

**INTERNAL AUDITING REPORT  
FOR THE HUNTINGTON UNION  
FREE SCHOOL DISTRICT**

**For the Year Ended  
June 30, 2012**

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## **INTERNAL AUDITING REPORT**

Board of Education and Audit Committee  
Huntington Union Free School District  
Administrative Offices  
50 Tower Street  
Huntington Station, New York 11746

We have performed the annual risk assessment update of the Huntington Union Free School District (the District) as required by Chapter 263 of the Laws of New York, 2005 during the fiscal year ended June 30, 2012 and we are issuing an Internal Audit Report to the District. Our risk assessment was conducted in accordance with the standards for internal audits established by the Institute of Internal Auditors and guidelines promulgated by the Department of Audit and Control and Education Department of the State of New York.

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

1. Investment Management and Collateralization
2. Benefit Eligibility and Health Insurance Buyouts
3. Benefit Calculations
4. Federal and State Reimbursement for School Lunch Program
5. Free and Reduced Lunch Eligibility Verification
6. Extraclassroom Activities Fund Inventories
7. Vending Machines Revenue and Inventories
8. Student Transportation
9. Disaster Recovery Plan
10. Follow-up Prior Year Findings

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

This report discusses any deficiencies in policies, procedures and controls that came to our attention during the performance of our internal audit procedures. It does not report on the policies and procedures that were found to be functioning in an appropriate manner.

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

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

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

We appreciate the opportunity to serve you as internal auditors and thank the individuals in your school district for their cooperation.

Sincerely,

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

TJN:jo

**Huntington Union Free School District**  
**Updated Risk Assessment**  
**2011-2012**

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

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

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

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

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

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

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

## **CURRENT OBSERVATIONS AND RECOMMENDATIONS**

### **1. INVESTMENT MANAGEMENT AND COLLATERALIZATION**

A School Board may temporarily invest moneys that are not required for immediate expenditure provided that the investment is temporary and made pursuant to the Board's comprehensive investment policy. That policy, which is subject to annual review, must detail the District's operative policy and instructions regarding the investing, monitoring and reporting of District funds in accordance with the requirements of applicable law (§§ 1604-a, 1723-a, 3652; General Municipal Law (GML) §§11(2) and 39).

GML §§11(2) and (3) provide that investments must be payable or redeemable within such time as the proceeds will be needed to meet expenditures. GML §11(6) further states that monies invested by a district may be commingled for investment purposes provided that, at all times, the District maintains records showing the separate identity of the sources of such funds and the interest earned must be credited on a pro rata basis to the fund or account from which the monies were invested.

A cash flow analysis should provide answers to the questions of when, how and for how long to invest district monies. It should summarize how much and for how long money can be invested based on when monies are received and when they are needed for disbursement.

Ideally, districts should maintain only interest bearing bank accounts. Good business practice calls for the investment of all District cash not needed for immediate use. Transferring excess cash balances to interest bearing accounts helps assure all of the District's monies are earning interest.

Districts should consider seeking competition for banking services to help assure they are paying the lowest fees while getting the best interest rates on investments. Another alternative cooperatively investing by combining available cash assets of several (local) districts, may enhance the amount of interest earned. Cooperative investment agreements are made pursuant to GML Article 3A.

#### **Criteria:**

GML §39 requires districts to adopt a comprehensive investment policy which includes a list of the permitted types of investments, procedures to secure districts' financial interest in investments, standards for security and custodial agreements, procedures for monitoring, control, deposit and retention of investments and collateral, standards for diversification of investments and standards for the qualification of firms.

GML §11(7) requires an investment record be established and maintained to help track and properly monitor investment activity. For each certificate of deposit or other security purchased, the investment summary should identify the security, the fund for which it is held, the place where it is kept, the date and other details of its acquisition and disposition, the amounts received from the investment, the market value and the custodian.

GML §§10(3), 11(2), (3) specify the types of investments to include: special time deposit accounts; certificates of deposit; obligations of the United States or those guaranteed by Agencies of the United States; obligations of the State or with approval of the Comptroller, obligations of any municipality, school district or district corporation other than the district making the investment. All investments are subject to certain redemption and custodial requirements.

GML §10 requires the pledge of eligible securities for district deposits over \$250,000 and a custodial agreement with the bank or company holding the pledged collateral. GML §10 identifies eligible securities.

GML §11 allows for certain temporary investment of moneys not required for immediate expenditure.

- **Procedure Performed:**

Determine whether controls over investment management and collateralization are appropriately designed and operating effectively to adequately safeguard District assets.

**Findings and Recommendations:**

No findings or recommendations.

We found the District is in compliance with Board Policy #5220 District Investments which was reaffirmed by the Board on 7/5/11.

## **2. BENEFIT ELIGIBILITY AND HEALTH INSURANCE BUYOUTS**

Benefits, by nature, are a key factor in attracting and retaining employees. It is imperative to monitor benefit costs to ensure that the District participates in benefit plans that are both competitive and cost-effective. Documented, knowledgeable oversight of benefit calculations and payments can increase the District's control over resources.

The Board is responsible for clearly establishing employees' benefits in formal employment agreements or resolutions that address each position's health insurance contribution rates, leave benefits and retirement benefits (such as paid health insurance). Where certain positions are temporary or seasonal in nature, the Board must specify the period of time for which such position is in effect. Any changes to benefits must also be Board-authorized and such authorizations documented. These controls help ensure that employees are provided the benefits to which they are entitled.

- **Procedure Performed:**

Review procedures over administration of benefits to ensure employees are eligible to receive benefits in accordance with contractual agreements.

**Findings and Recommendations:**

No findings or recommendations.

- **Procedure Performed:**

Test a random sample of seven employees receiving health insurance benefits to determine whether these employees are eligible to receive coverage in accordance with collective bargaining agreements or individual employment contracts as applicable.

**Findings and Recommendations:**

No findings or recommendations.

- **Procedure Performed:**

Ensure the District has procedures in place to periodically reconcile the health insurance invoice to the medical withholding register to verify that the District is only paying for eligible employees and retirees.

**Findings and Recommendations:**

No findings or recommendations.

This reconciliation is performed monthly by the District's Benefits Clerk.

- **Procedure Performed:**

Determine whether any employees who opted out of health insurance coverage are also receiving health benefits.

**Findings and Recommendations:**

No findings or recommendations.

Before health insurance buyout payments are processed, the Benefits Clerk verifies that every person requesting a payment in lieu of health insurance is not listed in the District's health insurance coverage list. She also verifies that these employees do not have any health insurance deductions coming out of their pay checks.

This process is performed twice a year, during the months of December and June, during the processing of buyout payments.

