



**UNITED STATES DEPARTMENT OF EDUCATION**  
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES  
Chicago/Kansas City Audit Region

May 19, 2017

**Control Number**  
**ED-OIG/A05Q0005**

MaryEllen Elia  
Commissioner of Education  
New York State Education Department  
New York State Education Building  
89 Washington Avenue  
Albany, NY 12234

Dear Ms. Elia:

This final audit report, “Wyandanch Union Free School District: Status of Corrective Actions on Previously Reported Title I Findings,” presents the results of our audit. The objective of the audit was to determine whether Wyandanch Union Free School District (Wyandanch) completed corrective actions to remediate previously reported Title I-relevant audit findings; if not, identify what corrective actions Wyandanch did not complete, determine why Wyandanch did not complete them, and describe the risks that still exist because Wyandanch did not complete the corrective actions. We limited our audit to corrective actions taken in response to findings and recommendations relevant to Title I, Part A (Title I) of the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act, disclosed in audit reports issued from July 1, 2005, through December 31, 2015. We evaluated the status of its corrective actions as of June 2016 and concluded that Wyandanch took corrective actions that should be sufficient to remediate all Title I-relevant audit findings disclosed in reports issued from July 1, 2005, through December 31, 2015.

In response to the draft of this report, New York stated that it did not have any comments, corrections, or additions. We included New York’s response in its entirety as Attachment 2 of this report.

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## **BACKGROUND**

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The Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act, authorizes the Title I program. The purpose of the Title I program is to provide all children the opportunity to receive a fair, equitable, and high-quality education and to close educational achievement gaps. Title I authorizes the U.S. Department of Education (Department) to provide Title I grants to local educational agencies through State educational agencies. Title I is the largest Federal grant program for elementary and secondary education,

providing more than \$14.4 billion annually to supplement State and local funding for low-achieving children, especially those who are economically disadvantaged.

The New York State Education Department (New York) provided \$567,363 in Title I funds to Wyandanch for fiscal year 2015 and \$626,715 for fiscal year 2016.<sup>1</sup> During the 2014–2015 academic year, Wyandanch operated 4 schools and served more than 2,200 students, about 93 percent of whom were economically disadvantaged.

According to Title 2 of the Code of Federal Regulations (C.F.R.) § 200.501,<sup>2</sup> recipients that spend Federal awards of \$750,000 or more in a year are required to have a single or program-specific audit conducted for that year.<sup>3</sup> In addition to single or program-specific audits, New York’s Office of Audit Services conducts financial and compliance audits of local educational agencies in the State.

An OIG audit report issued on September 14, 2005, disclosed significant weaknesses in Wyandanch’s internal control over accounting for and using Title I funds. To resolve the audit, the Department required New York to conduct an audit to ensure that Wyandanch corrected the significant internal control weaknesses disclosed in the OIG report. New York completed the required audit and issued its report on June 27, 2008, stating that Wyandanch had not implemented all the corrective actions that the Department required. New York recommended essentially the same corrective actions that the Department required Wyandanch to complete to resolve the 2005 OIG audit report.

Wyandanch also had required single audits conducted pursuant to Office of Management and Budget Circular A-133 for fiscal years 2005 through 2015.<sup>4</sup> The auditor performing these single audits did not always specify whether the weaknesses in internal control over Federal programs that it identified were relevant to the Title I program. However, the audit reports for fiscal years 2005, 2008, 2009, and 2011 disclosed weaknesses in Wyandanch’s system of internal control over Federal programs that we determined might affect Wyandanch’s administration of the Title I grant.

According to 2 C.F.R. § 200.511, recipients of Federal awards must follow up and take corrective action on all reported audit findings. Additionally, 2 C.F.R. § 200.331 requires recipients of Federal awards to ensure that subrecipients take timely and appropriate action on all deficiencies detected through audits, onsite reviews, and other means. Table 1 summarizes the findings specific to the Title I program that were disclosed in the 2005 OIG and 2008 New York audit reports and the corrective actions that Wyandanch was required to complete to resolve the audits. In addition, Table 1 shows the corrective actions that Wyandanch was supposed to complete to resolve the internal control weaknesses that we determined could be relevant to the Title I program and were disclosed in the reports on the single audits for fiscal years 2005, 2008, 2009, and 2011.

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<sup>1</sup> Wyandanch’s fiscal year is from July 1 through June 30.

<sup>2</sup> All regulatory citations are to the 2014 volume.

<sup>3</sup> Before December 26, 2013, the threshold requiring an annual audit pursuant to Office of Management and Budget Circular A-133 was \$500,000. Effective for auditee fiscal years beginning on or after December 26, 2014, 2 C.F.R. § 200.501 superseded Office of Management and Budget Circular A-133.

