

**PUTNAM VALLEY CENTRAL SCHOOL DISTRICT**  
**GOVERNMENT AID AND GRANTS INTERNAL AUDIT**

**Internal Audit Report**

**June 17, 2021**

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Ms. Jeanine Rufo  
President, Board of Education  
Putnam Valley Central School District  
171 Oscawana Lake Road  
Putnam Valley, NY 10579

Dear Ms. Rufo:

We have recently completed our internal audit of internal controls over the Government Aid and Grants processes of the Putnam Valley Central School District (“the District”). These functions were recommended for audit in our internal audit Risk Assessment Update FY 2020/2021 Report dated December 17, 2020.

This internal audit report includes background information, the audit scope and objectives, summary of audit findings, and our observations and recommendations. The audit procedures performed included various tests, reviews, and evaluations in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors.

This report includes observations identified during our audit, with recommendations to improve internal controls and enhance operational effectiveness. We met with the Audit Committee on June 17<sup>th</sup> and discussed the report and received their acceptance and approval.

We appreciate the fine level of cooperation provided to us by the District’s staff during our audit and look forward to working with them in the future.

Very truly yours,



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**Date:** June 17, 2021

**To:** Ms. Jeanine Rufo, Board President

**From:** Sharon Eason, Manager  
William Croft, Director

**cc:** Audit Committee  
Ms. Jill Figarella School District Treasurer  
Dr. Jeremy Luft, Superintendent

**Subject:** Government Aid & Grants Internal Audit

## **Background**

We have applied certain financial, compliance and operational audit procedures to the Government Aid & Grants functional areas of the Putnam Valley Central School District (the “District”) as of May 31, 2021. As a result of our most recent Risk Assessment Report, Internal Audit recommended this area for an in-depth review to determine ways to improve procedures and establish increased accountability and stronger internal controls.

## **Audit Scope**

Our responsibility was to assess the adequacy and effectiveness of internal controls over Government Aid and Grants operations in the District. We reviewed the period from July 1, 2020 through May 30, 2021. A detailed description of audit work performed is presented in the “Summary of Audit Procedures Performed” section of this report. These audit procedures performed are in accordance with *The International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors.

## **Objectives**

- 1) To ensure that funds are expended in accordance with the terms and approved budget of the grant;
- 2) To ensure that the District is requesting reimbursement for all funds to which they are entitled or that unused balances of grant funds are remitted to the proper granting authority;
- 3) To ensure that required reports are accurate and submitted in a timely manner;
- 4) To ensure that adequate documentation is maintained in support of grant objectives; and,
- 5) To ensure proper and efficient administration of the grant award.

Based on the results of the procedures performed, the internal control structure is rated as “*Satisfactory*.” The internal audit rating structure is defined below:

***Satisfactory*** Indicates an acceptable system of internal control and satisfactory compliance with applicable policies, procedures and regulatory requirements. Findings indicate modest weaknesses that require management's attention.

***Needs Improvement*** Indicates weaknesses in the system of internal control and/or compliance with related policies, procedures and regulatory requirements. These findings require management's prompt resolution to prevent further deterioration and possible losses.

***Unsatisfactory*** Indicates significant weaknesses in the system of internal control and/or compliance with related policies, procedures and regulatory requirements. Management's immediate attention to these findings is required to prevent potential loss to the institution.

We would like to thank the management and staff of the District for the assistance and courtesy extended to us during the course of our audit.



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### **Summary of Audit Procedures Performed**

- Procedure 1 – Reviewed policies and procedures to determine adequacy and to ensure that policies and procedures have been communicated to appropriate personnel.
- Procedure 2- Interviewed Assistant Superintendent of Human Resources and PPS to obtain a thorough understanding of the objectives, goals and desired operations of grant awards and identify any concerns that the Assistant Superintendent of HR and PPS may have regarding the ongoing operations of the program.
- Procedure 3 - Examined the expenditure audit trail and selected a sample of disbursements. Verified that sufficient documentation supported each disbursement and that the services performed support the grant goals and objectives.
- Procedure 4 – Verified that funds have only been expended for budgeted line items approved in the grant application.
- Procedure 5 – Obtained a copy of Maintenance of Effort (MOE) Calculator and verified that the calculation is accurate and that submission to the New York State Board of Education was timely.

## **Recommendations to Enhance the System Of Internal Controls and Improve Operating Procedures**

Internal Audit tested the Government Aid & Grant process. We obtained a copy of the internal procedures to determine adequacy and to ensure that procedures have been communicated to appropriate personnel. We also obtained a list of personnel assigned to the grant and interviewed key personnel to determine whether personnel are assigned according to the number of positions approved in the application. We selected a sample of employees who work solely on a single grant program cost objective and verified that semi-annual certifications, signed by the supervisor have been completed.

We interviewed the Assistant Superintendent of HR and PPS who is directly responsible for the administration of the grant under review, to obtain a thorough understanding of the objectives, goals and desired operations of the grant awards. We also identified any concerns that the Assistant Superintendent had regarding the ongoing operations of the program.

### ***1. Policies and Procedures***

#### **Observation**

The District has a one page procedure summary on steps for 611 & 619 grants as well as Title I, II, and IV. Internal Audit obtained a copy of the procedures to determine the adequacy and to ensure that procedures have been communicated to appropriate personnel. In addition, Internal Audit noted that the District's website has documented policies and procedures for New York State Every Student Succeeds Act (ESSA) Funded Programs Complaint.