### 3. BENEFIT CALCULATIONS

Benefits, by nature, are a key factor in attracting and retaining employees. It is imperative to monitor benefit costs to ensure that the District participates in benefit plans that are both competitive and cost-effective. Documented, knowledgeable oversight of benefit calculations and payments can increase the District's control over resources. Testing procedures were conducted to assess the processing and maintenance of benefit calculations.

- **Procedure Performed:**

Review the District's procedures over benefits administration to ensure the District has the proper verification, approval and monitoring controls in place to ensure employees pay the appropriate share of premiums in accordance with contractual agreements.

**Findings and Recommendations:**

No findings or recommendations.

The Assistant Superintendent of Finance and the Payroll Supervisor verify, approve and monitor amounts paid by employees through payroll deductions for accuracy in accordance with contractual agreements and individual employment contracts as applicable.

- **Procedure Performed:**

Review formulas used to calculate employees' share of health insurance costs to ensure current employees pay, through payroll deductions, the correct percentage share as required by respective collective bargaining agreements or individual employment contracts as applicable.

**Findings and Recommendations:**

No findings or recommendations.

The Payroll Supervisor creates a Health Insurance Rate Sheet on an annual basis as soon as health insurance rates change. The Assistant Superintendent of Finance reviews the rate sheet to ensure accuracy and compliance with contractual agreements.

- **Procedure Performed:**

Review the District's procedures used to calculate separation payments to ensure employees receive appropriate amounts in accordance with contractual agreements.

**Findings and Recommendations:**

No findings or recommendations.

The Payroll Supervisor performs a calculation of the number of days owed to employees upon separation, termination or retirement from the District.

Separation payment calculations for teachers only are performed by the Assistant Superintendent of Finance and the District's Accountant.

Separation payment calculation sheets are signed by the Payroll Supervisor and the Assistant Superintendent of Finance.

#### **4. FEDERAL AND STATE REIMBURSEMENT FOR SCHOOL LUNCH**

In 1946, Congress enacted the National School Lunch Program (42 USC § 1751 et seq.) which provides per meal cash reimbursements to schools, based on the number of free, reduced or paid lunches served, as an incentive to provide nutritious meals to children. Congress designed this Program to allow for all school children in the United States to receive a nutritious lunch every school day.

Districts may operate and maintain a school lunch program, breakfast program and milk program. In addition, districts can provide, maintain, and operate a cafeteria or restaurant for the use of students and teachers while they are at school.

To the extent that state and federal funds are available, districts eligible to participate in the National School Lunch and School Breakfast Programs are reimbursed monthly for meals served that meet meal pattern requirements. Claims for reimbursement will be made on the basis of claims submitted to the Commissioner in the form required.

When a school district contracts with a private food-service management company, it nonetheless remains eligible to receive both federal and state reimbursement and food, in the same way it does for school-operated programs, provided the requirements in the Commissioner's regulations are observed (8 NYCRR § 114.2).

School districts are eligible to be reimbursed for meals that meet the standards of the lunch meal pattern served to preschool children in school-sponsored classes, just as they are for meals provided to other school children, provided funds are not available from other sources to meet this need (see L. 1976, c 537 § 1(a), (d)).

School food authorities must submit a Monthly Claim for Reimbursement to the New York State Education Department Child Nutrition Reimbursement Unit within 60 days or they only get one chance in three years to claim at a later date.

The District receives reimbursements for free, reduced and full priced lunches sold once a month from the federal and state government through an incoming wire transfer remitted by the New York State Education Department. The District Treasurer records these wires in the School Lunch Fund.

- **Procedure Performed:**

Perform a review of the District's reporting process to New York State Education Department for free and reduced meals sold to determine whether there is a risk that the District did not submit all meals sold to students in its monthly reimbursement request processed on the state website.

**Finding:**

1. The District reported 2,738 full priced lunch meals sold in November 2011, but monthly reports prepared by Whitsons reflect the total of meals sold for full paid lunches as 2,754 meals. The New York State Education Department Child Nutrition Management System reflects an understatement of 16 paid lunches at the High School for the month of November 2011.

**Recommendation**

1. The District should ensure the number of meals sold is accurately reported to the New York State Education Department Child Nutrition Unit to ensure the District receives reimbursement for all meals actually sold.

**Response to Recommendation:**

1. The District has entered into the New York State Education Department Child Nutrition Management System the additional 16 meals. The District is waiting to hear from the Child Nutrition Office whether the reimbursement will be made.

## **5. FREE AND REDUCED LUNCH ELIGIBILITY VERIFICATION**

The New York State Education Department's Free and Reduced-Price Income Eligibility and Policy Information provides guidelines for school food authorities to follow in the processing of applications for free and reduced-price meals and free milk. It provides prototypes of letters and forms to be used by the district in the Child Nutrition Policy and Eligibility Guidance booklet.

A student's eligibility to participate in a district's lunch and breakfast program on a free or reduced-price basis is determined according to income eligibility guidelines issued by the Department and sent to the superintendents. (Laws of 1976, Chapter 537 §1(e) and CR §114.1(d))

Applications for free and reduced-price meals are collected at the lunch office in each school building. On a daily basis, all applications are forwarded to the High School Lunch Office to the attention of the Senior Clerk Typist for processing. She is responsible for verifying the accuracy of information in the applications and for making sure all necessary information is provided on the applications. If the applications have missing information, she mails them back to the parents/guardians. Applications are returned to the District where they are reviewed, once again, to ensure they contain all necessary information. If complete, the Senior Clerk Typist forwards them to the Assistant Superintendent of Finance for review and final approval.

The Assistant Superintendent of Finance computes the family's monthly income, verifies household size and determines whether the children in each household are approved to receive free, reduced, denied or temporary free lunch. The applications are returned to the Senior Clerk Typist in the High School Lunch Office. The Senior Clerk Typist sends a letter to every parent in each household informing them whether their application was approved or denied, and providing the District's decision as to whether their child(ren) is(are) participating in the Free, Reduced, Denied or Temporary Free Lunch Program.

- **Procedure Performed:**

Review the District's procedures used to determine whether the District follows the guidelines for processing applications for free and reduced price meals.

**Findings and Recommendations:**

No findings or recommendations.

The District uses the Federal Income Eligibility Guidelines for determining eligibility for free and/or reduced price meals. The only specific criteria used is gross family income and the number of individuals in the family and is uniformly applied by all National School Lunch and Breakfast Program participating schools under the jurisdiction of the School District.

The District will send a public announcement at the beginning of each school year, and during the school year if there is a change in the policy, by transmitting an income scale, letter and application to all parents/guardians. Any parent/guardian enrolling a student in a school for the first time at any time during the school year shall be supplied with such documents.

A public release containing the same information supplied to parents/guardians will be made available to the informational media on or about the beginning of each school year and during the school year if there is a change in the policy.