<sup>4</sup> The Federal Audit Clearinghouse did not have an audit report or data collection form for Wyandanch for fiscal year 2006. Therefore, we could not review an audit report for that fiscal year.

**Table 1. Audit Findings and Required Corrective Actions**

Finding	Required Corrective Actions and Report Source
Records not auditable	<ul style="list-style-type: none"> <li>• Develop and implement policies, procedures, and processes for maintaining financial management systems that accurately track and account for Title I funds (OIG: 2005).</li> </ul>
Unallowable and inadequately documented costs	<ul style="list-style-type: none"> <li>• Return funds for unallowable and inadequately documented costs to New York (OIG: 2005 and New York: 2008).</li> <li>• Prepare and maintain supporting documentation, including payroll certifications, for expenditures (OIG: 2005 and New York: 2008).</li> </ul>
Inadequate internal control	<ul style="list-style-type: none"> <li>• Establish and implement policies, procedures, and processes for segregation of duties, oversight of cash payments, and review of payment documentation (OIG: 2005).</li> <li>• Review all bank statements and financial reports before submission to the board (OIG: 2005).</li> <li>• Update and implement Wyandanch’s policy manual to include changes in laws, regulations, guidance, and funding agreements affecting Department grants (OIG: 2005).</li> <li>• Provide management accountability training to all board members and adhere to legal requirements for hiring (OIG: 2005).</li> <li>• Develop and disseminate policies and procedures that address <ul style="list-style-type: none"> <li>○ segregation of duties, oversight of cash payments, and review of payment documentation;</li> <li>○ bank statement and financial report review processes before submission to the board;</li> <li>○ changes in laws, regulations, guidance, and funding agreements affecting Department grants; and</li> <li>○ legal requirements related to hiring practices (New York: 2008).</li> </ul> </li> <li>• Reinforce, improve, or adhere to policies, procedures, and processes for cash disbursement, procurement, and maintaining accurate accounting records (single audits: 2005 and 2011).</li> <li>• Make payments only from original invoices and mark supporting invoices with a “paid” stamp (single audit: 2008).</li> <li>• Create a policy requiring employees to sign for their payroll checks (single audit: 2008).</li> </ul>

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## AUDIT RESULTS

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We evaluated the status of its corrective actions as of June 8, 2016, and concluded that Wyandanch took corrective actions that should be sufficient to remediate all previously reported, Title I-relevant findings included in audit reports issued from July 1, 2005, through December 31, 2015.

### **Records Not Auditable**

The 2005 OIG audit disclosed that Wyandanch did not establish adequate policies, procedures, and processes to accurately track and account for Title I funds. At the time of the audit, Wyandanch's financial management system could not process certain accounting entries. Therefore, to track the uses of Title I funds, Wyandanch used spreadsheets to supplement the financial management system. In part because of this ineffective financial management system, the Title I expenditures shown in Wyandanch's financial management system did not match the Title I expenditures that Wyandanch reported to New York.

In school year 2008, Wyandanch implemented a new electronic financial management system designed to accurately account for and report on Title I expenditures. The new system required multiple levels of approvals and electronically recorded a history of those approvals. The new system also allowed users to track interfund activity and to record adjusting journal entries for interfund transfers. This new electronic financial management system became the source of the data Wyandanch reported to New York.

We concluded that, as of June 2016, Wyandanch had developed and implemented policies, procedures, and processes to ensure its financial management system accurately accounted for Title I funds. Therefore, Wyandanch's Title I-relevant financial records for fiscal year 2015 were complete and accurate and the total Title I expenditures shown in Wyandanch's financial system matched the total Title I expenditures that Wyandanch reported to New York.

### **Unallowable and Inadequately Documented Costs**

The 2005 OIG and 2008 New York audit reports disclosed that Wyandanch used Title I funds for unallowable purposes and did not adequately document the use of Title I funds. As of June 2016, Wyandanch had returned all previously reported unallowable and inadequately documented Title I expenditures to New York. Wyandanch also implemented policies, procedures, and processes for preparing and maintaining supporting documentation for personnel and nonpersonnel expenditures.

To help provide reasonable assurance that its Title I expenditures would be allowable, Wyandanch provided New York with a detailed budget showing all of Wyandanch's planned uses of Title I funds and requested New York's approval before the start of the upcoming fiscal year. We analyzed a list of Wyandanch's actual expenditures and concluded that Wyandanch spent Title I funds only on fiscal year 2015 budgeted expenditures that New York had preapproved. We also examined supporting documentation for all \$499,915 of

Wyandanch's fiscal year 2015 Title I expenditures and found that Wyandanch ensured that all of the expenditures were allowable and adequately documented.

