



Hempstead Union Free School District

Management of District Resources

Report of Examination

Period Covered:

July 1, 2011 — March 31, 2013

2014M-253



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2014

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Hempstead Union Free School District, entitled Management of District Resources. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Hempstead Union Free School District (District) is located in the Town of Hempstead in Nassau County. The District is governed by the Board of Education (Board) which comprises five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is responsible, along with other administrative staff, for day-to-day District management under the Board's direction.

The Assistant Superintendent for Business is responsible for monitoring the District's financial operations and overseeing Business Office operations. The Assistant Superintendent of Personnel is responsible for hiring employees and ensuring that annual evaluations are completed. The Assistant Superintendent for Pupil Personnel Service oversees the Special Education Department. The Deputy Superintendent is responsible for overseeing District administrative functions and processes and special projects that engage multiple divisions. The Information Technology Director is responsible for overseeing the District's technology resources.

The District operates 10 schools with approximately 6,000 students and 700 employees. The District's expenditures for the 2012-13 fiscal year were \$169.5 million, which were funded primarily with State aid and real property taxes. Budgeted appropriations were \$178.8 million for the 2013-14 fiscal year.

Scope and Objective

The objective of our audit was to assess internal controls over the management of District resources for the period July 1, 2011 through March 31, 2013. We also reviewed selected activities related to our audit objective, subsequent to our audit period, which we considered relevant to our audit. Our audit addressed the following related questions:

- Did the Board make sound financial decisions regarding payments to administrators?
- Did the Board ensure that its deliberations and decisions were performed in an open and public manner?
- Did the Board ensure that only qualified employees were appointed?
- Did the District comply with legal requirements relating to students referred for special education services?
- Did the District limit user access to the Student Information System?

Audit Results

The Board did not make sound, transparent financial decisions regarding payments to District administrators. The Board appointed administrators, changed administrators and entered into and changed agreements with no documented plan, reason or clear benefit to the District. The Board approved a confidential separation agreement with the former Superintendent and was not transparent when adopting the resolutions for the current Superintendent's salary. Most of these Board decisions were made at special or emergency meetings. The Board's actions in these matters resulted in the District simultaneously paying two Superintendents a total of \$449,604 during the 2012-13 school year.

The resolution approving the current Superintendent's salary as Consultant to the Board and Interim Superintendent, for the period October 29 through December 31, 2012, established an annual salary of \$60,000 pro-rated. The District actually paid her the equivalent of a \$346,000 annual salary. Likewise, when the current Superintendent was promoted from Interim Superintendent to Superintendent, the Board resolution set her salary at \$210,000 per year. However, she was paid the equivalent of \$390,000 per year. Although District officials subsequently made a series of payroll adjustments, we found that the Superintendent was still overpaid \$32,769 for the 2012-13 fiscal year. In addition, because the Board did not provide clear guidance, a former Deputy Superintendent received two unauthorized payments for 50 vacation days totaling \$34,375. Furthermore, the Board appointed a School Board Assistant, who was paid \$94,658 in vendor payments from July 8, 2011 through September 28, 2012. District officials could not state with certainty what work this individual performed for the District. We question the Board's rationale for the need for this position because the duties appear to mirror those of the District Clerk. Had the Board provided guidance and oversight of the District's payroll and hiring processes, it could have avoided overpayments and unnecessary costs.

The Board has not instituted procedures or scheduled sufficient meetings to ensure that all its decisions and deliberations are performed in a transparent and public manner. While the Board schedules about 13 meetings per year, it actually held a total of 65 meetings during the two-year period from July 1, 2011 through June 30, 2013. Of these meetings, 38 (about 58 percent) were either "special" or "emergency" meetings. These special or emergency meetings were generally called at a time and place where the public was less likely to be able to attend. These meetings often went into executive session, so there was no record of what their actual purposes were. The public has a right to know what the Board's intentions are for the District. By holding these special meetings, the Board denied the public the opportunity to participate in the decision-making process.

District officials also did not ensure that three of the 23 employees we reviewed were qualified for their positions of Community Aide, Homeless Liaison and Assistant Coach. A fourth employee received \$26,668 more in pay than was authorized for her position and performed duties as a Parent Liaison for which she was not qualified. In addition, New York State Education Department regulations stipulate that a non-certified teacher can work a maximum of 40 days as a substitute teacher during the school year. However, four of the seven non-certified substitute teachers that we reviewed worked in excess of this 40-day limit. Combined, they exceeded this limit by 383 days and were paid \$38,250 for these excess days. Because District officials did not ensure that employees were qualified for their jobs, the quality of education and services provided to students could have been negatively impacted. We also found that District officials were not consistent with time record requirements and not all employees were required to account for their time worked. This increases the risk that employees could be paid for time not worked.

District officials did not always ensure that students' special education evaluations were performed properly and did not adequately monitor the services provided to students to ensure that students received all services specified in their Individualized Education Program (IEP). We reviewed records for 24 students who were referred for special education services and found that the District did not fulfill all requirements for providing special education services. For example, while IEPs were developed for 19 of the 24 students,¹ District officials could not provide documentation to show that special education services were provided to these 19 students. Because of these deficiencies, the District cannot ensure that students received all special education services that they required. In addition, special education services costs were more than necessary because District officials did not apply for Medicaid reimbursement for eligible services and did not apply for all available State aid. District officials also did not ensure that professional services were obtained in the most efficient and economical manner, which increases the risk that it could be paying more than necessary for these services.

Finally, the District did not limit user access to its Student Information System (SIS). Nine users had full administrative rights and an additional 24 had significant modification rights to the SIS. Users of two generic accounts had the ability to both view information and modify students' information. Individuals also had access that was not necessary to perform their jobs. Further, network administrators were able to make configuration changes to the SIS servers and their supporting systems without seeking management approval. No one was assigned to monitor their activities. These weaknesses increase the risk that District information could be compromised.

Comments of District Officials

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our findings and recommendations and indicated they plan to initiate corrective action.

¹ The District's Committee on Special Education determined five students were ineligible for special education services.

Introduction

Background

The Hempstead Union Free School District (District) is located in the Town of Hempstead in Nassau County. The District is governed by the Board of Education (Board) which comprises five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools (Superintendent) is responsible, along with other administrative staff, for day-to-day District management under the Board's direction. The Assistant Superintendent for Business is responsible for monitoring the District's financial operations and overseeing Business Office operations. The Assistant Superintendent of Personnel is responsible for hiring employees and ensuring that annual evaluations are completed. The Assistant Superintendent for Pupil Personnel Service oversees the Special Education Department. The Deputy Superintendent is responsible for overseeing District administrative functions, processes and special projects that engage multiple divisions. The Information Technology Director is responsible for overseeing the District's technology resources.

The District operates 10 schools with approximately 6,000 students and 700 employees. The District's expenditures for the 2012-13 fiscal year were \$169.5 million, which were funded primarily with State aid and real property taxes. Budgeted appropriations were \$178.8 million for the 2013-14 fiscal year.

Objective

The objective of our audit was to assess internal controls over the management of District resources for the period July 1, 2011 through March 31, 2013. Our audit addressed the following related questions:

- Did the Board make sound financial decisions regarding payments to administrators?
- Did the Board ensure that its deliberations and decisions were performed in an open and public manner?
- Did the Board ensure that only qualified employees were appointed?
- Did the District comply with legal requirements relating to students referred for special education services?
- Did the District limit user access to the Student Information System?

Scope and Methodology

We assessed the District's financial operations and controls over the Student Information System for the period July 1, 2011 through March 31, 2013. We also reviewed selected activities related to our audit objective subsequent to our audit period which we considered relevant to our audit. Our audit found additional areas in need of improvement concerning information technology controls. Because of the sensitivity of some of this information, certain vulnerabilities are not addressed in this report but have been communicated confidentially to District officials so that they could take corrective action.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our findings and recommendations and indicated they plan to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3) (c) of the New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

District Administrators

The Board is responsible for the general management and control of the District's financial and educational affairs. Accordingly, the Board has a fiduciary responsibility to District residents to make diligent and prudent decisions that are transparent and in the District's best interest. To ensure that employees receive the compensation and benefits the Board intends for them to receive, the Board must clearly define and authorize such payments. Additionally, District officials should ensure that they only create positions that are necessary to maintain normal business operations.

The Board did not make sound, transparent financial decisions regarding payments to District administrators. The Board appointed administrators, changed administrators and entered into and changed agreements with no documented plan, reason or clear benefit to the District. The Board approved a confidential separation agreement with the former Superintendent and was not transparent when adopting the resolutions for the current Superintendent's salary. Most Board decisions were made at special or emergency meetings. The Board's actions in these matters resulted in the District simultaneously paying two Superintendents a total of \$449,604 during the 2012-13 school year. In addition, because the Board did not provide clear guidance, a former Deputy Superintendent inappropriately received two unauthorized payments for 50 vacation days totaling \$34,375. Finally, the Board appointed a Board Assistant, who was paid \$94,658 in vendor payments from July 8, 2011 through September 28, 2012. District officials could not state with certainty what work this individual performed for the District.

Two Superintendents

The Board must ensure that its decisions are made in an open and transparent manner and are in the best interest of the District's students and taxpayers. The Board is responsible for negotiating the Superintendent's salary and benefits and approving any salary changes. The Board should approve contracts and resolutions that clearly define salary and benefits and must ensure that officials are paid according to the terms of those employment contracts or resolutions.

