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

FINAL AUDIT REPORT



ED-OIG/A02-F0030
March 2006

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, New York

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.

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**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



March 30, 2006

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-F0030, entitled *William Floyd Union Free School District Allowability of Title I Non-Salary Expenditures*. This report incorporates the comments you provided in response to the draft report. 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

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ACRONYMS

BOCES	Board of Cooperative Educational Services
C.F.R.	Code of Federal Regulations
DA	Suffolk County District Attorney's Office
ED	United States Department of Education
ESEA	Elementary and Secondary Education Act of 1965
FM	Finance Manager
LEA	Local Educational Agency
NCLB	No Child Left Behind Act of 2001
NYSED	New York State Education Department
OESE	Office of Elementary and Secondary Education
OIG	Office of Inspector General
OMB	Office of Management and Budget

EXECUTIVE SUMMARY

The objective of our audit was to determine whether William Floyd Union Free School District's (William Floyd) Elementary and Secondary Education Act of 1965 (ESEA), as amended,¹ Title I, Part A (Title I) non-salary expenditures, distributed through the New York State Education Department (NYSED), were allowable and spent in accordance with Title I of the ESEA, Office of Management and Budget (OMB) Circular A-133, 34 C.F.R. Part 80, OMB Circular A-87, and 34 C.F.R. Part 200. Our audit covered Title I grants expended during the period July 1, 2001, through June 30, 2003.

We found that William Floyd could not provide adequate support for \$79,365 of expenses charged to Title I. In particular, William Floyd disbursed \$50,000 of purchased services expenses without a signed contract, overcharged \$25,100 of purchased services and travel expenses, and made journal entries valued at \$4,265 without any supporting documentation. We also found that William Floyd used Title I funds to supplant \$67,574 of textbooks expenses.

In addition, we noted that William Floyd had significant internal control weaknesses that adversely affected William Floyd's ability to administer Title I funds.

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

- Provide proper support for the \$79,365 of expenses charged to Title I and return any unsupported amounts with applicable interest to ED.
- Maintain records that adequately identify the source and application of Title I funds.
- Establish and implement controls to ensure Title I expenses claimed on the FS-10-F Reports are accurate and supported with financial records.²
- Return the \$67,574 of unallowable expenses, with applicable interest, to ED.
- Review all Title I non-salary expenses for the period July 1, 2001, through June 30, 2005, and determine if additional unallowable expenses were charged to Title I funds.
- Establish and implement controls to ensure that Title I funds are not used for supplanting purposes.
- Ensure that the recently hired Internal Claims Auditor appropriately reviews controls over invoice payments.
- Provide necessary financial accountability training to personnel handling federal funds to ensure internal control standards are implemented correctly.

In their comments to the draft report, NYSED and William Floyd generally concurred with our findings and recommendations, with the exception of Finding 3. Based on the additional

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

² The FS-10-F Reports are the New York State Financial Expenditure Reports submitted by William Floyd.

information provided by NYSED and William Floyd, we removed part of Finding 3 and the recommendation pertaining to William Floyd's failure to follow its policy and administrative manuals. The full text of comments on the draft report, provided by NYSED and William Floyd, is included as an enclosure to the report.

BACKGROUND

William Floyd is a school district located in Suffolk County, Long Island, New York, serving approximately 11,000 students in 8 schools. William Floyd received approximately \$6 million in Title I program funds from July 1, 2001, through June 30, 2003. Of the \$6 million, \$668,416 was for non-salary expenditures.

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, such as the schools in William Floyd, must focus Title I services on children who are failing, or most at risk of failing, to meet State academic standards.

In the ED Office of Inspector General (OIG) audit report, ED-OIG/A02-E0030, titled *William Floyd Union Free School District Allowability of Title I Salary and Salary-Related Expenditures*, issued in December 2005, one of the findings was that William Floyd overcharged \$15,000 of non-salary Title I funds by claiming \$22,500 of purchased services of an independent contractor during 2000-2001. Of the \$22,500 amount, only \$7,500 was allocable to Title I.