Parents/guardians will be required to complete the application and return forms for review. Such applications and a record of action taken will be maintained by the District.

The District will use the hearing procedure in cases of appeal by parents/guardians of the school's decision on applications. If a challenge to correctness of information contained in an application or to the continued eligibility of any student for a free/reduced price meal is made on the part of the District, the students shall be provided a free/reduced price meal until the final determination is made.

The District will keep on file all records, including any record of appeals and hearing transcripts.

Free/reduced price meal applications must be available for audit.

- **Procedure Performed:**

Determine whether the District has a "Free and Reduced Price Food Services" policy in place that outlines the District's procedures for eligibility, application and approval.

**Findings and Recommendations:**

No findings or recommendations. The Board adopted Policy #5660 "School Food Service Program" (Lunch and Breakfast) and Regulation #5660R "Free and Reduced Price Meal Program" on June 11, 2001.

- **Procedure Performed:**

Review and document the District's verification process for Free and Reduced School Lunch applications.

**Findings and Recommendations:**

No findings or recommendations.

The Senior Clerk Typist at the School Lunch Office is responsible for performing the certification process for the State Education Department, due December 15 each year. The District is required to audit a random sample of 3% of the population of free and reduced-price meal applications. The Senior Clerk Typist and the Assistant Superintendent of Finance perform a review of the documentation received from the parents in the audit sample and the Assistant Superintendent of Finance signs off on the certification process.

The District's procedures for performing the verification audit are:

- Go through all applications submitted to the District by October 1st of each year (this is the state cut off). Direct certification students are not included in this audit.
- Take 3% of total applications and verify all information and supporting documentation pertaining to it.
- If the District does not receive at least 80% of the applications that were sent to parents, then an error prone verification process must be performed. The procedures used for error prone verification are to look at all applications that are within \$100 of the monthly income amount used to cutoff income eligibility.
- Send letters to parents for applications selected for audit and provide a deadline by which the District must receive the requested information to keep their children on the Free, Reduced, Denied or Temporary Free Lunch Program. The District also provides a self-addressed, stamped envelope to mail back the information within the packet.
- When proof of income is received from parents of those applications being audited, a review is performed of proof of income documentation.
- Determine if students are going to be receiving free, reduced, denied or temporary free lunch meals for the school year ending the following June 30th.

- Send letters to parents who were audited letting them know if there is going to be a change in their status, increase or decrease, better or worse scenario. (One letter is sent per family listing all children attending school at Huntington School District).
  - The Senior Clerk Typist goes on eSchool system and changes status of free, reduced, denied or temporary free meals as a result of the Verification Audit.
  - eSchool updates automatically every night. Information on eSchool is linked directly to the Nutrakids system and an automatic electronic change occurs for affected students in free, reduced, denied or temporary free meals status on Nutrakids system.
- **Procedure Performed:**

Determine whether the District maintains documentation of free and reduced-price meal applicants.

**Findings and Recommendations:**

No findings or recommendations.

Documentation of Free and Reduced-price meal applicants is maintained in the High School Lunch Office for all District students.

Once a month, the Senior Clerk Typist generates a spreadsheet from the eSchool system called "Lunch Report" which lists all children participating in free, reduced-price, temporary free and denied Meals for each school building. These lists are submitted to each school cafeteria to the attention of the Manager. The Senior Clerk Typist also prints labels for every child listed on the lunch report in every primary and intermediate school building and sends lunch and breakfast cards to the respective Cafeteria Managers.

**Please note:** Finley Middle School and the High School do not need breakfast and lunch cards because these cafeterias use a computerized school lunch program. At Finley Middle School, students use their pin numbers to obtain meals. High School students scan their identification cards to obtain meals.

## 6. EXTRACLASSROOM ACTIVITIES FUND INVENTORIES

An extraclassroom activity fund is used to account for the monies received from the conduct, operation or maintenance of any extracurricular student activities. Extraclassroom activity funds are defined in CR §172.1 as funds "raised other than by taxation or through charges of a board of education" for, by or in the name of a school, student body or any subdivision thereof. The activities are operated by and for the students. The students collect money and spend it as they determine, in accordance with established regulations. CR §172 specifies the requirements for extraclassroom activity funds. In addition, the New York State Education Department has prepared Finance Pamphlet 2 found at, [http://www.emsc.nysed.gov/mgtserv/extreclas\\_old.pdf](http://www.emsc.nysed.gov/mgtserv/extreclas_old.pdf), *The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds*, to assist boards and schools in establishing extraclassroom activity funds and setting up procedures for the management and accounting for the funds.

The Regulations (Part 172.2) require boards to establish policies governing extraclassroom activity funds. In addition, Part 172.3 (b) of the Regulations requires the central treasurer of the extraclassroom activity fund to maintain a record of receipts and expenditures of the fund and to submit that record to the board on at least a quarterly basis.

### **Inventory Control**

Items on-hand and held for resale or return should be adequately safeguarded against loss, theft or damage by securing them in an appropriate location with limited access. In addition, during sales campaigns, inventory should be controlled through the use of an Inventory Control Form.

### **Inventory**

Inventory items held for resale must be adequately safeguarded in a secure location and properly accounted for, including an accounting and reconciliation of amounts on hand at all times.

- **Procedure Performed:**

Review District procedures used to control inventories belonging to student activity clubs to ensure students funds are safeguarded appropriately.

**Findings and Recommendations:**

No findings or recommendations.

- **Procedure Performed:**

Ensure compliance with District policies and procedures.

**Findings and Recommendations:**

No findings or recommendations.

We found the District's Student Activity Clubs faculty advisors and students are following the District's policies and procedures relating to extraclassroom activity funds. We reviewed the National Honor Society's cash receipt, cash disbursement and inventory control log and noted it was completed appropriately.

- **Procedure Performed:**

Determine whether there are appropriate controls in place over items on-hand and held for resale or return to ensure inventories are protected against loss, theft or damage by securing them in an appropriate location with limited access.

**Findings and Recommendations:**

No findings or recommendations.

We found appropriate controls in place over items on-hand and held for resale or return to ensure inventories are protected against loss, theft or damage by securing them in appropriate locations with limited access. Inventories are maintained in an undisclosed location under lock and key by the faculty advisor.

- **Procedure Performed:**

Determine whether the District has procedures in place over student activity clubs to ensure that, during sales campaigns, inventory is controlled through the use of an Inventory Control Form.

**Findings and Recommendations:**

No findings or recommendations.

We noted that the National Honor Society uses inventory control forms during sales campaigns.

## **7. VENDING MACHINES REVENUE AND INVENTORIES**

The Audit Committee requested we perform a review of controls over the District's vending machines sales, cash collection and inventory maintenance procedures.