Superintendent – At an emergency meeting on October 22, 2012, the Board passed a resolution appointing the current Superintendent as Consultant to the Board to provide guidance to the Board and work with the outgoing Superintendent. On November 1, 2012, at another emergency meeting, the Board appointed the current Superintendent as Interim Superintendent effective November 3 through December 31, 2012 at an annual salary of \$60,000 pro-rated. On December

7, 2012, during a special meeting, the Board passed a resolution stating that the Board would promote the Interim Superintendent to Superintendent and increase her annual salary from \$60,000 to \$210,000. On May 23, 2013, the Board approved a four-year written employment agreement between the District and the Superintendent.

The Board did not make sound financial decisions regarding these payments and was not transparent about salary amounts paid to the Superintendent. In addition, the former Board President provided inaccurate instructions to the payroll department, resulting in overpayments to the Superintendent. The resolution appointing the Superintendent as Consultant to the Board set her annual salary as \$60,000, pro-rated. That amount should have equated to \$2,307 per pay period. Instead, during the consultancy and Interim Superintendent period, the District paid the Superintendent \$13,333 biweekly, which equates to an annual salary of \$346,667.²

District officials told us that the calculation for the \$13,333 biweekly payments to the Superintendent was based on instructions from the former Board President. The calculation shows that the \$60,000 was divided among four and one half pay periods³ from October 29 through December 31, 2012, resulting in \$13,333 on a biweekly basis. This is about \$11,000 more per paycheck than should have been paid. Figure 1 shows payments made to the Superintendent during the 2012-13 school year.

² Annual salary calculated as \$13,333.33 times 26 biweekly pay periods

³ The Interim Superintendent's term of appointment was initially effective until December 31, 2012.

Figure 1: Payroll Payments to Superintendent

Fiscal Year 2012-13				
Payroll Date	Annual Salary Per Resolution or Contract	Biweekly Calculation per Resolution or Contract ^a	Actual Amount Paid	Overpayments
11/09/12	\$60,000.00	\$2,307.69	\$13,333.33	\$11,025.64
11/21/12	\$60,000.00	\$2,307.69	\$13,333.33	\$11,025.64
12/07/12	\$60,000.00 ^b	\$2,884.63	\$13,333.33	\$10,448.70
12/21/12	\$210,000.00	\$8,076.92	\$13,333.33	\$5,256.41
01/04/13	\$210,000.00	\$8,076.92	\$13,333.33	\$5,256.41
01/04/13	\$210,000.00		\$4,061.39	\$4,061.39 ^c
01/18/13	\$210,000.00	\$8,076.92	\$15,000.00	\$6,923.08
02/01/13	\$210,000.00	\$8,076.92	\$15,000.00	\$6,923.08
02/15/13	\$210,000.00	\$8,076.92	\$15,000.00	\$6,923.08
03/01/13	\$210,000.00	\$8,076.92	\$4,149.87	(\$3,927.05)
03/15/13	\$210,000.00	\$8,076.92	\$4,149.87	(\$3,927.05)
03/22/13	\$210,000.00	\$8,076.92	\$4,149.87	(\$3,927.05)
04/12/13	\$210,000.00	\$8,076.92	\$4,149.87	(\$3,927.05)
04/26/13	\$210,000.00	\$8,076.92	\$4,149.87	(\$3,927.05)
05/10/13	\$245,000.00 ^b	\$9,153.86	\$4,149.87	(\$5,003.99)
05/24/13	\$245,000.00	\$9,423.08	\$4,149.87	(\$5,273.21)
06/07/13	\$245,000.00	\$9,423.08	\$6,841.70	(\$2,581.38)
06/21/13	\$245,000.00	\$9,423.08	\$6,842.59	(\$2,580.49)
Totals		\$125,692.31	\$158,461.42	\$32,769.11
^a Biweekly payment calculated as annual salary divided by 26 pay periods per year. ^b Annual salary changed within the pay period. Payment based on allocation between the two rates. ^c The \$4,061.39 was a manual check that was generated to increase the two prior payroll payments to \$15,000 plus an increase for an additional day. (\$1,666.67 + \$1,666.67 + \$728).				

Upon being appointed Superintendent, the base salary increased to \$210,000 per year, which is equal to 26 biweekly payments of about \$8,077. However, the biweekly salary payment increased to \$15,000. The \$15,000 was calculated by dividing \$210,000 by the 14 pay periods during the period December 7, 2012 through June 30, 2013, equating to an annual salary of \$390,000 instead of \$210,000, as stated in the resolution. The Superintendent continued receiving \$15,000 for the next five pay periods.⁴ In March 2013, the Superintendent's biweekly salary decreased to \$4,150. District officials told us that this was at the Superintendent's direction. However, the Superintendent failed to notify the Board of the overpayments or subsequent decrease in pay. We question why the former Board President misinformed the payroll department about the interpretation of the resolution and why the Superintendent failed to inform the Board of the overpayments. Despite the decrease in pay, we calculate that she was overpaid \$32,769 for the 2012-13 school year.

⁴ The Superintendent received an additional paycheck to retroactively increase two \$13,333 payments to \$15,000.

In addition, after negotiating and approving the Superintendent's contract, the Board made contract changes which gave the Superintendent additional benefits with no clear benefit to the District. The Superintendent's contract, approved on May 23, 2013, states that "the parties have negotiated the terms of the agreement with the awareness that the District is paying for two salaries for the Superintendent's position, which requires the District to be cost conscious." The contract further states that she is an "ideal candidate for this job because she does not need supplemental pay upon retirement in the form of banked sick days or vacation days and thus is willing to lead by example."

The Superintendent's contract specifically states that unused vacation, sick and personal days will be banked,⁵ but shall not be paid out if not used. However, on July 9, 2013, at an emergency meeting in the Superintendent's office, the Board passed a resolution to pay out the cash value of 16 vacation days instead of banking those days. The District paid the Superintendent \$16,667 for these days on July 19, 2013. The Board resolution states that the Superintendent was unable to take any vacation days and indicates that the resolution modifies the contract's terms. The Board did not explain how it benefited the District to enhance a contract which the Board had considered "fair, reasonable and in the best interest of the District" when approving it about six weeks earlier, or why the approval of this benefit was considered a District emergency.

Former Superintendent – The District entered into a three-year employment agreement with the former Superintendent on June 9, 2009 that was effective August 1, 2009 through August 1, 2012. An amendment was signed on June 10, 2011 extending the term of the original contract to July 31, 2014 and enhancing certain provisions, including leave accruals. On October 19, 2012, at a special meeting,⁶ the Board approved a 22-page "amicable separation agreement" with the former Superintendent. Pursuant to this agreement, the former Superintendent resigned effective November 2, 2012. The Board did not provide any explanation of what agreement the Board was approving, why this agreement was necessary or why the agreement was in the District's best interest. Instead, the agreement contained a confidentiality clause stating that the "existence and terms of the agreement are and shall be deemed confidential."

⁵ The contract states that unused vacation days will be converted to "banked sick days for the purpose of protection against the risk of lost time from work on account of personal sickness."

⁶ This special meeting was called with less than 24 hours' notice and, once commenced, immediately went into executive session. The Board came out twice to pass resolutions regarding, among other things, the former Superintendent's separation agreement and resignation.

The separation agreement states that the District would provide severance benefits through December 31, 2013, including a continuation of the former Superintendent's \$237,543 salary, a \$44,539 lump sum payment of her accrued leave and health insurance coverage for up to 14 months. If the former Superintendent obtained employment after July 1, 2013 but prior to December 31, 2013 with a salary lower than \$237,543, the District agreed to pay her the difference in salary.

All payments to the former Superintendent were made in accordance with the separation agreement. The District paid the former Superintendent's salary through December 31, 2013, although it reduced the payments in July 2013.⁷ In total, the District paid the former Superintendent \$291,143 and also paid the current Superintendent \$158,461 during the 2012-13 school year.

The Board has not made sound financial decisions in the District's best interests. The Board's practice of entering into agreements and then changing them with no clear benefit to the District or the taxpayers and approving resolutions in special and emergency meetings is not transparent or in the District's best interest. Due to the Board's actions, the District paid two Superintendents simultaneously for over one year and overpaid the current Superintendent by \$49,436 in salary and unused leave payments.

Leave Accruals

Leave accruals represent time off earned by employees. The Board must adopt policies and procedures to ensure that employee leave benefits are properly provided, used and accounted for. Written policies, individual employment contracts and collective bargaining agreements should clearly stipulate each employee's entitlement to leave benefits. A verification process should ensure that earned and used leave time is properly tracked for each employee and the record of leave allowances is accurate so that employees only receive the benefits that they are entitled to. Periodic reviews of leave accrual records and balances can help ensure that employees receive and use only the leave to which they are entitled.

The District's Deputy Superintendent and Assistant Superintendents do not have individual contracts or belong to a collective bargaining unit. District officials told us that the Deputy Superintendent and Assistant Superintendents follow the terms and provisions of the School Administrators' Association (SAA) contract⁸ but did not provide us with a Board resolution authorizing this practice. The current SAA contract⁹ and District policy state that vacation days must be used annually and

⁷ For the six months between July 1 and December 31, 2013, the Superintendent was paid \$25,022 for the difference between \$237,543 and her new salary of \$187,500.

⁸ The SAA contract specifically excludes the Deputy and Assistant Superintendents.

⁹ The original contract makes no reference to payment of unused vacation days. The original contract states that vacation days are to be taken during July and August.

may only be accumulated in the following school year upon the Superintendent's written approval. Administrators hired after the agreement was ratified would be compensated for a maximum of 20 days at their current pay rate, upon separation of service.