AUDIT RESULTS

FINDING NO. 1 – William Floyd Could Not Provide Adequate Support for \$79,365 of Expenses Charged to Title I

We randomly and judgmentally sampled \$557,270 out of a total \$668,416 (83 percent) in Title I non-salary expenditures. William Floyd could not provide adequate support for \$79,365 of the sampled non-salary expenditures charged to Title I during our audit period July 1, 2001, through June 30, 2003. Specifically, we identified the following unsupported expenditures:

- \$50,000 of purchased services for a consultant;
- \$25,100 of purchased services and travel expenses; and
- \$4,265 of journal entries.

William Floyd Was Unable To Provide Signed Consultant Agreements For Two Disbursements Totaling \$50,000

From our review of the seven largest disbursements, totaling \$347,951, we found William Floyd disbursed two payments, totaling \$50,000, to a program assessment consultant without having valid signed contracts or agreements.

William Floyd provided supporting documents that showed 10 identical monthly invoices from the program assessment consultant for each of the contracted years, September 1, 2001, through June 30, 2002, and September 1, 2002, through June 30, 2003. All 10 invoices for each of the two years were signed on the same date and had the same \$2,500 amount. However, William Floyd did not have evidence that the services were rendered by the consultant, before the payments were made.

When we requested a copy of the signed agreements from William Floyd, a William Floyd official stated that all final consultant agreements were at the Suffolk County District Attorney's (DA) Office. OIG efforts to locate the agreements at the DA's Office were unsuccessful. We then requested a copy of the signed agreements from the consultant, but the consultant also could not provide copies.

During the exit conference we were provided with a copy of a signed contract for 2000-2001 (the year prior to our audit period), along with *Reading Assistance Evaluation Report 1999-2003* and other documents.³ Although a copy of the required evaluation report was provided, the consultant did not maintain time or program records, as required by the contract.

William Floyd Overcharged \$25,100 of Title I Expenses

We judgmentally sampled seven payments with dollar discrepancies between the FS-10-F Reports and Finance Manager (FM) data,⁴ totaling \$25,370. We found William Floyd overcharged \$25,100 of Title I expenses on the FS-10-F Reports.

We questioned William Floyd officials about the discrepancies and requested supporting documentation. Our review of cancelled checks for six of the payments, disclosed that William Floyd inflated the charges submitted to NYSED on the FS-10-F Reports. We found the actual check amounts for the six payments totaled \$25,000, but William Floyd claimed \$50,000 on the FS-10-F Reports. See Table A below.

In addition, William Floyd officials explained that a journal entry had been made for the overcharged \$25,000 amount in FM. This journal entry improperly reclassified expenses from the William Floyd Severance Payroll account to its Title I Purchased Services account.

³ The other documents provided at the exit conference were *William Floyd Student Survey on School Attendance 2002-2003*, a blank Title I Parent Survey form for 2003-2004, and certain 2004 email correspondences between the consultant and the Title I Coordinator, which were for time periods subsequent to our audit period.

⁴ Finance Manager system is William Floyd's financial accounting system.

Table A. Overcharged Expenses

A	B	C	D	E
Check No.	Amount Reported on FS-10-F Reports	Invoice Amount	Check Amount (Same As the Amount in FM)	Amount Overcharged (B-D)
31477	\$10,000	\$7,500	\$7,500	\$2,500
32248	10,000	7,500	7,500	2,500
31878	7,500	2,500	2,500	5,000
32254	7,500	2,500	2,500	5,000
31885	7,500	2,500	2,500	5,000
32262	7,500	2,500	2,500	5,000
Totals	\$50,000	\$25,000	\$25,000	\$25,000

We traced the seventh sampled payment, a \$370 travel expense. The cancelled check showed that the actual travel expense was for \$270. We noted that the inflated \$100 (actual check amount was \$98) was the same \$100 claimed under supplies and materials on the FS-10-F Reports. See Finding 1 below, sub-caption, William Floyd Could Not Provide Adequate Support for \$4,265 of Journal Entries.

William Floyd Could Not Provide Adequate Support for \$4,265 of Journal Entries

We reviewed all seven journal entries for Title I non-salary expenditures, totaling \$139,895. William Floyd could not provide adequate support for two journal entries, totaling \$4,265.⁵

One of the two unsupported journal entries, \$3,600, was for a Board of Cooperative Educational Services (BOCES)⁶ expense reclassified from a general fund account to Title I account. However, William Floyd could not provide documentation to show that this expenditure was for Title I related expenses.