- **Procedure Performed:**

Perform a risk assessment of the District's vending machines and their inventories to ensure controls are properly designed to safeguard District assets.

**Findings and Recommendations:**

No findings or recommendations.

We found the District's vending machines are owned and operated by vendors through contractual agreements. The District receives a percentage of profits from two different vendors.

Vending machines operated at all school cafeterias are owned and replenished and cash collection is performed by a vendor through a contractual agreement.

We also noted that there are two vending machines located in the High School gymnasium which are operated and replenished and cash collection is performed by a vendor through a contractual agreement. We followed up on the administration of these vending machines by interviewing the Athletics Director and were informed that the District receives a percentage of revenues from the vendor and this revenue source is used to benefit some athletic clubs.

As a result of the above circumstances, we deemed it unnecessary to perform a Risk Assessment of the District's vending machines and senior management agreed with our decision.

## **8. STUDENT TRANSPORTATION**

School districts, except city school districts, are required to transport all students in grades kindergarten through 12, including those attending nonpublic schools and charter schools (§§ 2853 (4)(b), 3635; see 30:113-14).

A district may use private carriers and/or public transportation to transport students to and from school.

School districts must provide transportation to students who move to the district after the district budget has been passed and bus routes approved, provided parents or guardians submit a written request within 30 days after establishing residency in the district. No late request may be denied if a reasonable explanation is provided for the delay.

School districts must furnish school bus transportation for resident students attending school outside their attendance zone. The Education Law requires that school districts transport students to and from the school "they legally attend" (Education Law (EL) § 3635(1)). According to the commissioner of education, if a district allows a child to attend a district school other than the one the child would normally be assigned to, the school outside the child's attendance zone becomes the school the child legally attends.

When it comes to a student attending summer school, the commissioner of education ruled that a school district does not have to transport a district resident attending summer school in a neighboring district, even when the district has voluntarily agreed to pay the summer school tuition. The commissioner also noted that a school board is not obligated to provide transportation to and from any summer school program, except for students with disabilities in accordance with state law.

With regard to requests to transport children of divorced parents to different locations on different days of the week, according to the commissioner of education, a student can only have a single residence for school purposes even when that student's parents are divorced. There is no statutory or regulatory requirement that a district transport a student whose parents share joint custody to one parent's home on some days of the week and to the other parent's home on other days of the week.

When a school district or BOCES provides students with transportation to a school-sponsored field trip, extracurricular activity or any other similar event, it must transport those students back to either the point of departure or an appropriate school, unless the student's parent or guardian has provided the school district with written notice, consistent with district policy, authorizing an alternative form of return transportation for the student.

A School Board may provide, at its discretion, transportation to any child attending kindergarten through eighth grade between a child's school and before and/or after-school child care locations in accordance with the district's general transportation mileage limitations.

School districts may use a public carrier for student transportation. The commissioner of education has ruled that a district's use of an existing public transportation system to transport students from school is neither illegal nor unreasonable. Occasionally, some districts do this by providing students with bus tickets, a bus pass or railroad tickets.

There are distance limitations for the transportation of students. Although, door-to-door transportation is not required, eligibility for transportation is determined by the distance between a child's home and the school a child attends (EL §3635(1)). A district may require children in grades kindergarten through eight to walk a distance of up to two miles and children in grades nine through 12 to walk a distance of up to three miles from their homes to their schools. The district must provide bus transportation up to a distance of 15 miles (EL §3635(1)(a), (c)). If the voters approve transportation beyond the State mandated mileage limitations, the transportation for the distance beyond the limit is eligible for transportation aid (EL §§3621(2)(a) and 3635(1)(a); CR §156.2(a)).

Transportation aid is paid on general transportation operations and bus purchases. EL §3602(7)(b),(c) allow for certain eligible expenses for transportation aid including bus purchases, certain insurance premiums for transportation personnel, uniforms, equipment and other expenses approved by the CR.

Transportation for distances less than two miles, in the case of children in kindergarten through the eighth grade, or less than three miles, in the case of students in grades nine through 12, and for distances greater than 15 miles may be provided, if the voters approve. If transportation is provided, it must be offered equally to all children in like circumstances residing in the district (§3635(1)(a); see 30:1).

A school district is authorized to exercise its discretion in designating pick-up points after considering and balancing issues of student safety, convenience, routing efficiency and cost.

The commissioner of transportation in consultation with the commissioner of education is responsible for the adoption, promulgation and the enforcement of rules, standards and specifications regulating and controlling the efficiency and equipment of school buses used to transport students.

School buses in New York State must be inspected every six months. The New York State Department of Transportation regulations provide that school buses cannot be operated unless they carry a certificate of inspection for the preceding six months, prominently displayed in the lower right-hand corner on the interior surface of the windshield (17 NYCRR § 721(3)).

Emergency drills are required on school buses as per commissioner's regulations (8 NYCRR § 156.3(f)). These drills must include practice and instruction in the location, use and operation of the emergency door, fire extinguisher, first-aid equipment and windows as a means of escape in case of fire or accident (§3623(1)(c)).

Drills must also include instruction in safe boarding and exiting procedures with specific emphasis on when and how to approach, board, disembark and move away from the bus after disembarking. They must include specific instructions for students to advance at least 10 feet in front of the bus before crossing the highway after disembarking. They must address specific hazards encountered by students during snow, ice, rain and other inclement weather, including, but not necessarily limited to, poor driver visibility, reduced vehicular control and reduced hearing. They must include instruction in the importance of orderly conduct by all school bus passengers, with emphasis on student discipline. This instruction and the conduct of the drills must be given by a member or members of the teaching or student transportation staff.

A school district may contract for the transportation of students. In addition, through June 30, 2012, contracts for the transportation of students that have an annual expenditure in excess of \$10,000 may be either competitively bid or secured through a request for proposals process (§ 305(14)(a), (e); 8 NYCRR § 156.12.

A transportation contract does not become valid or binding to either party until it has been approved by the Commissioner of Education (EL §3625(4); 305(14)(a),(e); 8 NYCRR § 156.12 (d)). Any such contract must be filed with the Department within 120 days of the commencement of service under the contract.

A board electing to extend a transportation contract may, in its discretion, increase the amount to be paid in each year of the contract's extension by an amount not to exceed the regional consumer price index increase for the New York, New York-Northeastern New Jersey area, based upon the index for all urban consumers (CPI-U), during the preceding 12-month period, provided it has been satisfactorily established by the contractor that there has been at least an equivalent increase in its costs of operation during the period of the contract(EL §305(14)(a )). Transportation contracts may be made for a period not to exceed five years approved by the district voters (EL §§1604(23), 1709(27)).