We reviewed leave accrual records for the seven District administrators¹⁰ who did not have employment contracts with the District or belong to a collective bargaining unit. We reviewed leave accrual balances and vacation payouts for accuracy and to determine if they were following the terms of the SAA contract and District policy. Six of the seven administrators received benefits totaling \$48,541 that were not in accordance with the SAA contract or District policy.

Deputy Superintendent – The Deputy Superintendent was initially appointed Assistant Superintendent of Personnel (ASP) effective December 18, 2009. On October 18, 2012, the Board accepted the ASP's resignation for retirement, effective November 16, 2012, but he did not actually retire. On December 20, 2012, the Board approved the Superintendent's recommendation to accept the ASP's resignation effective January 1, 2013, which was contingent upon the Board appointing him to a probationary position as Deputy Superintendent. At that same Board meeting, the Board appointed him to a three-year probationary position as Deputy Superintendent effective January 1, 2013.

The Deputy Superintendent had a balance of two vacation days at the end of the 2010-11 school year and a balance of 19 days at the end of the 2011-12 school year.¹¹ There was no written request to the Superintendent or approval from the Superintendent at the end of either year to carry forward these unused leave days and no days were carried over. On October 16, 2012, the former Superintendent instructed payroll personnel to credit the Deputy Superintendent's vacation bank with all unused vacation days for the 2010-11 and 2011-12 school years. This memo was not written until the 2012-13 school year and did not mention a payout for the days. He was paid \$24,063 for 35 vacation days on November 9, 2012. On December 21, 2012, the current Superintendent sent a memorandum to the Assistant Superintendent of Business instructing him to execute payment for an additional 15 vacation days for the Deputy Superintendent. A second payment for \$10,312 was made on that same day for 15 vacation days. However, the Deputy Superintendent only had nine days accrued;

¹⁰ The seven administrators include the Deputy Superintendent, current and former Assistant Superintendents for Business, current and former Assistant Superintendents for Curriculum, the Assistant Superintendent for Pupil Personnel Services and the Assistant Superintendent of Personnel.

¹¹ This time was earned when the Deputy Superintendent served as ASP.

therefore, he was paid for six more vacation days than he had earned, valued at \$4,125.

There is no provision in the District's policy to make payment for vacation leave other than at termination or retirement, and the Superintendent has no authority to authorize payments that are not in accordance with Board-authorized contracts and policies. The Deputy Superintendent should not have been paid for these vacation days. As a result, within a 42-day period, the Deputy Superintendent inappropriately received two payments for 50 unused vacation days totaling \$34,375, including \$4,125 for six days more leave than he earned.

In addition, the Deputy Superintendent was awarded six personal days each year. However, there is no provision in the SAA contract or in District policy for automatically granting such leave accruals. According to the contract, members must submit a request to the Superintendent and obtain approval for paid personal leave. We found no evidence that any such request was submitted or approved by the Superintendent. Further, five and one half unused personal days, valued at \$3,781, were improperly added to the Deputy Superintendent's unused accumulated sick leave. The practice of adding unused personal days to accumulated sick leave will result in excess sick leave payout upon retirement.

Assistant Superintendents – The Assistant Superintendents also follow the provisions of the SAA contract. On May 24, 2013, the District paid one of its Assistant Superintendents \$6,250, representing 10 unused vacation days. The Superintendent approved the payment. However, District policy and the SAA contract authorize the Superintendent to approve the carryover of vacation time, not the payment of vacation time. Only the Board has the power to authorize such payments.

In addition, five Assistant Superintendents were awarded six personal days annually. According to the SAA contract, individuals must submit a request to the Superintendent and obtain approval for paid personal leave. We found no evidence that any such request was submitted or approved by the Superintendent. Furthermore, three Assistant Superintendents were allowed to carry over a combined total of seven unused personal days from June 30, 2011 to the following year. These days, valued at \$4,135, were added to their July 1, 2011 unused accumulated sick leave.

Because District officials did not follow the contractual provisions, Deputy and Assistant Superintendents were inappropriately paid \$40,625 for vacation leave and obtained 12.5 personal days valued at \$7,916 that were later credited to sick leave that will eventually be paid upon retirement.

School Board Assistant

The Board has the power to appoint an individual as District Clerk (Clerk). The Clerk is responsible for recording the proceedings of all Board meetings, giving the required notice of every annual Board meeting and keeping and preserving all records, books and papers belonging to this office. The Clerk also performs all the clerical and other duties pertaining to this office. The Clerk's salary is normally determined at an annual Board meeting.

The basic distinction between an employee and an independent contractor is that an employee undertakes work under the employer's direction as to how to accomplish the work. Employees have their work hours and duties fixed by their employer, and they are compensated by salary. An independent contractor, on the other hand, agrees to undertake work but is not subject to the employer's orders regarding how to perform that work. A school district generally does not dictate an independent contractor's work hours or provide work space, equipment or other resources to perform the agreed-upon services.

On July 5, 2011, the Board appointed an individual to serve as a School Board Assistant for the 2011-12 school year at an annual salary of \$78,957. From July 8, 2011 through September 28, 2012, the District made \$94,658 in vendor payments¹² to the School Board Assistant. District officials could not state with certainty what work this individual performed for the District and told us that she worked with the Clerk and reported directly to the Board. We question the need for this position since the Board had a Clerk and the position mirrors the Clerk's role. The Board President told us that the creation of this position was a mistake and, therefore, the position was terminated.

In addition, although the resolution appointing this individual lists the compensation as salary, the individual was paid through the District's claims process. The characteristics of her work arrangement appear to indicate that the individual should have been hired as an employee. This individual's name was included on District letterhead. She also reported for work at the District during normal business hours for full days and signed in on the District's timesheet, where she was listed as an employee. She had her own logon credentials in the District's network and used the District's computer. Moreover, vendor invoices showed that the individual billed the District using District letterhead and her 1099 showed that she used the District's office address as her home address. This individual was paid a set amount every two weeks in conjunction with the District's payroll cycle.¹³

¹² Although the School Board Assistant was paid as an independent contractor, the appointing resolution listed her compensation as salary.

Because District officials were not certain what this individual was responsible for and it appears that her duties mirrored those of the Clerk, the School Board Assistant position was a questionable use of taxpayer money. Further, because she was hired as an independent contractor rather than an employee through the competitive Nassau County Civil Service process, there is no assurance that she met the qualifications for a clerical position at the District.

Recommendations

The Board should:

1. Investigate the questionable payments made to employees and the questionable credits to accruals and attempt to recover any unauthorized payments.
2. Make sound financial decisions that are in the best interest of the District when hiring and entering into agreements with administrators.
3. Ensure that all resolutions are clearly written so that the public and District employees can understand the Board's true intent.
4. Adopt a policy to provide guidelines or establish individual contracts for employees who do not belong to collective bargaining units.
5. Refrain from approving confidential agreements and ensure that all employment agreements and separation agreements are available to the public and approved at regular meetings.

The Superintendent should:

6. Refrain from authorizing payments that are not in accordance with employment contracts and District policy.

District officials should:

7. Establish procedures to ensure that employee leave accrual records are accurate.

The Board should:

8. Only appoint individuals to positions that are necessary for normal business operations.

¹³ Based on memoranda attached to claims vouchers, when additional hours are worked, over 60, but not claimed during any pay period, will be "banked" for future withdrawal.

9. Determine whether an individual is an employee or independent contractor prior to making an appointment, and clearly state this designation in the Board minutes and the employee or professional services contract.

School Board Transparency

It is important that the majority of a board's deliberations and decisions be performed in an open and public manner so that citizens may be fully aware and able to observe the performance of public officials. Citizens also should be able to attend and listen to the deliberations and decisions that go into the making of public policy. The New York State Open Meetings Law (OML) requires that almost all of a board's work be performed in meetings that are open to the public. The OML also provides specific requirements for discussing matters outside the public meeting in executive session. A board is responsible for notifying the public in advance of meetings. The New York State Department of State's Committee on Open Government is the body authorized to issue advisory opinions on the OML.

The Board should schedule a sufficient number of regular meetings to conduct District business so that it can avoid holding meetings with short notice. Although the OML does not make reference to special or emergency meetings, it is unreasonable to conduct meetings on short notice unless there is some necessity to do so. Therefore, the matter to be discussed at special or emergency meetings must be of an urgent nature so that waiting for the next regularly scheduled meeting would cause an undue hardship or imminent threat to property or life. In addition, scheduling meetings in advance allows the public and officials to plan and prepare for meetings beforehand, is less disruptive to District managers' schedules and allows for more effective governance.

The Board has not instituted procedures or scheduled sufficient meetings to ensure that all of its decisions and deliberations are performed in a transparent and public manner. While the Board schedules about 13 meetings per year, it actually held a total of 65 meetings during the two-year period from July 1, 2011 through June 30, 2013. Of the 65 meetings, 38 (about 58 percent) were either "special" or "emergency" meetings.¹⁴ For example, between July 23 and August 13, 2012 (21 days), the Board held five special meetings. Seven¹⁵ of the 10 meetings during the last three months of 2012 were either special or emergency meetings. In addition to providing little advance notice, the majority of these special and emergency meetings are called during morning hours or early afternoon hours, making public attendance difficult. Moreover, 21 of the 38 special or

¹⁴ Two were considered emergency meetings and 36 were considered special meetings.

¹⁵ Two were considered emergency meetings and five were considered special meetings.

emergency meetings were conducted in the Superintendent's office, where there is no public seating.