The other journal entry, in the amount of \$765, was comprised of three payments reclassified from the general fund accounts. We questioned two of the payments, totaling \$665, because they were expenses from the prior fiscal year, 2000-2001, but appeared on the FS-10-F Reports as 2001-2002 expenses. The remaining payment, \$100 (actual check amount was \$98), was a Title

⁵ We determined that three of the seven journal entries were supported. For the remaining two journal entries, see Finding 1, sub-caption, William Floyd Over Claimed \$25,100 of Title I Expenses, and Finding 2.

⁶ Regional BOCES offers services that a single school district would not routinely provide. Services offered include technical support for Finance Manager, and printing services for payroll and vendor checks while accessing William Floyd's Finance Manager database.

I supplies and materials expense.⁷

A William Floyd official indicated that former management made the erroneous journal entries, and she could not explain them. On January 30, 2006, a former Assistant to the Superintendent for Business at William Floyd pled guilty to eight felony counts, including falsifying seven expenditure reports filed with NYSED.

According to ESEA § 9306 (a) (5), an applicant [William Floyd] who submitted a plan or application for ESEA programs [Title I] would use such fiscal control and fund accounting procedures as would ensure proper disbursement of, and accounting for, Federal funds paid to the applicant under each such program.

William Floyd did not have adequate controls in place for reviewing expenses, and ensuring the amounts claimed on the FS-10-F Reports were proper before submission to NYSED. As a result, William Floyd charged \$79,365 of unsupported expenses to Title I grants.

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 \$79,365 of expenses charged to Title I and return any unsupported amounts with applicable interest to ED.
- 1.2 Maintain records that adequately identify the source and application of Title I funds.
- 1.3 Establish and implement controls to ensure Title I expenses claimed on the FS-10-F Reports are accurate and supported with financial records.

NYSED and William Floyd Comments

NYSED and William Floyd concurred with the finding and recommendations.

FINDING NO. 2 – William Floyd Used Title I Funds to Supplant Textbook Expenses

We found William Floyd used \$67,574 of Title I funds to supplant textbook expenses. During the 2001-2002 fiscal year, William Floyd made a journal entry to reclassify \$110,400 of expenses from the general fund accounts to the Title I supplies and materials account.⁸ William Floyd could not provide any support for this journal entry. Based on our review of the FS-10-F

⁷ This \$100 was also claimed as a travel expense on the FS-10-F Reports. See Finding 1, sub-caption William Floyd Over Claimed \$25,100 of Title I Expenses, above.

⁸ The remaining \$42,826 of the journal entry was not claimed on the 2001-2002 FS-10-F Reports as Title I supplies and material expenses.

Reports and FM data, we concluded that \$67,574 of this journal entry were payments for 13 invoices for textbooks for various classes, such as economics and teen health classes.

The \$67,574 of textbook expenses were disbursed from the general fund accounts, reclassified to Title I in FM, and claimed as Title I supplies and materials expenses on the FS-10-F Reports. William Floyd officials stated that these textbooks were not Title I expenses and could not explain why this \$67,574 were claimed as Title I expenses on the FS-10-F Reports.

Per NCLB, § 1120A. Fiscal Requirements,

(b) Federal Funds To Supplement, Not Supplant, Non-Federal Funds-

- (1) In General - A State educational agency or local educational agency shall use Federal funds received under this part only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds.

William Floyd did not have adequate controls in place for reviewing the expenses claimed on the FS-10-F Reports to ensure that Title I funds were not used for supplanting. As a result, the \$67,574 of unallowable Title I expenses were not spent in accordance with NCLB § 1120.

Recommendations

We recommend that the Assistant Secretary for OESE, through NYSED, require William Floyd to —

- 2.1 Return the \$67,574 of unallowable expenses, with applicable interest, to ED.
- 2.2 Review all Title I non-salary expenses for the period July 1, 2001, through June 30, 2005, and determine if additional unallowable expenses were charged to Title I funds.
- 2.3 Establish and implement controls to ensure that Title I funds are not used for supplanting purposes.

NYSED and William Floyd Comments

NYSED and William Floyd concurred with the finding and recommendations.