### **Inadequate Internal Control**

Wyandanch implemented policies, procedures, and processes to address the Title I-relevant weaknesses and deficiencies in internal control identified in audit reports issued from July 1, 2005, through December 31, 2015. The updated policies and procedures manual covered changes in laws, regulations, guidance, and funding agreements that affected Department grants. The manual also addressed segregation of duties; review of cash payments, payment documentation, bank statements, and financial reports; procurement; maintenance of records; and signing for pay checks.

To verify that Wyandanch implemented these improvements in internal control, we discussed the updated policies and procedures manual with Wyandanch employees and reviewed documentation showing that Wyandanch reviewed bank statements and obtained employee signatures for payroll checks. We also observed Wyandanch employees performing the revised procedures for cash disbursements, bank reconciliations, and payroll check signing.

In addition to other internal control improvements, Wyandanch's board of education hired an internal claims auditor. The auditor was responsible for reviewing all supporting documentation for personnel and nonpersonnel expenditures before Wyandanch submitted expenditure claims to New York for payment.<sup>5</sup> We observed the internal claims auditor reviewing documentation for expenditures before they were presented to the Wyandanch board of education for payment. The internal claims auditor's additional level of review increased the likelihood that Wyandanch's Title I expenditures would be allowable and adequately supported.

Furthermore, we interviewed Wyandanch employees and reviewed hiring and human resources documentation. The documentation showed that Wyandanch reviewed qualifications of potential new employees and performed all required background checks. According to Wyandanch's updated policy and procedures manual, principals, department directors, and facility directors reviewed the qualifications of potential new hires. Wyandanch's superintendent told us that a cross section of employees reviewed qualifications of potential new hires. Then, according to the assistant superintendent for human resources, a committee from the applicable department or school submitted a list to the superintendent for review and recommendation to the board of education. These multiple layers of review helped ensure that Wyandanch hired qualified people.

Finally, we reviewed evidence showing that all Wyandanch board of education members completed management accountability training.

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<sup>5</sup> The internal claims auditor reported directly to the Wyandanch board of education. New York State Education Law, Chapter 263, requires local educational agencies to audit each voucher packet before New York pays for it. The board of education or an appointed internal claims auditor may complete this review.

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## OBJECTIVE, SCOPE, AND METHODOLOGY

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The objective of our audit was to determine whether Wyandanch completed corrective actions to remediate previously reported Title I-relevant audit findings; if not, identify what corrective actions Wyandanch has not completed, determine why Wyandanch did not complete them, and describe the risks that still exist because Wyandanch did not complete the corrective actions.

We limited our audit to corrective actions that Wyandanch took in response to Title I-relevant findings and recommendations reported in a September 14, 2005, OIG audit report, “Wyandanch Union Free School District’s (Wyandanch) Elementary and Secondary Education Act (ESEA) Title I, Part A (Title I) and Title II Non-Salary Expenditures” (A02-E0031); a June 27, 2008, New York audit report, “Wyandanch Union Free School District, for the Period September 1, 1999 through August 30, 2004” (SD-0307-3); and reports on required single audits for fiscal years 2005, 2008, 2009, and 2011. We evaluated the status of Wyandanch’s corrective actions as of June 2016.

To achieve our audit objective, we identified corrective actions that Wyandanch was required to complete to remediate previously reported Title I-relevant audit findings by obtaining and reviewing the 2005 OIG and 2008 New York audit reports, all available single audit reports required by Office of Management and Budget Circular No. A-133 for fiscal years 2005 through 2015,<sup>6</sup> and the program determination letter describing the corrective actions that the Department required Wyandanch to complete to resolve the 2005 OIG audit report.

To gain an understanding of laws, regulations, and policies that Wyandanch was required to adhere to, we reviewed Title I, Part A, of the Elementary and Secondary Education Act of 1965, as amended; 2 C.F.R. Part 200; 34 C.F.R. Part 76; Office of Management and Budget Circular No. A-133, “Audits of States, Local Governments, and Non-Profit Organizations;” New York State Education Law Chapters 147, 263, and 388, which describe required fingerprint clearances for newly hired employees, required board of education member training, and the duties of the Commissioner of Education; and Wyandanch’s policies and procedures manual.

To gain an understanding of the corrective actions that Wyandanch was required to take and took, we interviewed employees at New York, the New York State Office of the State Comptroller, and Wyandanch. We also obtained and reviewed Wyandanch’s corrective action plan; Wyandanch’s written policies and procedures manual (April 2013); and the following documentation supporting Wyandanch’s implementation of the planned corrective actions:

- a financial management software report showing employees’ access levels and the modules of the financial management system to which the employees had access as of May 10, 2016;

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<sup>6</sup> For fiscal years beginning on or after December 26, 2014, annual single audits are required by 2 C.F.R. § 200.501.