The Board's reason for calling an emergency or special meeting was not always evident, and the Board often conducted business that did not appear to be of any real urgency. The Board often made multiple personnel appointments at these meetings that would be more appropriately made at a regular meeting. For example, the Board called a special meeting on May 29, 2013. Actions taken at this meeting included awarding two bid contracts, abolishing a bank account and taking several personnel actions, such as the routine acceptance of resignations, terminations and leaves of absences. Absent an actual emergency, it would have been more appropriate that these matters be discussed and approved at the regularly scheduled monthly meeting.

An executive session is a portion of the Board meeting that is not open to the public. The OML permits executive sessions only for limited specific purposes. The Committee on Open Government has repeatedly advised officials that a motion to enter executive session to discuss "personnel matters" is not sufficient grounds to convene behind closed doors. Most of the Board's special and emergency meetings would immediately convene into executive session to discuss personnel matters. Because the motion to enter into executive session does not contain sufficient specific information, it is not clear if the Board had a proper reason for entering executive session or if it was using executive session to avoid public scrutiny. For example, the Board held an emergency meeting on August 10, 2012¹⁶ at 1:12 p.m. in a teachers lounge and immediately convened to executive session "to discuss personnel." Upon coming out of executive session at 3:03 p.m., the only resolution passed was to appoint a law firm as special counsel for the Board. According to the minutes, no other matters were discussed or other action taken. Therefore, not only does it appear that the Board did not discuss any particular personnel matter, there was no indication in the resolution that the appointment of the law firm was so urgent that it could not have taken place at the monthly Board meeting.

Open meeting procedures serve to keep District business open to the public. The Board's practice of routinely calling special and emergency meetings, rather than conducting business at regularly scheduled meetings, and entering into executive session without sufficient grounds is not transparent. In addition, calling Board members and staff to meetings with short notice is disruptive to District operations and is not an effective method for proper decision making.

¹⁶ Each Board member signed a waiver for the 24 hours' written notice requirement for this meeting.

Recommendations

The Board should:

10. Consider scheduling additional meetings to allow Board members, District managers and residents to prepare for and attend scheduled meetings.
11. Discontinue its practice of calling special and emergency meetings unless an urgent condition occurs. The reason for an urgently called meeting should be apparent in the Board's minutes, and other routine business should wait for the regular meeting.

The Board and its legal counsel should:

12. Review the OML and consult with the Committee on Open Government to ensure that the Board only enters executive session for proper purposes and only after passing a proper motion.

Personnel Practices

The intent of most hiring policies and procedures is to ensure there is open competition for available positions and that the most qualified individuals are appointed to protect the District's interests. It is important for the District to maintain personnel files that contain all necessary data for each employee, including professional certifications, copies of degrees or transcripts and annual evaluations. If these files lack the necessary documents, the District does not have adequate assurance that its employees are qualified. Additionally, properly designed and maintained time and attendance records are an important component of good internal controls over payroll costs. Without proper time records, employees may be paid for hours not worked.

The District needs to improve controls over its personnel practices. Three of the 23 employees that we reviewed were not qualified for their positions. In addition, a fourth employee received a higher rate of pay than is authorized for her position and performed duties for which she was not qualified. We also found that, while a non-certified substitute teacher must not work more than 40 days during the school year, four of the seven non-certified substitute teachers we reviewed exceeded this limit by a combined total of 383 days. These individuals were paid \$38,250 for these excess days. Further, the District was not consistent with time record requirements. Of 15 employees required to record their start and end times on their time records, only six did so.

Employee Qualifications

Teachers, administrators and pupil personnel service providers are required to hold a New York State certificate to be employed in a public school. The certificates certify that an individual has met required degree, coursework, assessment and experience requirements. Positions that do not require a certification from the New York State Education Department (SED) are generally filled using Nassau County Civil Service lists.

We reviewed a sample of 23 District employees¹⁷ and found that three did not have the necessary qualifications for their positions. A fourth employee, classified as a Community Aide, received a higher rate of pay than listed for the position and performed duties for which she was not qualified.

¹⁷ We judgmentally selected our sample based on unusual or unique job titles.

- Employee 1 – This employee was hired as a Homeless Liaison in November 2011. The minimum qualification for this position is a bachelor's degree. We found no evidence, such as a copy of a diploma or college transcripts, that this employee has a bachelor's degree. The SED website shows that this person self-reported obtaining a bachelor's degree; however, SED does not verify self-reported information. Total reported college credits were 92, less than the amount generally required for a bachelor's degree. Therefore, District officials have no assurance that this employee met the minimum qualifications for the position of Homeless Liaison.
- Employee 2 – This employee was hired as an Assistant Coach from November 13, 2012 through March 17, 2013. SED guidelines state that a certified physical education teacher, or a certified teacher in any area with coaching qualifications and experience, can be appointed as a coach. When certified teachers with coaching qualifications and experience are not available, a district may hire an individual with a temporary coaching license, which is valid for one year. This individual's temporary coaching license expired on August 31, 2010. District officials could not explain how this individual was hired to a coaching position without the required license.
- Employee 3 – The Community Aide position requires, at a minimum, the completion of elementary school. Maturity and experience with children and community organizations are desirable. This employee was appointed as Community Aide on January 2, 2013. However, District officials could not provide an application showing Nassau County Civil Service approval to appoint this employee and her employment application provided no documentation of experience with children or community organizations. District officials have no assurance that this employee met the minimum qualifications for this position.
- Employee 4 – This employee is classified as a Community Aide, which has a maximum salary of \$33,332. However, this employee was paid \$60,000¹⁸ per year as a 10-month employee. In addition, the resolution appointing the employee establishes a salary of \$50,000 rather than \$60,000. District officials told us that this employee's main functions are parallel to those of a Special Assistant for Community Relations, internally known as a Parent Liaison. However, the minimum qualifications for this position are a bachelor's degree and

¹⁸ This does not include a stipend of \$2,005 for coaching cheerleading.

one year of social work experience. This employee does not have these qualifications. The Superintendent stated that, although this employee does not have a bachelor's degree, she does her work effectively. We question how District officials measure this employee's effectiveness since they have not completed a formal evaluation for her since 2005. Furthermore, officials could not provide any documentation to support what work she performs or how her salary, which is \$26,668 higher than the maximum allowed for a Community Aide, was determined. While it is the Personnel Department's responsibility to determine employee salaries based upon salary schedules and Board resolutions, District officials told us that this employee's salary was set by the Superintendent.

The Personnel Department did not verify education and certifications prior to appointment, obtain Nassau County Civil Service approval and ensure that employees are properly classified and compensated according to their job titles. Therefore, District officials have no assurance that these four employees were qualified for these positions. In addition, one of the four employees received \$26,668 more in annual salary than authorized by the collective bargaining agreement.

Substitute Teachers

SED regulations require that substitute teachers without a valid teaching certificate and who are not working towards certification cannot substitute for more than 40 days in a school year. Substitute teachers without a valid certificate, but who are completing collegiate study towards certification at the rate of not less than six semester hours per year, can substitute in any capacity, for any number of days, in any number of school districts. The District pays substitute teachers \$125 per day for a certified teacher and \$100 per day for a non-certified teacher.

The Board used 13 non-certified substitute teachers for the 2012-13 school year.¹⁹ We randomly selected seven of the 13 employees, who were paid a combined total of \$71,913, to determine if they were working within the limits established by SED regulations. Four of the non-certified substitute teachers worked in excess of the 40-day limit. For example, one substitute worked a total of 154 days during the school year, an excess of 114 days. In total, these individuals worked 383 days in excess of the limit, for which they were paid \$38,250. In addition, another non-certified substitute was incorrectly paid a daily rate of \$125, which is \$25 more than the allowed amount of \$100, for 114.5 days, which cost the District an additional \$2,863. District officials could not explain why this non-certified substitute was paid at the higher rate of \$125.

¹⁹ These 13 employees were paid a total of \$114,749.

Because the District did not track days worked, non-certified substitute teachers were able to work more than the 40-day limit allowed under SED regulations, which may have adversely affected the quality of education provided to students. Additionally, the District overpaid a non-certified teacher \$2,863.

Time Records

An important component of accounting for employees' time worked is maintaining a system that accurately captures the time employees report to work and the time their shifts end. To ensure the integrity of an employee's daily sign-in sheets, each employee's direct supervisor should review and approve daily sign-in sheets.

We reviewed time records for 22²⁰ of the 23 employees included in our sample. District officials have not consistently applied record keeping requirements. The District does not have a payroll system that accurately records the number of hours employees work each day. For example, daily sign-in sheets did not require seven of the 22 employees to list start and end times. Of the 15 employees required to record their start and end times, only six did so. Four employees recorded only their start times. The remaining five employees failed to provide start and end times and instead entered a check mark in the designated "Time In" and "Time Out" columns on the daily sign-in sheets. Supervisors approved these sign-in sheets without requiring employees to complete them.

We also found that an employee, classified as an Administrator on Special Assignment, was certifying time records for the Registration Department, including his own time records. This employee's time records were not signed by his supervisor, the Superintendent.

Because the District allowed each department to prepare its own time sheet, there is no consistency in the way employees record their time worked. In addition, supervisors are not reviewing and ensuring that employees are completing the daily sign-in sheets accurately and completely, as required. Therefore, there is an increased risk that employees could be paid for time not worked.

Recommendations

District officials should:

13. Develop comprehensive procedures to hire and retain the most qualified employees, including ensuring and documenting that employees meet the minimum education, experience and certification requirements for their positions and ensure that employees receive an appropriate salary based on contracted rates or salary schedules and receive an annual evaluation.

²⁰ One employee was a coach who was not required to submit timesheets because he was paid a fixed amount per season.