FINDING NO. 3 – William Floyd Had Significant Internal Control Weaknesses

William Floyd had significant internal control weaknesses that placed ED funds at risk of being misused. Specifically, we identified the following internal control weaknesses:

- Lack of Internal Claims Auditor review; and
- Title I Coordinator signed a Title I teacher's name when purchase orders were initiated.

Lack of Internal Claims Auditor Review

During our audit period, William Floyd did not have an Internal Claims Auditor to review warrant reports, invoices, purchase orders, and checks, before vendor payments were made. William Floyd's policy manual required the Board of Education to appoint an individual to the Internal Claims Auditor position to review documents before payments. However, during our audit period, William Floyd's Board of Education did not hire an Internal Claims Auditor to review documentation before payments were made. In addition, we determined that William Floyd officials did not review warrant reports prior to submission to the Board of Education on a monthly basis.

During the course of our audit, we found that William Floyd appointed a Certified Public Accountant firm for the Internal Claims Auditor position in September 2004 to ensure that warrant reports, invoices, purchase orders, and checks were reviewed before vendor payments were made.

Title I Coordinator Signed a Title I Teacher's Name on Purchase Orders

The Title I Coordinator signed the name of the Title I teacher to request goods on 2 purchase orders out of 54 sampled disbursements. When we questioned the Title I Coordinator as to why she signed the Title I teacher's name on the "Requested by" line, the Title I Coordinator stated that the Title I teacher should have signed on the line, "Requested by."

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."

Further, OMB Circular A-133 Compliance Supplement, Part 6 (March 2000), 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.

William Floyd had weak internal controls because (1) management did not enforce adherence to its policy and administrative manuals, (2) management did not ensure that an Internal Claims Auditor was appointed as required, and (3) there was a lack of staff training in financial accountability to ensure that personnel follow internal control standards.

William Floyd's failure to (1) implement its policy and administrative manuals, and (2) provide adequate training to personnel handling federal funds could lead to the misuse of ED grant funds,

such as \$79,365 of unsupported expenses and \$67,574 of unallowable expenses being charged to Title I.

Recommendations

We recommend that the Assistant Secretary, OESE through NYSED, require William Floyd to —

- 3.1 Ensure that the recently hired Internal Claims Auditor appropriately reviews controls over invoice payments.
- 3.2 Provide necessary financial accountability training to personnel handling federal funds to ensure internal control standards are implemented correctly.

NYSED and William Floyd Comments

NYSED and William Floyd generally concurred with the finding and recommendations. They disagreed with the part of the draft report finding pertaining to William Floyd's failure to follow its policy and administrative manuals. NYSED and William Floyd provided additional documentation as an attachment to its response.

OIG Response

Based on the information provided, we removed the part of the finding and recommendation pertaining to William Floyd's failure to follow its policy and administrative manuals.

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit objective was to determine whether William Floyd's ESEA Title I, Part A, Non-Salary Expenditures, for the period July 1, 2001, through June 30, 2003, were allowable and spent in accordance with Title I of the ESEA, OMB Circular A-133, 34 C.F.R. Part 80, OMB Circular A-87, and 34 C.F.R. Part 200.

To accomplish our audit objectives, we:

- Reviewed William Floyd's Title I approved grant applications and related budgets;
- Reviewed applicable laws, regulations, policies and procedures;
- Interviewed various William Floyd, BOCES, and FM officials;
- Reviewed and analyzed William Floyd's FS-10-F Reports for expenditures charged to the Title I non-salary during the audit period;
- Reviewed William Floyd's written policy manual and related purchasing documentation to gain an understanding of the purchasing process;
- Reviewed the Independent Public Accountant reports for William Floyd's fiscal years 2002 and 2003;

- Randomly selected 40 disbursements for review, totaling \$44,054; 20 from grant year 2001-2002, and 20 from grant year 2002-2003;
- Judgmentally selected and reviewed the seven largest disbursements, totaling \$347,951, two from grant year 2001-2002, and five from grant year 2002-2003;
- Reviewed all seven journal entries made during the audit period, totaling \$139,895, related to Title I non-salary expenses; and
- Reviewed all seven disbursements, totaling \$25,370, identified as having dollar discrepancies between the FS-10-F Reports and FM data.