#### **Risk/Opportunity**

Discretionary funding, as authorized by state and federal law to districts and other grantees, support a variety of programs and initiatives for such things as increasing student performance and high school graduation rates. It is the responsibility of the grantee to comply with all grant requirements, including those authorizing statutes listed as applicable. The award of a state or federal grant and the receipt of funds is, in many cases, contingent upon the grantee's continued compliance with these program statutes and regulations. Funding can be terminated in the event these requirements are not met.

#### **Recommendation**

Internal Audit noted that only one person in the District has the responsibility and the experience necessary for preparation and writing of the grant process. While there is high-level internal procedure documentation, this may not be sufficient in providing enough instruction

for the actual application preparation and submission process. Internal Audit recommends cross training or shadowing of another staff member(s) to enable multiple people to gain an understanding of what is involved in the grant application and submission process for Title I, II and IV and 611 and 619 grants.

The Director of Curriculum meets with the constituent groups to conduct a needs assessment. However, there is no formal report analysis of program cost to outcomes and benefits achieved. We recommend that a report should be prepared in order to enhance the annual conversations held with teachers, parents and other interested parties who participate in the planning and operation of various projects.

### **Management's Response**

The District will ensure cross training is conducted with the CSE Chairperson, on completing the 611 and 619 grants. The Assistant Superintendent of HR and PPS will conduct this process during the last two weeks of June each year, over a three year period. During mid-year meetings with the District Treasurer and the Accountant, the Assistant Superintendent of HR and PPS will have the CSE Chairperson attend each meeting so that they can be cross trained over a three-year period.

The District will ensure that the Director of Curriculum and Instruction, is cross trained, beginning July 2021, on writing the Title I, II, and IV grants over a three year period of time. The District will ensure that a template is created and can be used to conduct an analysis each year on the programs it runs beginning July 2021.

## **2. Disbursements**

### **Observation**

Internal Audit examined the expenditure audit trail and selected a sample of disbursements. We then verified that sufficient documentation exists supporting each disbursement, and that the services performed support the grant goals and objectives.

In addition, internal audit reviewed expenses for supplies and materials and selected a sample of disbursements and verified the following: i) funds for supplies and materials were spent in accordance with applicable rules and regulations and the approved applications; ii) supplies and materials purchased were used for the intended purposes. The District tags all tangible items purchased through grant funds and keeps a list of these items. The Assistant Superintendent and the Director of Curriculum are both responsible for keeping track of the materials and supplies purchased with grant funds.

### **Risk/Opportunity**

Good internal controls over the disbursement process helps to ensure that actual expenditures are in line with the District's grant budget, and help to prevent fraud and misappropriation of funds identified in the grant budget. In general, all expenditures should be supported with adequate documentation and sufficient itemization to ensure that goods were received, services were rendered, and validate that the nature of the expense was an appropriate school district expense. Purchase order descriptions should not read "Open P.O." or "Blanket P.O.," without any further description or explanation as to the purpose and nature of the expenditure. This further complicates the Purchasing Agent's ability to determine the items procured. The Purchasing Agent should require specific and detailed information on Purchase Requisitions, to facilitate the review of expenditures by Purchase Order and Vendor, and to facilitate the review of claims against agreed upon terms.

### **Recommendation**

The District should continue their processes and controls for disbursements of grant funds and ensure that all signed approvals are also dated.

### **Management's Response**

No response required.

## **3. Budgets**

### **Observation**

Grant budgets are created when the grant applications are submitted. Internal audit obtained a copy of the grant budget to ensure that the budget for the grant corresponds to the budget that was approved in the application with allowable budget variations. Internal audit, as part of the test work, ensured that the grantee is in compliance with applicable program requirements such as limitations on administrative costs, etc.

### **Risk/Opportunity**

The grant budget is a financial plan based on the grant application developed for a complete fiscal year, and is based on estimates of expenditures and grant awards. The budget is a key tool for managing day-to-day operations. Errors in the budget, such as making unreasonable or unrealistic assumptions, underestimating expenditures, and overestimating revenues can have significant consequences. Thus, it is critical that a budget is well constructed.



**Recommendation**

The District should continue their processes and controls over grant budgeting processes.

**Management's Response**

No response required.

**4. MOE Calculation and Submission****Observation**

Each year the District is required to file the Maintenance of Effort (MOE) Calculation Report with the New York State Department of Education electronically. The calculation includes child count, account expenditures and MOE reductions/exceptions and ST-3 IDEA special Aid Fund account expenditures. The District's Treasurer is responsible for the submission of the MOE Calculator annually. Internal audit obtained a copy of the report submitted with accompanying support and verified that the information was submitted timely and accurately.

**Risk/Opportunity**

Annually beginning in FY 18/19, the District's Internal Audit firm is responsible to complete a review of the MOE Calculator (child count, account expenditures and MOE reduction adjustments/exceptions) and ST-3 IDEA Special Aid Fund (account expenditures) for compliant, accurate, and properly categorized reporting as part of the District's annual risk assessment process.

The internal auditors are responsible for ensuring that this review is included in the scope of the Internal Audit Firm's risk assessment and is included in the Risk Assessment provided to the Audit Committee. The internal auditors are also responsible for ensuring that corrective action is taken for any findings related to the MOE calculator or IDEA program as identified during internal, external and funding source audits and reviews.

**Recommendation**

The District should continue their processes and controls for MOE Calculator and insure that all reports are timely submitted to the New York State Department of Education.

**Management's Response**

No response required.