14. Develop and implement procedures to ensure that non-certified substitute teachers do not work more than 40 days per school year, as prescribed by SED regulations.
15. Develop and implement a standard time sheet for all departments to ensure that an employee's entire work day has been documented and subsequently approved.

Special Education Services

Federal and State laws and regulations require that school districts provide special education programs for students with disabilities. Special education refers to specially designed individualized or group instruction or special services or programs to meet the unique needs of students with disabilities. A student can be referred to a district's Committee on Special Education (CSE) for special education services. The CSE arranges for an evaluation of the student's abilities and needs and decides if the student should receive special education services and programs. An appropriate Individualized Education Program (IEP), based on evaluation results, is then developed which identifies the services to be provided. Federal and State laws and regulations require that students who are referred for special education services are evaluated appropriately and that the students receive the services as specified in their IEPs. To help with the additional cost of special education services, it is possible for school districts to obtain partial Medicaid reimbursement for many services that are provided to Medicaid-eligible students. In addition, districts may be eligible for public and private high cost aid reimbursement. Many special education services are provided by professionals contracted by the District, so it is important that District officials obtain these services as economically as possible and monitor the services provided to students.

District officials did not always ensure that students' special education evaluations were performed properly and did not adequately monitor the services provided to students to ensure that they received all services specified in their IEPs. We randomly selected 24 students out of the 204 who were referred for special education services and found that all required members were not present at the CSE meeting for one referral and that District officials did not have any documentation showing who attended another. Evaluations were not completed within the 60-calendar day requirement for four referrals. Additionally, all tests which are required to evaluate a student's abilities and needs were not performed for six referrals.

While IEPs were developed for 19 of the 24 students in our test,²¹ District officials could not provide documentation to show that special education services were provided to any of these students. If services are not provided as specified in the IEPs, the IEPs will be ineffective in meeting special education students' needs and the District may

²¹ The District's CSE determined five students were ineligible for special education services.

be paying for services that have not been provided. Finally, special education services cost the District more than necessary because the District did not apply for Medicaid reimbursement for eligible services, did not apply for all available State aid and did not ensure that professional services were obtained in the most efficient and economical manner.

Compliance with State Education Department Regulations for IEP

SED regulations require that the Board establish a CSE to ensure the timely evaluation and placement of students. Districts must develop and implement an IEP, containing certain prescribed elements, for each student with an identified disability and implement the IEP in a timely manner. Regulations also require that districts ensure that teachers and other providers are aware of their responsibilities for delivering IEP services and that students actually receive their prescribed special education services.

The Pupil Personnel Services Department (PPS) provided a list of 204 students who were referred for special education services for the 2012-13 school year. We randomly selected 24 students from this list to determine if all requirements were met with regard to IEP timelines. The District did not fully comply with SED regulations for evaluation and implementation of IEPs.

Committee on Special Education Members – CSE members include parents, a special education teacher and a regular classroom teacher. The CSE holds an initial referral meeting where it considers the evaluation testing and other student information to determine if a student is eligible for special education. All members of the CSE must attend the meeting; an exception can be made if the parent and District agree, in writing, that the attendance of a member is not necessary. Regulations allow the use of individual or conference telephone calls to ensure that at least one parent is present at each CSE meeting.

We reviewed sign-in sheets for the initial evaluation meetings for referrals to determine if all required members attended the CSE meetings. One of the 24 CSE meeting sign-in sheets was missing; therefore, District officials have no evidence that all required CSE members were present at this meeting. A parent was not present at the initial meeting, as required, for another referral. Sign-in sheets indicated that all required members were present for the remaining 22 referrals. Because all members were not present at one of these meetings and there is no evidence for another meeting, these meetings may not have been as effective as possible in evaluating the needs of the students.

Timeliness of Evaluations – Regulations require that a student evaluation be completed within 60 calendar days of the CSE's receipt

of parental consent unless extended in writing by mutual agreement of the parents and the District. Four of the 24 student evaluations (17 percent) were not completed within the 60-calendar day requirement. These evaluations took 99, 76, 72 and 64 calendar days to complete. The referral which took 76 days to complete was originally scheduled for October 29, 2012, the day on which Hurricane Sandy hit Long Island. District officials could not explain why the other three referrals were not evaluated within the required time frame. Because District officials did not comply with regulations requiring the District to complete evaluations within 60 days, these students could have experienced delays in receiving required services.

Completeness of Student Evaluations – Regulations require that specific tests be performed including a physical examination, an individual psychological evaluation, a social history, an observation of the student in the student’s learning environment and other appropriate assessments or evaluations. We found that not all of the required tests were performed for six of the 24 referrals (25 percent). Five students did not have any record of a physical examination and one student did not have a classroom observation. The sixth student also had no record of a social history evaluation. When all required tests are not performed, there is risk that an incomplete IEP may be developed and ultimately the student may not receive necessary services.

Assurance That Services are Provided – Regulations require that school districts ensure that students are receiving the services contained in their IEPs. The District did not have procedures in place to ensure that all IEP services were provided to the students. For example, District officials did not collect and maintain session notes from service providers and in-house counselors to monitor a student’s progress and ensure that needed services were provided. District officials could not provide records to support that all special education services were provided to any of the 19 students in our sample for whom IEPs were developed. Although District officials told us that service providers maintain paper records, the records were not available for review. District officials also did not use electronic recordkeeping features available through one of the District’s software programs that allows service providers and District officials to store notes. Using logs that detail individual IEP service sessions could produce direct and more readily available evidence to ensure that students are receiving the required special education services and allow District officials to monitor students’ progress.

Because the District does not have a procedure in place to ensure that special education services outlined in individual IEPs are provided to students, there is no assurance that these students are actually receiving these services. If services are not provided as specified, the

Medicaid and High Cost Aid Reimbursements

IEPs will be ineffective in meeting special education students' needs. In addition, there is an increased risk that the District will pay for services that students did not receive.

School districts are able to obtain partial federal reimbursement for diagnostic and health support services provided to eligible students with IEPs and for case management review. The District may also obtain high cost State aid reimbursement. The District has not filed for any Medicaid reimbursement and has only filed for State aid reimbursement for students receiving services outside the District. This has resulted in a significant loss of revenue to the District.

Medicaid Reimbursement – The Medicare Catastrophic Coverage Act of 1988 made it possible for school districts to obtain partial Medicaid reimbursement for many special education services that they provide to Medicaid-eligible students. SED and the New York State Department of Health (DOH) jointly established the School Supportive Health Services Program (SSHSP) to help school districts obtain Medicaid reimbursement for diagnostic and health support services provided to eligible students with IEPs and for case management review. Using the fee schedule developed by DOH, districts can submit eligible claims for Medicaid reimbursement. Claims must be supported by adequate documentation of the services provided to students and submitted within two years of the date that services were provided. Effective September 1, 2009, billing for SSHSP is encounter-based and a session note is required to document each service delivered to an eligible student.

The District is not currently billing Medicaid for reimbursement of IEP-related services. Although the District obtained parental consent forms for 16 of the 24 students included in our sample who were eligible for Medicaid, the District did not bill DOH for any of the services provided to these students. We calculated that the District could have been reimbursed by Medicaid for up to \$42,096 for services provided to these 16 Medicaid-eligible students who were referred during the 2012-13 school year. This included \$40,062 for services provided and \$2,034 for evaluations.²² Claims for reimbursements were not filed because District officials did not have procedures in place to guide District staff and did not ensure that all eligible services were properly documented and submitted for reimbursement. By not implementing procedures for billing Medicaid, the District may have lost out on as much as \$42,096 in revenues for just the students in our test.

²² Calculations are based on the start date of IEPs and, in most cases, do not cover a full year of service.

High Cost Aid – School districts may request reimbursement of approved costs for providing special needs programs to school age special education students who attend District or Board of Cooperative Educational Services (BOCES) programs. For the District to be eligible to file for public high cost State aid reimbursement, the annualized qualified special education costs must be at least equal to or exceed the District's threshold amount, as determined by SED. High cost State aid reimbursement is based on eligible special education costs as provided for in the student's IEP and enrollment data for the prior fiscal year. The District must file full-time equivalent and cost data with SED to claim this aid. Each year, SED issues an Automated Voucher Listing (AVL) that identifies the students that have been approved for public high cost aid. Districts are required to verify that the AVL is accurate and complete by confirming that services were received and by updating attendance data and annualized costs. Claims must be received and processed prior to the issuance of the final AVL. Districts have up to one year after the end of the fiscal year (June 30) to file AVL reports under current year aid and an additional year to file under prior year aid, for a total of 24 months.

To file for high cost State aid, there must be a coordination between the District Business Office and the District's Special Education Department. The Business Office maintains documentation of the amounts billed by service providers and the amounts paid to the service providers. The District's Special Education Department is responsible for coordinating with service providers to ensure that students receive the services required by their IEPs and monitoring the services provided to the students.

The District's Special Education Department's failure to monitor the services provided to students and to use the electronic record keeping features available in its software programs has hindered the District's ability to receive all available aid. The District submitted its 2010-11 and 2011-12 attendance and cost data for high cost aid to be received during the 2011-12 and 2012-13 school years. However, the data submitted was primarily based on the cost for children attending classes outside the District and for those attending BOCES. The District reported excess costs of \$6.7 million for 2010-11 and \$7.5 million for 2011-12. This resulted in aid of about \$5 million in 2011-12 and \$5.6 million in 2012-13. The District has no procedure in place to bill for high cost services provided to students receiving services within the District.