To ensure the completeness and accuracy of the data, we obtained and extracted from FM all Title I expenditures for the fiscal period July 1, 2001, through June 30, 2003. We obtained a population of Title I non-salary charges claimed on the FS-10-F Reports. We randomly and judgmentally sampled disbursements to arrive at our findings, as described above. Based on these tests, we concluded that the data was sufficiently reliable to support the findings, conclusions, and recommendations, and that using the data would not lead to an incorrect or inaccurate conclusion.

We performed our fieldwork at William Floyd Union Free School District between September 19, 2005, and November 2, 2005.

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

ENCLOSURE: NYSED and William Floyd Comments



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

DEPUTY COMMISSIONER FOR OPERATIONS
AND MANAGEMENT SERVICES
Tel. (518) 474-2547
Fax (518) 473-2827
E-mail: tsavo@mail.nysed.gov

March 24, 2006

Mr. Daniel P. Schultz
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
32 Old Slip
26th Floor, Financial Square
New York, NY 10005

Dear Mr. Schultz:

I am responding to your letter of February 15, 2006 addressed to Commissioner Mills regarding the draft audit report of the William Floyd Union Free School District Allowability of Title I Non-Salary Expenditures, Control Number ED-OIG/A02-F0030. A copy of William Floyd Union Free School District's (District) response to the draft audit report is also attached and referenced in this correspondence.

The New York State Education Department (Department) has initiated a series of actions to ensure all subrecipients understand and adhere to the rules and regulations related to grants. The Department has issued A Guide to Grants Administration and Implementation Resources to outline the processes, statutes, regulations and requirements for federal and State funded grants. It is available at www.oms.nysed.gov/cafe/Guide.html.

The Department hired a consultant to provide training on grants management at 16 locations throughout the State. The District's Title I coordinator has attended this training.

The Department is also re-engineering its monitoring processes to change the emphasis from "front end" monitoring (review and approval of application) to a more balanced approach using a risk-based system. The Department continues with its efforts to identify and implement improvement opportunities and looks forward to working with the U.S. Department of Education (ED) to identify other improvement opportunities.

Our response to this audit report's recommendations and findings follows:

Recommendation 1.1: Provide proper support for the \$79,365 of expenses charged to Title I and return any unsupported amounts with applicable interest to ED.

Recommendation 1.2: Maintain records that adequately identify the source and application of Title I funds.

Recommendation 1.3: Establish and implement controls to ensure Title I expenses claimed on the FS-10-F Reports are accurate and supported with financial records.

The Department concurs with Recommendation 1.1 and the finding that the District was unable to provide signed consultant agreements for two disbursements totaling \$50,000. However, it should be noted that the District has documentation available to show the services were rendered. The Department has guidance on its website stating that subrecipients must retain adequate documentation to support all transactions and will require the District to utilize and maintain a signed agreement for all services with consultants.

In regard to Recommendations 1.2 and 1.3, the Department concurs with the findings and recommendations and will require the District to maintain records that adequately identify the source and application of Title I funds including adequate documentation for all journal entries.

Recommendation 2.1: Return the \$67,574 of unallowable expenses, with applicable interest, to ED.

Recommendation 2.2: Review all Title I non-salary expenses for the period July 1, 2001, through June 30, 2005, and determine if additional unallowable expenses were charged to Title I funds.

Recommendation 2.3: Establish and implement controls to ensure that Title I funds are not used for supplanting purposes.

The Department concurs with Recommendations 2.1, 2.2, and 2.3 and the findings. The Department will require that the District review all Title I non-salary expenses for the period July 1, 2001 through June 30, 2005 to determine if additional unallowable expenses were charged to Title I. The Department will also work with the District to ensure Title I funds are not used for supplanting.

Recommendation 3.1: Ensure that its personnel adhere to the policy and administrative manuals.

Recommendation 3.2: Ensure that the recently hired Internal Claims Auditor appropriately reviews controls over invoice payments.

Recommendation 3.3: Provide necessary financial accountability training to personnel handling federal funds to ensure internal control standards are implemented correctly.