EL §3624 and CR §156.3 require the Commissioner to define the qualifications of drivers and EL §3625 requires the Superintendent to ensure the comfort and safety of the children while being transported. Qualifications of school bus drivers are determined by regulations of the Commissioner of Education and the Commissioner of Motor Vehicles. For an individual to be qualified as a school bus driver, he or she must:

- Be at least 21 years of age (8 NYCRR § 156.3(b)(2)).
- Have a currently valid driver's license or permit that is valid for the operation of a bus in New York State (8 NYCRR § 156.3(b)(4)).
- Pass a physical examination established by the commissioners of education and motor vehicles (8 NYCRR § 156.3(b)(3)).
- Pass a physical performance test established by the commissioner of education (8 NYCRR § 156.3(b)(3)(iii)(a)).
- Furnish to the Superintendent at least three statements from three different persons not related to the applicant assessing his or her moral character and reliability (8 NYCRR § 156.3(b)(6)).
- Have no conviction, violation or infraction listed in section 509-c or section 509-cc of the Vehicle and Traffic Law, or under any other provision of article 19-A of that law.
- Meet all other licensing and training requirements for driving a school bus (Veh. & Traf. Law §§ 501, 509-b, 509-c; 8 NYCRR § 156.3).

A school bus monitor is any person employed to assist children to safely enter and exit from a school bus owned, leased or contracted by a school district or Board of Cooperative Educational Services (BOCES) and to assist the school bus driver in maintaining proper order on the school bus (8 NYCRR § 156.3(a)(3)).

All school bus monitors and attendants must:

- Be at least 19 years of age.
- Have the physical and mental ability to satisfactorily carry out their duties.

Each monitor or attendant may be examined by a physician upon the order of the Superintendent within two weeks prior to the beginning of each school year. All school bus monitors and attendants are required to pass a physical performance test at least once every two years. They must receive three hours of pre-service instruction that includes at least school bus safety practices, child management techniques and the proper techniques for assisting children to safely enter and exit a school bus (8 NYCRR § 156.3(c) (5)(i)).

"Pupil Transportation Economical and Efficient Practices", available at <http://www.emsc.nysed.gov/schoolbus/> indicates that a board is responsible for providing safe, economical, and efficient pupil transportation. The Department recommends districts consider conducting a study to determine whether certain practices such as multiple tripping of buses, cooperative transportation, full utilization of buses, efficient location of bus stops, changing operating procedures or rebidding a contracts would help to reduce the cost of transportation to the district.

School districts are liable for the supervision and safety of students who are within their physical custody or authority. Generally, they are not liable for the supervision and safety of students prior to boarding or after disembarking from a school bus. Custodial control and responsibility at those times rest with the parents.

- **Procedure Performed:**

Review the District's procedures for providing transportation to its students to ensure they are in compliance with Board policy, state laws and regulations.

**Findings and Recommendations:**

No findings or recommendations.

The Board adopted Policy #5710 "Transportation of Students" on July 6, 2004. This policy contains transportation mileage limits. The Board provides transportation for all students in kindergarten through 3rd grade, for students in grade 4 through 6 who live one-half to fifteen miles from their school and for students in grades 7 through 12 who reside from one to fifteen miles from school.

The District contracts with Huntington Coach to provide transportation services. The current contract expires on June 30, 2013.

Student conduct on buses is the responsibility of the District once students board the bus. Such responsibility ends when students are delivered to their regular bus stop at the end of the school day.

Bus drivers are responsible for maintaining order and enforcing the District's rules governing student conduct on school buses.

The Transportation Coordinator establishes school bus routes and stops on a computer program called Transfinder. Public school bus routes will be established with student travel time not to exceed 40 minutes except in circumstances as authorized by the District. Non-public or Special Education students will have routes established to limit bus travel time to 60 minutes. The Transportation Coordinator supervises bus drivers and has authority to remove a bus driver at will.

Building principals perform periodic bus safety programs at their school building.

- **Procedure Performed:**

Verify whether the District performs background checks on all bus drivers to determine that all drivers meet the qualified driver definition under Education Law §3624 and Commissioner's Regulation §156.3.

**Findings and Recommendations:**

No findings or recommendations.

Huntington Coach is responsible for performing background checks and ensuring the drivers are certified and have a clean driving record. They also ensure drivers pass physical performance tests administered by 19A Certified Examiner and physical examinations performed by a regular doctor which is required by the Department of Transportation.

The Transportation Coordinator maintains paperwork at the District Office for every bus driver and driver assistant (DA) that drives the District's buses. She also receives notices from the Department of Motor Vehicles informing the District that bus drivers are certified to drive buses for this district. The Abstract is a report received providing bus drivers' driving records and informs the District whether bus drivers have received any driving tickets or had any accidents.

Vehicle inspection records are maintained by Huntington Coach and are provided to the District upon request.

## **9. DISASTER RECOVERY PLAN**

School districts should adopt a disaster recovery plan (DRP) - sometimes referred to as a business continuity plan (BCP) or business process contingency plan (BPCP). This plan describes how an organization is to deal with potential disasters. A plan consists of the precautions taken so that the effects of a disaster will be minimized and the organization will be able to either maintain or quickly resume mission-critical functions. Typically, disaster recovery planning involves an analysis of business processes and continuity needs. It may also include a significant focus on disaster prevention.

Districts should have procedures in place to periodically verify its systems controls are working as intended, are still needed and are cost effective, including a review of the controls over access to information systems. Access to computerized files and transactions should be restricted to authorized individuals. This can be accomplished with the use of passwords and software that restricts users' access and can help ensure that only authorized individuals use the computer system.

Good internal controls require management to safeguard resources against loss, abuse, mismanagement, errors and fraud. By restricting computer access to only the individuals who have a need, management can reduce the risk of misappropriation of funds.

Good business practice would require that all important system information be backed up on a regular basis and a copy be stored off-site.

The District has a contractual agreement with Granite Tech Solutions, a disaster recovery service provider for Finance Manager, the District's financial management software. This vendor provides a Remote Backup Service, a Data Replication and Redundancy Service and a Remote Disaster Recovery Center Service.

- **Procedure Performed:**

Perform follow-up procedures to determine whether the District has implemented corrective action to address findings in the prior year Internal Audit Report for fiscal year 2006-2007 related to the District's Disaster Recovery Plan.

**Findings and Recommendations:**

No findings or recommendations.

Based on follow-up procedures performed, we found the District took corrective action to address all audit findings as presented in prior years' internal audit reports.

The District implemented a formal Disaster Recovery Plan in January 2008, has updated it on an annual basis and tests the plan a minimum of several times a year.

- **Procedure Performed:**

Review the District's "Disaster Recovery Plan Summary" dated December 2011 to determine whether it is appropriately designed to safeguard District assets.

**Findings and Recommendations:**

No findings or recommendations.

District administrators test the Disaster Recovery Plan once a year. The last time the District tested the plan was during the Fall of 2011.