The District contracted with a consultant who compiled in-District cost data for services provided to 11 students during the 2010-11 school year, resulting in the District receiving about \$275,000 in high cost aid for 2010-11. No cost data was submitted for in-District

students for 2011-12. During our fieldwork, a Business Office official was preparing to compile the costs of providing one-to-one aides for students. While this is a high cost, it is only one component of the services provided to a student. A student's IEP may require services from multiple providers, such as special education teachers, classroom aides and speech, physical and occupational therapists. If the District's Special Education Department used the electronic record keeping features available in the District's software, the information necessary to file for more high cost aid would be readily available.

The District has been unable to determine the actual cost of the special education services provided to District students because District officials have not monitored the services provided to the students. Therefore, District officials were not able to compile all the information necessary to file for all available high cost State aid.

Educational Service Providers

The District uses professional service providers to deliver a wide range of special education services, including tutoring, occupational therapy, physical therapy, auditory services and psychological and speech evaluation. The District also retains professionals to provide after-school programs. The appropriate use of a competitive process, such as requests for proposals (RFPs), can help ensure that the District procures qualified professional services on the most favorable terms in the best interests of taxpayers. The District's purchasing policy states that District staff will prepare a comprehensive written RFP at least every three years and that the proposals should include the terms of the agreement, the hourly fees and other associated costs. The policy states that, when selecting vendors, the District will consider factors such as a vendor's knowledge or expertise, credentials and certifications, cost and availability. The audit and approval of claims is one of the most critical elements of the District's internal control system. Therefore, before claims are approved for payment, there should be assurance that the services were actually provided and that rates charged are in accordance with the agreements.

District officials did not ensure that special educational services were procured at the most favorable terms, services were actually provided, providers were qualified or the proper rates were charged. Instead, we found a lack of coordination between PPS, the Board, the claims auditor and the Business Office. As a result, there is an increased risk that the District is overpaying for these services or has paid for services that it did not receive.

Requests for Proposals – In July 2011, the District's purchasing agent solicited proposals for tutoring and special education services and the Board selected eight vendors. In October 2011, the Board approved contracts for the 2011-12 school year with 11 additional vendors that

were “cleared by the District’s legal department” for “clinical and educational” services. There was no RFP process or vetting by the Business Office for these 11 additional vendors. Instead, the Assistant Superintendent of PPS claimed she was not aware of the RFP process and had agreements prepared for 11 vendors that the District used in the past, without obtaining competition.

Prior to the 2012-13 fiscal year, the purchasing agent, with input from PPS, advertised and solicited proposals from 37 special education service providers. Responses were received from 20 related service providers and 16 tutoring vendors. In September 2012, the Board approved contracts with these 20 related service providers and four tutoring firms that submitted the lowest proposals. However, PPS continued to use services provided by vendors that were not approved, including vendors that did not respond to the RFP.

Because District officials retained professional service providers without competition, they have no assurance that they are receiving services at the lowest possible cost. In addition, because the RFP process provides the opportunity to check professional credentials and references, when professionals are retained without submitting a proposal, the District has no assurance that all services are provided by the best qualified professionals.

We reviewed payments to seven educational service providers²³ who were paid over \$3.5 million during our audit period and found that the District paid \$1,312,620 to four vendors that were not properly retained through the RFP process. Specifically, the District paid two vendors that were not selected through the RFP process \$1,098,620 for special education-related services and tutoring. In addition, the District paid two vendors about \$214,000 for after-school programs without obtaining competition. This occurred because District officials continued to use vendors that were not selected through the 2012-13 RFP process. For example, PPS continued to use a vendor that submitted a proposal in response to the 2012-13 tutoring RFP but was not one of the four approved tutoring providers that submitted the lowest proposals. The vendor was paid \$123,920 during our audit period \$61,702 during 2011-12 and \$62,219 during 2012-13. This vendor charged a rate of \$40.50 per hour for tutoring, while the lowest approved vendor charged a rate of \$29 per hour. The District would have saved \$17,667 had the services been provided by the lower-cost vendor during 2012-13.

²³ Two service providers provided various special education related services, three provided homebound instruction and tutoring and two provided after-school programs. We judgmentally selected the vendors receiving the highest payment.

Claims Processing – District officials did not verify that the rates charged by the vendors were in accordance with agreements before processing invoices for payment. We examined claims totaling \$275,616, which represented one claim for each of the seven vendors in our sample. We found that \$117,826 was paid for services which either were not included on an existing contract or for which the District did not have a contract with the vendor. In addition, one vendor, who was paid \$1,642,802 during our audit period, charged \$40 for individual physical therapy instead of \$37 per session as stated in the contract. As a result, this vendor was paid \$112.50 more than it was entitled to on the one claim reviewed. No one in the Business Office or Special Education Department compared the rates being charged against the approved rates. The District’s claims auditor also stated that he does not have copies of Board resolutions, contracts or rate sheets to determine whether vendors are Board-approved or if invoices have the correct rates.

Further, PPS was not able to confirm that these services were actually provided. While some vendors submit therapists’ logs with their invoices to document the services provided, this documentation is maintained with the vendors’ bills in the Business Office. PPS does not compare this documentation to the students’ IEPs to ensure that services billed for were in accordance with the IEPs.

Criminal History Background Check – New York State Education Law requires that all employees and independent contractors who have direct contact, or whom the school reasonably expects to provide services that involve direct contact (i.e., face-to-face communication or in-person interaction), with students under the age of 21 must undergo a fingerprint-supported criminal history background check. The District’s 2012-13 RFPs stated that the vendors submitting a proposal must comply with this legislation. The District has no procedures in place to enforce this. The Purchasing Agent and the Assistant Superintendent of PPS claimed that they were not responsible for ensuring this requirement was met. Personnel Department staff told us that they only checked District employees’ criminal history records. Because District officials did not ensure that District vendors had clean criminal histories, District students’ safety could be at risk.

Because PPS did not have procedures to verify that students are actually receiving the services required by their IEPs, District officials have no assurance students are receiving all the services the District is paying for or that the students’ educational needs are being met. In addition, the failure to procure professional service providers through an RFP has resulted in the District paying higher prices than necessary for the services. Further, the lack of a proper claims audit has resulted in unauthorized payments for services and

payments at rates higher than agreed upon. Finally, failing to ensure that vendors with direct contact with students received the required criminal history background checks places students' safety at risk.

Recommendations

The Special Education Department should:

16. Ensure that student evaluations are completed within 60 days of referrals, all required members of the CSE are present at referral meetings and all required tests are performed during evaluation. The Special Education Department also should develop procedures to monitor services received by students to ensure that students are receiving all services prescribed by their IEPs.

District officials should:

17. Develop procedures to bill Medicaid and to request State Aid for reimbursable special education services costs.

The Board and District officials should:

18. Ensure that District personnel comply with the District's purchasing policy by issuing RFPs when procuring the services of educational service providers.

The claims auditor should:

19. Ensure that rates charged for services are accurate and that all service providers are authorized by the Board.

PPS should:

20. Ensure that the District only uses the services of vendors with Board-authorized contracts.
21. Develop procedures to ensure that services are actually performed prior to payment of claims.
22. Ensure that each individual that has contact with students has undergone a fingerprint-supported criminal history background check as required by New York State Education Law.

Information Technology

The District relies on its Information Technology (IT) system for accessing the Internet, communicating by email, storing data and recording financial information. Therefore, the District's IT system and the data it holds are valuable resources. If the IT system fails, the results could range from inconvenient to severe. Even small disruptions in IT systems can require extensive effort to evaluate and repair. District officials are responsible for developing written policies and procedures to effectively safeguard IT resources.

District officials have not ensured the security of the District's IT system. We found improper assignment of administrative privileges and excessive access rights in the District's Student Information System (SIS). The District also failed to adopt IT change management policies and procedures. Network administrators were able to make configuration changes to the SIS servers and their supporting systems without seeking management approval. No one was assigned to monitor their activities. As a result of these weaknesses, the District's IT system and its data are subject to an increased risk of corruption, loss or misuse.

User Access

SIS maintains a record of student information such as grades, emergency contact numbers, health records, birthdates, identification numbers, transcripts and attendance records. It is essential that access rights to this information are restricted and monitored. When creating user accounts in the software program, the District must restrict access to only those functions that individuals need to perform their job duties. If a user is given administrative rights, they have full access rights including the ability to modify or delete data. Individuals who have administrative rights should not have access to input, process or approve transactions. Weaknesses in this segregation of duties can result in unauthorized access and modification of electronic data. In addition, such weaknesses could delay the detection of unauthorized changes or cause those changes to go undetected.

The District did not limit user access to SIS. The District set up eight user groups and granted all users in these groups view/modify access rights. However, users in all of these groups had more access rights than they needed to perform their job responsibilities. For example, the District set up a user group titled "Attendance." There are 26 individuals in this group which, in addition to having the ability to enter attendance, have access to view and modify student information including enrollment, historical grades and discipline activity. The employees in this user group include community aides, attendance

aides and a security aide. None of these employees should have access to view or the ability to change student information. In addition, the District's SIS administrator told us that about 10 technology support staff required administrative access to the system to troubleshoot problems. We found that an additional nine users had full administrative rights and an additional 24 had significant modification rights to the SIS that they did not need to perform their jobs. We also found two user accounts with generic names which are shared by support staff and two administrative user accounts for individuals that are not District employees.

In addition, Principals are responsible for approving grade changes submitted by teachers. District officials told us that after a Principal signs a grade change form, the form is submitted to the registrar to enter the change. However, Principals and Assistant Principals have significant modification rights to the SIS. This lack of segregation of duties would allow the individual responsible for approving grade changes to also modify those grades in the SIS.