The Department agrees with Recommendations 3.1, 3.2, and 3.3 and will work with the district to ensure its policies and procedures are up-to-date and are being followed and that the internal claims auditor reviews and approves all claims. District staff have recently attended the Department's training on grants management. In addition, the Department will schedule a monitoring visit at William Floyd in the near future and will work with the District to establish accountability with federal funds and improve their internal controls.

In regard to the finding related to the District not following its policy for purchasing and procurement, the District provided a copy of its policy that shows the principal or the designee is responsible for receiving and checking the goods and also for approving the purchase requisitions. The Department requests that the auditors review this information in light of the finding.

The Department agrees with the finding that the District did not follow its policy to appoint an internal claims auditor. It is our understanding the board did review all claims for payment in the absence of the internal claims auditor.

The Department agrees with the finding related to signing another individual's name and will require the District to discontinue this practice.

If you have any questions, please contact Roberto Reyes, State Director for Title I, School and Community Services, at (518) 473-0295.

Sincerely,

/s/
Theresa E. Savo

Attachment

cc: Dennis Fidotta, Assistant Superintendent for Business
James Mapes, Acting District Superintendent
Robin Shinn
Commissioner Mills
Jean Stevens
Michael Abbott
Roberto Reyes

Attachment

Response to Findings by the
U.S. Department of Education-Office of the Inspector General
Audit of William Floyd Union Free School District
Allowability of Title I Non-Salary Expenditures
Audit Period: July 1, 2001 through June 30, 2003

FINDING 1

William Floyd could not provide adequate support for \$79,365 of non-salary expenses charged to Title I.

- a) William Floyd was unable to provide signed consultant agreement to support two disbursements totaling \$50,000.

District Response: **Agreement.** It is true that William Floyd did not have a signed consultant agreement. However, there is sufficient evidence to support that services were being rendered by the consultant while payment was being made; and further, that before final payment was made, all services were rendered in full.

Corrective Action: Currently all contracts for consultant services are developed by the Business Office, reviewed by school legal counsel and approved by the Board of Education.

- b) William Floyd overcharged \$25,100 of Title I expenses.

District Response: **Agreement.** William Floyd concedes with the finding as presented, noting that the discrepancy occurred during the tenure of the prior business official and supporting justification cannot be compiled at this time.

Corrective Action: Currently the district has implemented improved Grant Fiscal Procedures (Attachment 2). All expenditure records are now reviewed by the Title I program coordinator prior to submission of the FS-10F to SED.

- c) William Floyd could not provide adequate support for two journal entries totaling \$4,265.

District Response: **Agreement.** William Floyd concedes with the finding as presented, noting that the discrepancy occurred during the tenure of the prior business official and supporting justification cannot be compiled at this time.

Corrective Action: Currently the district has implemented improved Grant Fiscal Procedures (Attachment 2). All expenditure records are now reviewed by the Title I program coordinator prior to submission of the FS-10F to SED.

FINDING 2

William Floyd used \$67,574 of Title I funds to supplant textbook expenses.

District Response: **Agreement.** William Floyd concedes with the finding as presented, noting that the discrepancy occurred during the tenure of the prior business official and supporting justification cannot be compiled at this time.

Corrective Action: Currently the district has implemented improved Grant Fiscal Procedures (Attachment 2). All expenditure records are now reviewed by the Title I program coordinator prior to submission of the FS-10F to SED.

FINDING 3

William Floyd had significant internal control weaknesses.

a) William Floyd failed to follow its policy and administrative manuals.

District Response: **Disagreement.** The auditors' findings indicate non-conformance with established policies. The District contends that this is not the case.

In one instance, the auditors' findings conclude that the purchasing process in the Administrative manual required that "upon receipt of the goods, the originator of the purchase order sign the 'Goods Received' copy of the purchase order". In fact, William Floyd policy (#5410P, attached) states that the principal or designee receives goods, checks and distributes goods, returns signed purchase order to the Purchasing Agent, and ultimately authorizes payment. Therefore, the Title I Coordinator's secretary (as a designee for the Title I program) signing the "Goods Received" copy of the purchase order is in line with policy.

In another instance, the auditors' findings conclude that in two out of 54 sampled disbursements, "a Title I teacher bypassed the principal of the school and sent the standard requisition form directly to the Title I office." In fact, William Floyd policy (#5410P) states that the principal or a designee must approve the purchase order. In this instance, the designee was the Title I Program Administrator – who subsequently reviewed and approved the request.

b) Lack of Internal Claims Auditor Review.