## 10. FOLLOW-UP PRIOR YEAR FINDINGS

### INTERNAL AUDIT REPORT FISCAL YEAR 2009-2010

#### EMPLOYEE ATTENDANCE

- **Procedure Performed:**

Determine whether the District has standardized procedures in place to accurately capture employee attendance data.

**Findings:**

2. Repeat finding. We found attendance taking procedures are not standardized throughout the District.

**Recommendation:**

We recommend the District consider standardizing attendance taking procedures in order to improve the accuracy of attendance data and to allow the District to accurately disseminate the information to management and the Payroll Department.

**Response to Recommendation:**

2. Employee attendance procedures will be standardized when collective bargaining agreements have been modified to correct past practice issues.

**Current Condition:**

Corrective action was not yet taken by the District.

- **Procedure Performed:**

Determine whether all District employees are required to utilize sign-in sheets.

**Finding:**

3. Repeat finding. We found certain instructional employees in the Jefferson Primary School are not required to sign a daily attendance record. In addition, we found clerical employees in most district locations are also not required to sign a daily attendance record.

**Recommendation:**

3. We recommend the District consider requiring all District employees to utilize sign-in sheets in order to improve timekeeping accountability and to ensure that the District's expenditures are allocated appropriately.

**Response to Recommendation:**

3. The use of attendance sign-in sheets will be standardized when collective bargaining agreements have been modified to correct past practice issues.

**Current Condition:**

Corrective action was not yet taken by the District.

- **Procedure Performed:**

Determine whether there are any instances where the time of arrival to the assigned work location and the time of departure from the District are not indicated on the District's sign-in sheets.

**Finding:**

4. Repeat finding. We found certain classes of employees, teachers, aides, security guards and clericals are required to sign their name on the District's sign-in sheets, but they are not indicating the time of arrival and departure from their assigned work location.

**Recommendation:**

4. We recommend the District consider requiring all District employees to indicate the time of arrival and departure from their assigned location in order to improve accountability of the attendance process but also to ensure that expenses are allocated appropriately.

**Response to Recommendation:**

4. The use of attendance sign-in sheets will be standardized when collective bargaining agreements have been modified to correct past practice issues.

**Current Condition:**

Corrective action was not yet taken by the District.

- **Procedures Performed:**

Determine whether there are any instances where employees are required to indicate the time of arrival and departure from their assigned location on the District's sign-in sheets, but they are not required to sign their name on these documents.

**Finding:**

5. Repeat finding. We found certain categories of employees are indicating on their sign-in sheets the time of arrival and departure from their assigned work location, but they are not required to sign their name on these documents.

**Recommendation:**

5. We recommend the District consider improving internal controls over the attendance process by requiring all District employees to sign their name on the sign-in sheets to improve the District's accountability of the attendance taking process and ensure District expenses are allocated appropriately.

**Response to Recommendation:**

5. The use of attendance sign-in sheets will be standardized when collective bargaining agreements have been modified to correct past practice issues.

**Current Condition:**

Corrective action was not yet taken by the District.

• **Procedure Performed:**

Determine whether there are any instances where employees sign in and out of the building in the morning upon arrival to the building.

**Finding:**

6. Repeat finding. We found certain employees sign in and out of the building in the morning upon arrival to their assigned location at the Huntington High School, Finley Middle School, Woodhull Intermediate School, Jack Abrams Intermediate School, Southdown Primary School, Washington Primary School, Flower Hill Primary School and Jefferson Primary School. This is an internal control weakness especially since some of these instances are occurring with hourly employees.

**Recommendation:**

6. We recommend the District consider requiring employees sign out of the building at the end of their shift in order to maintain accurate attendance data and in order to ensure expenses are charged appropriately.

**Response to Recommendations:**

6. The use of attendance sign-in sheets will be standardized when collective bargaining agreements have been modified to correct past practice issues.

**Current Condition:**

Corrective action was not taken by the District.

• **Procedure Performed:**

Determine whether there is a process in place whereby an employee at each District location is responsible for comparing information contained on sign-in sheets against the attendance worksheets in order to ensure attendance information is accurate and reliable before the attendance worksheets are remitted to the Payroll Department for recording purposes.

**Finding:**

7. Repeat finding. We found the District does not have a procedure in place to allow a District employee to verify the accuracy of the attendance worksheets prepared by the various attendance clerks and tracing the information to the sign-in sheets before the attendance worksheets are remitted to the Payroll Department for recording purposes.

**Recommendations:**

7. We recommend the District consider assigning the responsibility of verifying the accuracy of the attendance information on the Attendance worksheets against the information on sign-in sheets to ensure attendance information is accurate and reliable and that the District's expenditures are allocated appropriately.

**Response to Recommendation:**

7. Administration will recommend to the Board of Education in the next budget cycle that either additional clerical staff be hired in each building to perform the verification of the accuracy of the attendance worksheets against the sign-in sheets or the District should purchase and install, at each location, an electronic (card swipe or pin pad entry) method of collecting employee attendance. The latter can then be imported into Finance Manager and compared against computerized attendance and payroll information.

**Current Condition:**

Corrective action was not yet taken by the District.

• **Procedure Performed:**

Determine whether the District requires sign-in sheets be remitted to the Payroll Department as supporting documentation for the attendance worksheets, which are utilized to record employee absences and leave accruals.

**Finding:**

8. Repeat finding. We found the District has no process in place requiring sign-in sheets be remitted to the Payroll Department as supporting documentation to Attendance worksheets.

**Recommendation:**

8. We recommend the District consider requiring all Attendance Clerks to remit sign-in sheets and Attendance worksheets to the Payroll Department on a weekly basis in order to improve the District's accountability over the attendance process and to ensure the District's expenses are charged appropriately.

**Response to Recommendation:**

8. Administration will recommend to the Board of Education in the next budget cycle that the District should purchase and install, at each location, an electronic (card swipe or pin pad entry) method of collecting employee attendance. The latter can then be imported into Finance Manager and compared against computerized attendance and payroll information. This would eliminate the need to have sign-in sheets remitted to the Payroll Department.

**Current Condition:**

Corrective action was not taken by the District.

**SPECIAL EDUCATION/STUDENT SUPPORT SERVICES**

**INDIVIDUALIZED EDUCATION PROGRAMS**

• **Procedure Performed:**

Review the District's processes for adding, modifying or removing access rights on IEP Direct for special education teachers, psychologists, social workers, special service provider agencies to ensure student information is accessed only by instructional personnel who have the students in their caseload.

**Finding:**

9. Access to students IEPs, for a new student or an existing student, is assigned based upon a verbal telephone request received by CSE secretaries. The request is received from special education teachers and by outside contractors. The District does not have a process in place where a CSE Chairperson authorizes permissions to student IEPs prior to access rights being issued.