Because the District did not limit user access to ensure that SIS users are provided with only the level of access needed to perform their job functions, there is a significant risk that users could perform unauthorized changes that could go undetected because of the administrative rights they possess.

Network Configuration Management

Changes to system configurations need to be managed and controlled if organizations are to maintain secure configurations for their information systems in environments where technology is continually evolving and the number and seriousness of threats is expanding. The goal of IT change management policies and procedures is to ensure that the negative impact of unauthorized changes to IT systems is minimized by ensuring that changes are recorded, evaluated, authorized, tested and implemented in a controlled and consistent manner. Limiting unauthorized changes is essential to maintain secure configurations of systems that contain, process or otherwise support SIS. This also helps to reduce the risk of implementing configuration changes which could contain untested errors, malicious code or segregation of duties violations, any of which ultimately could negatively impact these critical systems.

District officials have not adopted IT change management policies and procedures. Network administrators were able to make configuration changes to the SIS servers and their supporting systems as they saw fit. Administrators made these changes without seeking management's approval and no one was assigned to monitor their activities.

The implications of incorrectly implementing a change to the SIS system or a system that supports it can lead to a potential security breach and unauthorized access to student information.

Recommendations

District officials should:

23. Review and revise user access rights to the software application in accordance with job descriptions to ensure that users have access only to functions necessary to perform their responsibilities.
24. Adopt IT change management policies and procedures that address how requests are submitted, recorded, analyzed, tested, approved, implemented, verified and ultimately closed out.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

District officials attached Board meeting minutes as a part of their response. However, District officials included sufficient detail in their response to indicate the corrective action they intend to take. Therefore, we did not include these meeting minutes as a part of the final report.



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December 1, 2014

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Re: Hempstead Union Free School District
Audit Report No.: 2014M-253

Dear Mr. McCracken:

This letter serves as the formal response of the Hempstead Union Free School District (hereinafter, the "District") to the draft preliminary audit report, entitled, "Management of District Resources," dated October 16, 2014 (hereinafter, the "Report"). It is the District's intention that this letter in response (hereinafter, the "Response Letter") shall be appended to the final version of the Report as its Appendix A.

The District thanks you for taking the time to meet with me, the District's Superintendent and Assistant Superintendent for Business, together with the Comptroller's audit team, at the exit interview held on November 6, 2014 (hereinafter, "Exit Interview"). The District further thanks you for making the time thereafter to meet with each of the Trustees on the District's Board of Education (hereinafter, the "BOE" or the "Board") in the spirit of transparency and full disclosure. Specifically, I thank you for meeting with Trustees Brazley and Touré on Tuesday, November 18, and then Trustees Simmons and Cooke on November 24, and then finally with me again, on November 24, 2014. Moreover, the District thanks you for making the observation that this Board has shown you that it is taking very seriously the work performed by the Comptroller's Office, as evidenced by the desire of every single Trustee to meet with you, discuss the Report, and obtain your feedback and insight.

The District appreciates the Comptroller's words of acknowledgment, at the Exit Interview, that the District's Superintendent and her staff fully cooperated with your team, supplying the Comptroller with documents as requested, unfettered access to records and witnesses, and working with the Comptroller in a professional and collegial manner.

The District is also grateful that the Comptroller recognized that the District did not wait for the Comptroller's preliminary report to be issued (concerning the time period covered by the Comptroller's audit) to begin to take corrective action.

As discussed at the Exit Interview, the District has implemented new practices, has made some staff changes, and has commenced adopting new policies to address the problems raised by the Comptroller's Office. Indeed, before the Preliminary Audit Report was issued, the District had (i) hired an Assistant Superintendent for Special Education, to address problems in that area addressed by the New York State Education Department (hereinafter, "NYSED"), which continues to be investigated by the local Board of Cooperative Education (hereinafter, "BOCES"); and (ii) hired a new Director of Technology, to address the problems inherited from prior administrations, and not rectified sooner by prior Technology directors, and (iii) recently hired a new Director of Bilingual Education, and (iv) recently hired a new High School principal. These are but a few major changes implemented by the District to increase accountability and improve the District's record of performance.

But, also as discussed at the Exit Interview, and at the many subsequent meetings held with your audit team, the District recognizes your guidance that the District must prioritize implementing policy changes that adopt the Comptroller's recommendations. The District values the time the Comptroller has spent reviewing the District's internal controls and the valuable insight the Comptroller has provided the District. The District has spent a great deal of time over the last six (6) weeks, since the Preliminary Audit Report was issued to us for review and comment, studying the findings made, and the recommendations provided, so the District can take corrective action and show true responsiveness to the Comptroller's Office. The District intends to match these words with action, and is not waiting for the Audit Report to be finalized, or for the Corrective Action Plans to be due, to start taking action to be responsive. Indeed, the BOE has already begun taking action, as evidenced by the resolutions passed at its Board meetings on November 20, 2014 (**Exhibit A**) and November 24, 2014 (**Exhibit B**).

Although the District mentions in this Response Letter many of the points of corrective action that the District presently intends to implement as a result of the Comptroller's audit, the District is not submitting this letter as a combined response and Corrective Action Plan. Instead, the District reserves the right to prepare and submit a separate Corrective Action Plan. The District expects to submit a detailed Corrective Action Plan within ninety (90) days of the date that the final audit report is issued by the Comptroller's Office, as required.

During the Exit Interview, the audit team made it very clear to the District that the Comptroller's Office was concerned whether the District was contesting the accuracy of any of the findings or questioning any of the recommendations communicated in the Preliminary Audit Report. The District has provided feedback, both through counsel's phone conversations with your audit team, and at subsequent meetings with each of the individual Trustees, concerning aspects of the Preliminary Audit Report that required some clarification. We trust that necessary modifications will be made in the final audit report to reflect the input we provided. We appreciate your willingness to amend the report, consistent with our discussions during the Exit Interview and in our subsequent meetings.

The District appreciates the guidance offered by the Comptroller's Office and hereby announces that the Board plans to implement or address each and every one of the recommendations set forth in the Preliminary Audit Report.

I. The Executive Summary

Response: The District elects not to respond to the statements offered in the Executive Summary, since the contents are covered again, in greater detail, in subsequent sections of the report. The District, instead, opts to respond to the substantive observations made in each section of the report, but only to the extent the District deems it necessary to correct aspects of the findings made, as set forth below.

II. Introduction

Response: The District elects not to respond to the statements offered in the Introduction, since the contents are covered again, in greater detail, in subsequent sections of the report. The District, instead, opts to respond to the substantive observations made in each section of the report, but only to the extent the District deems it necessary to correct aspects of the findings made, as set forth below.

III. District Administrators

Response: The Comptroller's conclusion is that the District did not make sound, transparent financial decisions regarding payments to District Administrators (p.9).

At the outset, it is imperative to note that this section of the Report relates to the conduct of prior Boards, and not the conduct of the current Board or the current Board President.

Inasmuch as the other sections of the Report focus on systems, practices and procedures in certain Departments in the District that were flawed, this section relates to the conduct and decision-making of the Board, and thus, requires some additional comment.

1. Two Superintendents

Concerning the employ of two superintendents, it was the intention of the Board to act responsibly in the negotiation of terms for salary and benefits, and to contain the total cost, for the office of the Superintendent of Schools.

In any situation where the Board must consider a possible change of Superintendents during the term of an employment contract with a sitting Superintendent, the Board must choose between three difficult choices: (1) staying in an employment relationship that may have soured, due to contractual limitations in an employment agreement, (2) terminating the relationship without a deal, without the benefit of a bargain to cut the District's losses, and with the risk of litigation, high costs, attorneys' fees, and possible liability for contractual damages, or (3) working out some form of a severance agreement, separation agreement or resignation agreement.

It appears that the District believed it was taking a prudent course of action, by negotiating a severance agreement with the prior Superintendent, which ultimately counterbalanced the costs of acrimony or protracted litigation. The other two outcome options would have risked causing the District to incur greater costs to the taxpayers. When viewed in that context, and considering the savings produced by the separation agreement yielding credits to the District if the Superintendent obtained gainful employment thereafter, the Board endeavored to save money and meet its obligations to the District's taxpayers, by changing direction, with new leadership, in a cost-contained fashion.

Concerning the issue of overpayments to the Superintendent, the District directed the Superintendent to repay the sum of \$49,436.11, which figure is inclusive of the \$16,667.00 in vacation pay that was paid to the Superintendent, pursuant to the Board's November 20, 2014 Resolutions. *See, Exhibit A.*

2. The current Superintendent's Vacation Pay

Concerning the payment of vacation to the Superintendent in July 2013, the District has addressed this issue by passing a Board resolution on November 20, 2014 directing the Superintendent to repay \$16,667.00, which sum is the amount of the vacation pay.

3. The former Superintendent's Separation Agreement's Confidentiality

The separation agreement with the prior Superintendent was made confidential as a consequence of the negotiations with the prior Superintendent's counsel. The attorneys for the District and the independent counsel for the prior Superintendent carefully crafted language that allowed for disclosure pursuant to Public Officers Law §87, and other lawful process. Ultimately, the separation agreement was the subject of FOIL demands, and was released to the public. Thus, there was full transparency.

