. However, our assessment disclosed a significant internal control weakness which could adversely affect William Floyd's ability to administer the Title I programs. This weakness is fully discussed in the AUDIT RESULTS section of this report.

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

[9] In December of 2002, ML&P also performed an analysis of the operations of the Business and Personnel Offices of William Floyd. In addition, ML&P conducted a forensic audit, performing certain agreed upon procedures, which was issued on January 7, 2004.