**Recommendation:**

9. We recommend the District consider instituting a procedure whereby a written request for permissions must be completed by a special education teacher or contractor and approved by a CSE Chairperson prior to permissions being granted to student IEPs in order to ensure the privacy and confidentiality of student information.

**Response to Recommendation:**

9. All staff members who receive access to or a copy of the student's IEP sign a 408 confidentiality statement annually. To address finding #18, the Special Education Department has developed and implemented a tracking log. All subsequent staff/providers who request access to students IEPs will be placed on a tracking log and access to the IEP will be granted after the CSE Chairperson has given authorization to the CSE secretary to do so. See attached tracking log "Building Level: IEP Direct Teacher/Provider Assignment".

The Audit Committee reviewed user level access permission on IEP Direct for all classes of employees and outside agencies to determine whether the levels of user permission are appropriate for the employees and vendors job duties and responsibilities.

**Current Condition:**

Corrective action was taken by the District during the 2011-2012 fiscal year.

The District has implemented new procedures. IEP Direct User Access Form is used for initial user activation and to remove or inactivate user accounts.

- **Procedure Performed:**

Review user level access permissions on IEP Direct for all classes of employees and outside agencies to determine whether the levels of user permissions are appropriate for the employees and vendors job duties and responsibilities.

**Finding:**

10. We found that the CSE secretaries have global permissions on the District's IEP Direct web-based system. They have been given the "Central Office Level, Edit" access level on IEP Direct, which has the capability of generating IEPs, modifying existing IEPs, finalizing IEPs and modifying finalized IEPs. Giving this high level of permissions to CSE secretaries over special education students' IEPs is exposing the District to a potential level of risk.

**Recommendation:**

10. We recommend the District consider establishing a control system to monitor the CSE secretaries when they are modifying existing IEPs, finalizing IEPs and modifying finalized IEPs. We further recommend the District utilize an approval form in order to document all instances where a CSE Chair is delegating his/her rights to the CSE secretary of modifying an IEP, finalizing an IEP or modifying a finalized IEP.

**Response to Recommendation:**

10. To address this finding in regard to CSE secretaries' finalizing and editing finalized IEPs, the following procedure has been put in place within the District. See attached "Procedure to Finalize or Edit a Finalized IEP".

**Current Condition:**

Corrective action was taken by the District during fiscal year 2010-2011. CSE secretaries can only add a student to an approved provider. They cannot change permissions on IEP Direct for instructional personnel or special service providers.

- **Procedure Performed:**

Determine whether the District has a tracking mechanism in place to track the assignment of user access rights, removal of user access rights and level of permissions on IEP Direct web-based system.

**Finding:**

11. We found that the District does not have a formal written process in place to track the assignment of user access rights to student IEPs. In addition, the District does not require a supervisor or manager in each school building Special Education Office to verify access rights on students IEPs to ensure that employees or special education consultants can only view the IEPs of those students on their caseload.

In addition, once access rights are issued to special education providers, the District does not perform a periodic review to ensure special education teachers are still providing services to those students they can access on IEP Direct.

**Recommendation:**

11. We recommend the District to consider establishing an access control log or a tracking mechanism to document the assignment of access rights to student IEPs to ensure confidential student information on IEPs is safeguarded and viewed only by those district employees and contractors directly involved with the District's special education students. We also recommend the District perform a periodic review of all teachers' rosters on IEP Direct to determine whether the students listed on these rosters are still on their caseload. If any student(s) listed in the rosters are no longer in the teacher's caseload, the District should remove the student(s) names appropriately.

**Response to Recommendation:**

11. To address this finding, the District has developed an access control log for tracking the level of access rights that each provider is given in each building.

If it is determined that a provider is no longer working with students on their caseload or if a provider is no longer working with the District, the Chairperson will inform the Special Education Department (Executive Director) and the provider will be inactivated. In addition on a quarterly basis, the Special Education Department (Executive Director) will contact the Human Resources Department to determine if there are any staff members who are out on leave or no longer employed by the District and will inactivate the individual from the IEP Direct system.

Finally, the Special Education Department, under the direction of the Executive Director's Secretary, will contact the provider agencies (Occupational Therapy, Physical Therapy, Counseling, etc.) to review the list of providers from each of the agencies that have access to students IEP's.

Each CSE Chairperson will review all students that are "shared" with agencies, as well as other programs on a quarterly basis and will inactivate the sharing feature as indicated.

**Current Condition:**

Corrective action was taken by the District during the month of August 2011 at all special education offices located throughout the District.

**INTERNAL AUDIT REPORT  
FISCAL YEAR 2010-2011**

**STUDENT ATTENDANCE**

- **Procedure Performed:**

Determine whether the District's Student Attendance Reports are checked by more than one employee to verify accuracy of reports. Verify whether there is a process in place to ensure these reports are filed on a timely basis.

**Finding:**

12. We found that the verification of daily attendance reports is not performed by another District employee to ensure accuracy of student information in the following District locations: Finley Middle School, Flower Hill Primary School, Jefferson Primary School, Southdown Primary School, Washington Primary School and Woodhull Intermediate School.

However, we noted this is not the case at Huntington High School where two attendance secretaries verify the accuracy of each other's work.

In addition, we found the District has a process in place to ensure attendance reports are filed on a timely basis.

**Recommendation:**

12. The District should establish a verification procedure to ensure an employee independent of the attendance taking process is verifying the accuracy of daily attendance reports.

**Response to Recommendation:**

12. While individual teachers record daily attendance in E-School, a school secretary will verify the absences recorded on the daily absent list by spot checking the entries. Furthermore, the principal of the building will review the daily absence list.

**Current Condition:**

Corrective action was taken by the District during fiscal year 2011-2012.

- **Procedure Performed:**

Perform tests of student attendance records in each school building to determine whether teachers recorded attendance of their students on a daily basis.

**Finding:**

13. We found certain teachers in four out of seven school buildings are not taking or recording student attendance on eSchool Attendance Module.

- 3 out of 26 teachers did not take student attendance at Woodhull Intermediate School on 9/16/10.
- 1 out of 19 teachers did not take student attendance at Jefferson Primary School on 9/16/10.
- Student attendance was not taken for 32 out of 662 classes at Huntington High School on 5/31/11.
- Student attendance was not taken for 69 out of 325 classes at Finley Middle School on 5/31/11.

**Recommendation:**

13. The District should ensure teachers take student attendance on a daily basis to ensure it is in compliance with Section 3211 of the Education Law requiring school districts maintain accurate records of students' attendance and absences and with the District's Student Attendance Policy #7110 adopted on June 24, 2002.