- a reconciliation between the bank statement for the checking account used to make payments for purchases with the purchases recorded in Wyandanch's financial management system;
- fingerprints and background checks for employees hired during fiscal year 2015;
- board of education member training certificates for fiscal years 2005 through 2013;
- the teacher contract in effect from July 1, 2010, through June 30, 2016, and salary letters in effect from September 1, 2014, through June 30, 2015;
- fringe benefit rate information for fiscal year 2015; and
- New York-approved indirect cost rate information for fiscal year 2015.

To ensure Wyandanch implemented the required corrective actions, we observed the general disbursing and payroll check signing, printing, and reviewing processes.<sup>7</sup> We also observed the procedures that Wyandanch's internal claims auditor followed to review general disbursement warrants and payroll reports before checks went through the signing and printing processes.

To determine whether all \$499,915 of Wyandanch's fiscal year 2015 Title I expenditures were allowable and adequately documented,<sup>8</sup> we

- confirmed that the amount of Title I expenditures that Wyandanch reported to New York for fiscal year 2015 matched expenditure reports from Wyandanch's financial system and employee earnings reports;
- verified the completeness, accuracy, and validity of all Title I salary charges for all five employees paid with Title I funds by comparing employee earnings reports to salary letters and teacher contracts and reviewing signed time and effort certifications;
- calculated the amounts that Wyandanch should have contributed for the employee pension plan and Old-Age, Survivors, and Disability Insurance and compared our calculations to the amounts that Wyandanch charged to Title I funds for all five employees; and
- calculated the amount of indirect cost that Wyandanch should have charged to Title I funds and compared our calculation to the amount Wyandanch charged to Title I funds.<sup>9</sup>

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<sup>7</sup> We made our observations during a visit to Wyandanch's administrative offices from May 9, 2016, through May 13, 2016.

<sup>8</sup> For fiscal year 2015, Wyandanch spent Title I funds only on personnel expenditures and indirect costs.

<sup>9</sup> To evaluate corrective actions as of June 2016, we reviewed expenditures for only the most recently completed fiscal year (2015).

### **Data Reliability**

To achieve our objective, we relied, in part, on data from Wyandanch's financial management system. Wyandanch used these data to create a fiscal year 2015 budget status report showing actual personnel expenditures. Wyandanch also used these data to create employee earnings reports showing the funding sources and the amounts Wyandanch paid employees from September 1, 2014, through June 30, 2015. We assessed the reliability of the data by comparing the amounts earned by each Title I employee to salary and longevity pay information from Wyandanch's personnel files. We also compared the total Title I funds used to pay salaries (as shown on employee earnings statements) to the salaries line item on the final Title I expenditure report. We determined that the data were sufficiently reliable for the purposes of our audit.

We conducted this audit from April 2016 through October 2016 in Wyandanch, New York, and at our offices in Chicago, Illinois, and Kansas City, Missouri. We discussed the results of our audit with New York and Wyandanch officials on November 18, 2016.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

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## **ADMINISTRATIVE MATTERS**

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

We appreciate the cooperation and assistance extended by New York and Wyandanch employees during the audit. If you have any questions, please contact me or Jonathan Enslin, Assistant Regional Inspector General for Audit, at (312)730-1620.

Sincerely,

/s/

Gary D. Whitman  
Regional Inspector General for Audit

Attachments

**Attachment 1**

**Acronyms, Abbreviations, and Short Forms Used in This Report**

C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
New York	New York State Education Department
OIG	U.S. Department of Education, Office of Inspector General
Title I	Title I, Part A, of the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act
Wyandanch	Wyandanch Union Free School District

Attachment 2



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

DEPUTY COMMISSIONER  
Office of Performance Improvement and Management Services  
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April 26, 2017

Mr. Gary Whitman  
Regional Inspector General  
United States Department of Education  
Citigroup Center  
500 W. Madison St., Suite 1414  
Chicago, IL 60661

Reference: ED-01 G/A05Q005

Dear Mr. Whitman:

Thank you for sending the New York State Education Department (NYSED) a copy of the draft audit report for the Wyandanch Union Free School District to review. NYSED is pleased to learn that the Wyandanch U FSD has completed all of their Title I corrective actions from prior OIG audit reports. At this time, neither Wyandanch UFSD nor NYSED have any comments, corrections or additions to add to the draft audit report.

On behalf of the Wyandanch UFSD and NYSED, I would like to thank you and your staff for your professionalism, assistance in identifying areas of concern and providing technical assistance. As a result of the audits conducted by you and your staff, the district has instituted improved internal controls and updated policies and procedures that govern how they manage their federal grants, which will continue to benefit the students of Wyandanch UFSD.

Sincerely,

/s/

Sharon Cates-Williams  
Deputy Commissioner

Cc: Thalia Melendez  
Maxine Meadows-Shuford