District Response: **Agreement.** William Floyd concedes with the finding as presented, noting that during this time period the Board of Education reviewed Warrants associated with these purchases.

Corrective Action: Since September 2004, the Board has hired external CPA firms (see below) to conduct the Internal Claims Auditor function on its behalf.

Period	Internal Claims Auditor
September 2004 – June 2005	RS Abrams
July 2005 – present	Callaghan Nawrocki

c) Title I Coordinator signed a Title I teacher's name on purchase orders.

District Response: **Agreement.** William Floyd concedes with the finding as presented, noting that the error only existed on two purchase orders which were isolated cases.

Corrective Action: Title I coordinator has attended NYS sponsored "Federal Grants Management Training" training regarding correct procedures relating to administering Federal grants.

ATTACHMENT 1 – POLICY 5410P

SUBJECT: PRINCIPLES OF PURCHASING

<u>Responsibility</u>	<u>Action</u>
Staff Member	1) Determines need for goods/services.
Department Chairperson/Administrator	2) a. Reviews staff/departamental account for sufficient funds. b. If funds are available, issues requisition to principal or appropriate school official.
Principal/Designee	3) a. Makes decision of approval/disapproval. b. If requisition is disapproved, notifies requisitioner. c. If requisition is approved, typed copy of requisition is kept at school and one copy is sent to Purchasing Agent.
Purchasing Agent	4) a. Verifies availability of funds. b. If funds are not available, notifies principal. c. If funds are available, issues purchase order or bids. d. If purchase order is issued, distributes purchase orders to appropriate vendors. e. For bid items, prepares legal notices and specifications. f. Solicits bids from vendors on bid list. g. Opens bids. h. Reviews bids. i. Submits recommendation of lowest bid to the Board of Education.

SUBJECT: PRINCIPLES OF PURCHASING (Cont'd.)

<u>Responsibility</u>		<u>Action</u>
Superintendent	5)	Forwards recommendation of Purchasing Agent to Board of Education.
Board of Education	6)	Acts upon recommendation of Superintendent.
Purchasing Agent	7)	a. Notifies bidders. b. Issues purchase orders.
Principal/Designee	8)	a. Receives goods. b. Checks goods and distributes to requisitioner. c. Returns signed purchase order to Purchasing Agent. d. Authorizes payment.

ATTACHMENT 2 – Grant Fiscal Procedures

- 1.) Each project director completes the FS-10 (financial section of the grant application) and submits same along with the entire grant application to the business office to review the application prior to being submitted. The FS-10 must contain the name and position of each person to be paid from the grant under Code 15 or 16.
- 2.) Upon completion of the review by business office, the project director submits the completed FS-10 to the appropriate State office.
- 3.) When notification is received that the FS-10 has been approved, the project director forwards the approved FS-10 to business office.
- 4.) The business office appropriates approved grant funds to correct W.F.S.D. budget codes, and a sends memo to coordinator detailing these codes.
- 5.) The project director initiates purchase orders for approved goods and services, and contracts for consultants.
- 6.) The payroll department is notified of individuals to be paid (salary) from grant funds.
- 7.) On a monthly basis, beginning the month subsequent to approval, the Business Office will send a detailed report showing the fiscal status (expenditures, encumbrances, unencumbered balances) of all budget codes within the grant to the project director. In addition, the project director will be asked to estimate project expenses for the upcoming month.
- 8.) Upon receipt of the subsequent month's projected expenditures, the Business Office will generate a FS-25 (payment claim form).
- 9.) If the project director needs to amend the project, the FS-10A should be reviewed by the business office prior to submission. If the proposed amendment is for salaries and related benefits, notice should be provided to the payroll department (along with the effective date of change).
- 10.) At the end of the fiscal year, a final detailed report will be sent to the project director, who will review and address any outstanding issues.
- 11.) At the end of the fiscal year the FS-10F (final expenditure report) will be prepared by the Business Office and sent to the project director for review and initials.
- 12.) Upon approval by the project director, the business office will generate a memo to the Superintendent requesting his signature on the FS-10F. The Superintendent will sign and the FS-10F will be submitted to the State.