4. Leave Accruals

Concerning leave accruals for Administrators, the District acknowledges the need to adopt a formal set of terms and conditions (hereinafter, "Ts&Cs") for those cabinet level members of Administrative staff that are not covered by any collective bargaining agreement.

a. Deputy Superintendent

Concerning the Deputy Superintendent, the District acknowledges that he was paid for vacation leave when he should not have received such payment, but asks the Comptroller's Office to note that his employment was terminated in January 2014. As a result, although the Comptroller's office found that he was improperly paid, because, "there is no provision in the District's policy to make payment for vacation leave other than at termination or retirement ..." (p.13), he would have been due those days several months later, when he was terminated. Additionally, it should be noted that a Notice of Claim was filed against the District, by which he seeks payment for days claimed to be accrued and payable upon termination, but not paid.

b. Assistant Superintendents

Concerning leave accruals for Assistant Superintendents, the District acknowledges the need to adopt a formal set of Ts&Cs for those cabinet level members, since they are not covered by any collective bargaining agreement.

5. School Board Assistant

Concerning the School Board Assistant, the District acknowledges the Comptroller's findings but points out that the position was eliminated on or about September 28, 2012, which was prior to the commencement of the audit or the issuance of the Report.

6. Acceptance of Recommendations

The Board agrees to follow the Comptroller's recommendations, and is in the process of adopting resolutions, with the assistance and guidance of counsel, to substantially conform to the Comptroller's recommendations.

IV. School Board Transparency

Response: The Board agrees to follow the Comptroller's recommendations, and is in the process of adopting resolutions, with the assistance and guidance of counsel, to substantially conform to the Comptroller's recommendations. Accordingly, the Board shall:

- 1) Consider scheduling additional meetings to allow Board members, District managers and residents to prepare for and attend scheduled meetings.
- 2) Discontinue its practice of calling special and emergency meetings unless an urgent condition occurs. If a special or emergency meeting is necessary, then the reason for the urgently called meeting shall be apparent in the Board's minutes, and other routine business shall wait for the next regular meeting.
- 3) Review the Open Meetings Law with counsel, and consult with the Committee on Open Government, to ensure that the Board only enters executive session for proper purposes, and only after passing a proper motion.

V. Personnel Practices

Response: It should be noted that the Board has already started to take action to address the issues raised in this section of the Report, and passed resolutions at the November 20, 2014 Board meeting, with respect to personnel matters and payment procedures.

The Board agrees to follow the Comptroller's recommendations, and shall:

- 4) Develop comprehensive procedures to hire and retain the most qualified employees, including ensuring and documenting that employees meet the minimum education, experience and certification requirements for their positions; receive an appropriate salary based on personal qualifications, contracted rates or salary schedules; and receive an annual evaluation.
- 5) Develop and implement procedures to ensure that non-certified substitute teachers do not work more than 40 days per school year as prescribed by SED regulation.
- 6) Develop and implement a standard time sheet for all departments to ensure that an employee's entire work day has been documented and subsequently approved.

VI. Special Education Services

Response: It should be noted that the deficiencies in this area, as covered by the Report, were inherited by the current Superintendent, who hired an Assistant Superintendent for Special Education on August 16, 2013 to help remediate some of the many problems in this area of operations, some of which the NYSED and BOCES have been, and continue to be, investigating separately since March of 2013.

It should also be noted that the Board has already started to take action to address the issues raised in this section of the Report. The Board passed a set of resolutions at the November 20, 2014 Board meeting, which included a directive for an action plan development with the input of the Assistant Superintendent for Special Education.

The Board agrees to follow the Comptroller's recommendations, and shall:

- 7) Direct the Special Education Department to:
 - a. Take steps to ensure that student evaluations are completed within 60 days of referrals; all required members of the CSE are present at referral meetings; and all required tests are performed during evaluation; and
 - b. Develop procedures to monitor services received by students to ensure that students are receiving all services prescribed by their IEPs.
- 8) Direct the District's officials to develop procedures to bill Medicaid and to request State Aid for reimbursable special education services costs.
- 9) Direct the Purchasing Agent and related District personnel in the Business Office, and staff in the Special Education Department, to comply with the District's purchasing policy by issuing an RFP when procuring the services of educational service providers.

- 10) Direct the District's claims auditor to ensure that rates charged for services are accurate and that all service providers are authorized by the Board.
- 11) Direct the District's Assistant Superintendent for Special Education to verify that the PPS Department has taken all necessary and reasonable steps to:
 - a. Ensure that the District only uses the services of vendors with Board authorized contracts.
 - b. Develop procedures to ensure that services are actually performed prior to payment of claims.
 - c. Ensure that all employees and independent contractors who have direct contact, or whom the school reasonably expects to provide services that involve direct contract with students under the age of twenty-one has undergone a fingerprint-supported criminal history background check as required by Education Law.

VII. Information Technology

Response: It should be noted that the deficiencies in this area, as covered by the Report, were inherited by the current Superintendent, who hired a new Executive Director of Information Technology on December 2, 2013, to help solve many problems in this area of operations.

It should also be noted that the Board has already started to take action to address the issues raised in this section of the Report. The Board passed a set of resolutions at the November 20, 2014 Board meeting, which included a directive for action plan development with the input of the Executive Director of Information Technology.

The Board has reviewed this section of the audit report (p.31-32) with the District's Executive Director of Technology and MIS, to assess the various areas of deficiencies identified in the Report, regarding how security and user access levels were managed in its Student Information System (SIS) as well as managing system and configuration changes to the SIS servers.

The District's Executive Director of Technology and MIS has been asked to devise a plan and implement the necessary steps to mitigate the risks defined in the report.

The Board will develop an action plan for the Comptroller's review addressing the issues outlined in this section of the report.

VIII. Conclusion

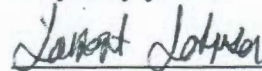
On behalf of the District, I want to thank you for your hard work, insights, comments, recommendations, and providing the District with an opportunity to reply to the Comptroller's preliminary audit findings.

This Board acknowledges the many challenges that the District inherited and will strive to implement the necessary corrective action within the spirit of accountability, transparency, and full disclosure.

The District recognizes the role of the Office of the State Comptroller in guiding school districts toward prudent fiscal management and alerting Boards of Education to best practices and how to improve internal controls, to protect the best interests of the taxpayers and the community.

We look forward to your continued help and guidance.

Very truly yours,



Lamont Johnson, Board President

cc: Susan Johnson, HUFSD Superintendent of Schools
HUFSD Board of Education

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the District's financial transactions as recorded in its databases. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft or professional misconduct. We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected payments to District administrators, Board transparency, personnel practices, special education services and information technology for further audit testing. To accomplish the objectives, we performed the following audit procedures:

Administrators

- We reviewed policies and procedures related to payroll and leave accruals.
- We interviewed District officials involved in the payroll process to gain an understanding of the District's payroll and leave accrual procedures and practices as they pertained to administrators.
- We reviewed collective bargaining agreements and select individual employment agreements.
- We reviewed organizational charts for turnover among District administrators.
- We reviewed electronic payroll data for all Superintendents, Assistant Superintendents and Deputy Superintendents during our audit period and through June 30, 2013.
- We reviewed and determined the accuracy of payroll payments to selected administrators against Board-approved rates and individual employment agreements.
- We reviewed and traced leave time from sign-in sheets to payroll and employees' accrued leave records for select employees to determine whether leave time was properly earned, used and accounted for.

Transparency

- We compared the District's Board meeting schedule with Board minutes to determine the number of meetings that the Board held that were not included on the original schedule. We

also identified which meetings were special or emergency meetings and where those meetings were held, along with time of day.

- We reviewed minutes for the special and emergency meetings to determine what actions were taken at these meetings.

Personnel Practices

- We interviewed District officials responsible for hiring to gain an understanding of District procedures and practices.
- We reviewed District personnel files and interviewed District officials to determine if employees were properly qualified and classified in their correct job titles.
- We examined personnel files for valid certificates, evidence of college degrees and Civil Service approvals.
- We extracted the names of non-certified substitutes for the 2012-13 school year that were approved at the August 22, 2012 Board meeting. Next, we reviewed the payroll journals for these non-certified substitutes to determine which, if any, worked over 40 days. Finally, we reviewed personnel folders for the non-certified substitutes that worked over 40 days to determine if these employees were working towards certification, as required.
- We reviewed time records for select employees to determine if they were sufficient.

Special Education Services

- We reviewed District policies and procedures for special education services. We also interviewed various District officials to gain an understanding of the process for determining whether students are eligible for special education services.
- We randomly selected 24 of the 204 students that were presented to us as being referred for special education services during the 2012-13 school year and reviewed their files for eligibility and SED compliance for IEPs.
- We determined if evaluations were completed within the required 60 days for students that were referred for special education services.
- We reviewed these students' files to determine if required tests and other appropriate assessments or evaluations were performed during the evaluation process.
- We reviewed sign-in sheets for initial evaluation meetings for referrals to determine if all required members attended the CSE meetings.
- To determine if all claims were filed for IEP-related services, we selected Medicaid-eligible students who had parental consent to bill Medicaid and calculated the potential Medicaid reimbursement.

- We inquired as to the District's procedures for filing for high cost aid, and reviewed System to Track and Account for Children filings.
- We gained an understanding of how the District procures special education service providers.
- We reviewed contracts, related invoices and other supporting documentation for vendors that provided educational services. If the District used a competitive process, we obtained the RFP and/or quotes to determine if the vendor chosen was the provider that submitted the lowest proposed rate. If no competitive process was used, we requested documentation to support the decision that went into selecting that vendor.
- We compared services rendered and rates charged for select vendors to written agreements or rate schedules.

Information Technology

- We interviewed District officials and the IT consultant to evaluate District policies and practices relating to IT.
- We reviewed user access rights and permissions within the District's SIS.
- We performed a manual examination of one of the four SIS application servers.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C

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