**Response to Recommendation:**

13. While individual teachers record daily attendance in E-School, sometimes there is a substitute in place. The principal of the building will review the daily attendance list to ensure that all homeroom teachers have taken their daily attendance no later than 11 a.m.

**Current Condition:**

Corrective action was taken by the District. At the Superintendent's meeting in early September, all building Principals were directed by the Superintendent to ensure homeroom teachers take attendance on a daily basis.

**COBRA**

• **Procedure Performed:**

Determine whether the district has adequate internal controls in place over COBRA benefits. Review COBRA letters, "Election to Enroll Letters", and monthly health insurance records to ensure health insurance forms are signed by the preparer, verified, approved and monitored by District management.

**Findings:**

14. The Benefits Clerk does not sign the COBRA letter upon its completion.

15. COBRA letter is not reviewed by a Supervisor or by the Assistant Superintendent of Finance before it is mailed to the intended employee.

16. COBRA "Election to Enroll Letter" is received by the Benefits Clerk who is responsible for enrolling employees on COBRA, but it is not reviewed by the Supervisor or by the Assistant Superintendent of Finance to ensure accuracy.
17. An audit is not performed of monthly Empire health insurance records and reports after they are prepared by the District's Benefits Clerk.

**Recommendation:**

14. The Benefits Clerk should sign the COBRA letter upon completion to ensure accountability over these transactions.
15. District management should review COBRA letters prior to mailing them to the intended employee to ensure accuracy, in compliance with the District's labor contracts and approval by management.
16. District management should review COBRA "Election to Enroll Letters" received from employees and compare them to transactions booked by the Benefits Clerk to ensure employee is receiving the level of benefits they selected and are entitled to receive.
17. The District should designate an employee independent of the Benefits process to review the monthly empire health insurance records and reports and audit them against monthly transactions and deduction registers, after they are prepared by the Benefits Clerk to ensure their accuracy.

**Response to Recommendation:**

14. In the past, the Benefits Clerk has mailed all COBRA letters. This process has been modified so that the Assistant Superintendent for Finance signs the letters before mailing.
15. In addition to signing the COBRA letters, the Assistant Superintendent for Finance will review COBRA letters prior to mailing to ensure accuracy.
16. The Payroll Supervisor had been directed to review the COBRA "Election to Enroll Letters" and compare them to transactions booked by the Benefits Clerk to ensure that each employee is receiving the correct level of benefits.
17. Currently, there is no one assigned to review the monthly health insurance records, audit the monthly health insurance records against the monthly transactions and deduction registers after they are prepared by the Benefits Clerk. This will be assigned to the Senior Account Clerk-Attendance on an overtime basis.

**Current Condition:**

Corrective action was taken by the District during Fall 2011. A Payroll Clerk performed an audit to verify the enrollees on the Empire health insurance bill.

• **Procedure Performed:**

Determine whether the District has adequate processes and controls in place to ensure the accuracy of health insurance bills for employees receiving COBRA benefits.

**Finding:**

18. Verification of health insurance bills is performed by the same individual responsible for initiating COBRA benefits and inputting individual COBRA employees on NYBEAS system.

**Recommendation:**

18. The District should institute a procedure whereby an employee or supervisor independent of COBRA processes and procedures reviews COBRA records maintained by the Benefits Clerk to ensure accuracy.

**Response to Recommendation:**

18. With the implementation of the new accounts receivable module in Finance Manager, the senior accountant will review the COBRA records maintained by the Benefits Clerk to ensure accuracy.

**Current Condition:**

Corrective actions were taken by the District. The Payroll Supervisor reviews the Benefit Clerk's COBRA records and reports to ensure accuracy.

• **Procedure Performed:**

Determine whether the District tracks the amount of time employees are entitled to receive COBRA benefits on the Excel spreadsheet and verify whether the process is effective in alerting the District when employee eligibility is about to expire so they can be removed from COBRA benefits after the 18 months or 36 months (depending on the circumstances) of eligibility has ended.

**Finding:**

19. We found the termination date is not filled in for employees on COBRA. There is a risk that data, including employees who no longer qualify for COBRA coverage would not be captured timely and that such employees would receive health insurance benefits when they are no longer eligible.

**Recommendation:**

19. District procedures should be updated to ensure date of termination is filled in on the Excel spreadsheet for all employees receiving COBRA benefits.

The Benefits Clerk maintains an excel spreadsheet listing all employees receiving COBRA benefits. In this particular document, in the Deposit File, there is a column labeled "Term" which is the date each employee listed will no longer be eligible for

COBRA coverage. We found the "Term" field is not completed for most employees listed with the exception of those employees on COBRA receiving reduced COBRA benefits.

**Response to Recommendation:**

19. The Benefits Clerk will update the "Term" field on the Excel spreadsheet on a consistent basis. Although the Excel spreadsheet may not have this information, the NYBEAS automatically generates a term date when a COBRA enrollment processes.

**Current Condition:**

Corrective action was taken by the District during fiscal year 2010-2011 as soon as the auditor informed the Benefits Clerk of the necessity to include the date of termination of COBRA benefits in the Excel spreadsheet she maintains.

• **Procedure Performed:**

Test 5 employees on COBRA coverage to determine whether those employees were eligible to receive coverage and whether they are paying the District the appropriate amount based on individual or family coverage as appropriate.

**Finding:**

20. We found 1 employee out of sample size of 5 employees receiving COBRA coverage who was overcharged for health insurance coverage in the amount of \$4.28 per month in 2010. However, we tested same employees to determine if they were eligible to receive coverage and found no exceptions.

**Recommendation:**

20. The District should establish a verification procedure whereby an employee or supervisor independent of the COBRA benefits process verifies the accuracy of amounts charged to employees receiving COBRA benefits to ensure the District is billing the correct amount in accordance with the respective collective bargaining agreements or employment contracts as applicable.

**Response to Recommendation:**

20. The Payroll Supervisor will review the accuracy of amounts charged to employees receiving COBRA benefits prior to any bills being released.

**Current Condition:**

Corrective action was taken by the District during fiscal year 2011-2012.

## **USE OF FACILITIES**

- **Procedure Performed:**

Review the District's procedures for generating invoices for facilities use to outside organizations and determine whether the District has control mechanisms in place to track payments owed by organizations to ensure they are received in advance of the scheduled event.

**Finding:**

21. We found the Buildings & Grounds Department does not keep a copy of facilities use invoice sent to outside vendors.

**Recommendation:**

21. We recommend the Building & Grounds Department keep a copy of facilities use invoices in either an electronic or manual form to track estimated bills sent and ensure payments are received in advance of the scheduled event.

**Response to Recommendation:**

21. With the implementation of the accounts receivable system in Finance Manager, this will no longer be an issue because each invoice will be recorded in that module.

**Current Condition:**

Corrective action was taken by the District during fiscal year 2011-2012.