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Bethlehem Central School District:
FY 2017/18 Special Education – ESY Program Audit



April 18, 2019

Board of Education
Bethlehem Central School District
700 Delaware Avenue
Delmar, NY 12054

We have completed the annual testing of controls for the Bethlehem Central School District. One of the requirements of the 2005 School Financial Oversight and Accountability legislation is ongoing testing and evaluation of the district's internal controls. Our engagement was designed to evaluate the adequacy of internal controls over the Special Education and Student Service's System to Track and Account for Children for the Extended School Year Program processes to ensure they are appropriately designed and operating effectively and efficiently. And, to provide a report with recommended changes for strengthening controls and reducing identified risks.

The purpose of the audit was to review the internal controls that the District has in place to prevent errors, detect fraud and ensure that financial reporting is accurate and that the district assets are safeguarded.

RELIABILITY OF INFORMATION

In performing our engagement, we obtained a sample from the population of transactions to test the accuracy and reliability of information provided by district personnel.

As noted, the purpose of our engagement was to assist you in improving the process by which you monitor and manage the risks that face the District. Any findings and recommendations in the attached report are the responsibility of the district to implement, accept the risk as identified, or implement alternative controls that will mitigate the risk to a level that is acceptable by the district. Ultimately, it is your responsibility to assess the adequacy of your risk management system.

DISTRIBUTION OF THE REPORT

This report is intended solely for the information and use of the Board of Education and management of Bethlehem Central School District and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the individuals in your organization for their cooperation. Over time, it will be necessary to reassess your risks to ensure that they have not changed and to ensure that your risk management system is functioning properly. Through our ongoing involvement with you as a client and our knowledge of your District and its processes, we are in a unique position to assist you with that process. Please contact us at any time should you desire such services.

Sincerely,

Mark Beaudette

Mark Beaudette, CPA
Questar III BOCES

REPORT TO THE BOARD OF EDUCATION

ENTITY NAME	Bethlehem Central School District
REPORT DATE	May 11, 2018
PROCESS REVIEWED	Extended School Year (ESY) Program
PERSONNEL INTERVIEWED	<ol style="list-style-type: none"> 1. Phyllis Albano, Business Administrator 2. Sherri Fitzpatrick, Special Education and Student Services (SESS) 3. Cindy Jurewicz, Transportation Director 4. John Biszick, Assistant Director of Transportation 5. Laurel Jones, Early Learning Focus (ELF) Coordinator 6. Jackie Gaffney, ESY Coordinator
SCOPE OF AUDIT	<p>We reviewed SESS's System to Track and Account for Children (ESY STAC Reporting) policies and procedures with SESS personnel and obtained an understanding of the processes used by the district to account for transactions of the ESY STAC reporting:</p> <ul style="list-style-type: none"> • From a population of 139 ESY (summer special education program) students for the 2017/18 school year, we selected 35 students for testing. We tested to ensure the special education services provided per the student's IEP and related transportation costs for the summer of 2017 were properly calculated and reported in STAC; and • Reviewed and evaluated the Early Learning Focus (ELF) Program to determine if the District was accurately reporting transportation expenditures during the Extended School Year (ESY).
SCOPE RESTRICTIONS	None
AUDIT OBJECTIVES	<ul style="list-style-type: none"> • Evaluate the internal controls established by the District for the STAC state aid process to ensure they are operating effectively and efficiently; and • Ensure that special education records are properly maintained and safeguarded.
KEY PROGRAM CONTROLS	<p>The District created the following key program controls designed to meet business obligations, provide accountability, and promote operational effectiveness & efficiencies:</p> <ul style="list-style-type: none"> • The applicable SESS office staff and Business Office staff are experienced and knowledgeable of the regulations governing special education; • The SESS office has recently updated a procedural manual to document key policies, procedures, and regulations; • The District uses IEP Direct, which is a database of all issued IEPs. The program allows staff to filter the database for students that may classify for STAC reporting;

	<ul style="list-style-type: none"> • ESY student listings are generated by the CSE Chairperson then they are reviewed by appropriate staff and approved by the SESS Director; • SESS prepares electronic spreadsheets to identify High Cost, ESY, and Private Placement students and include applicable cost information. The spreadsheets are reviewed with documented approval by the SESS Director. This information is then used to report STAC On-line for state aid; In addition, all STAC entries are verified by the SESS Director; and • The business administrator approves all STACs prior to them being filed.
<p>OBSERVATIONS AND RECOMMENDATIONS</p>	<p><u>Observation 1:</u> During our evaluation of the ESY transportation cost and interviewing staff, we noted that the transportation department was unable to determine how to calculate transportation expenditures. We noted that the Director of Transportation was not properly trained on how to calculate transportation expenditures. The transportation department was using methodologies from the former Director of Transportation that reflected estimations rather than calculating actual costs.</p> <p><i>Recommendations: The District should provide formal training to the transportation department on how to properly calculate transportation costs. Training should include NYSED guidelines to determine the actual transportation expenditure calculations.</i></p> <p><u>Observation 2:</u> During our evaluation of ESY calculations per student, we identified that the District was not properly calculating transportation cost for ESY STAC reporting.</p> <ul style="list-style-type: none"> • The labor rate was calculated by taking the highest contract rate in accordance with the applicable bargaining agreement. • The depreciation rate was calculated by taking the cost of the bus and dividing by the total miles (expected life of 125,000 miles) to determine a cost per mile. • The fuel cost rate was calculated by taking the previous year's fuel expenditures and dividing it by the mileage. • It was also noted that the transportation department was not calculating actual fringe benefits. The District applied 35% to the employee's hourly rate to come up with a fringe benefit cost. The District will then calculate total cost per mile by adding estimated fringe benefits, depreciation, fuel cost, and the per mile rate. This is an estimation of calculating transportation cost. <p>Additionally, during our review of educational expenditures, we identified seven students who were not verified on the fiscal year 2016/17 ESY STAC report. According to the related services per the students IEP, we were unable to verify if these individuals were STAC reported. Internal audit tried to get verification from the SESS department but never received an explanation.</p> <p><i>Recommendations: For this 6-week period only, districts may claim expenditures based on the percentage of staff time (or actual cost of services) provided to students with disabilities. Districts need to reduce reported expenditures based on the percentage of staff time related to</i></p>

transporting regular education students during this 6-week period plus time working on other activities.

Report the percentage of the expenditures for the salaries of the mechanics, bus drivers, head bus driver, dispatchers, and student bus attendees (matrons, assistant drivers) related to transporting students with disabilities enrolled in the 6-week summer school program.*

Report the percentage of the expenditures for the salaries of the transportation supervisor, transportation office secretary, assistant transportation supervisor, and dispatchers related to transporting students with disabilities enrolled in the 6-week summer school program.*

Report the percentage of expenditures for daily consumables like fuel, oil, and lubricants related to transporting students with disabilities enrolled in the 6-week summer school program.

Report the percentage of transportation employee fringe benefit expenditures for social security, retirement, workers' compensation, individual (not family) health and dental, disability, and unemployment insurance related to transporting students with disabilities enrolled in the 6-week summer school program. Even if the district provides family health and dental insurance, the maximum you may report here is the individual health and dental insurance rate for the 6-week summer period.

Separation of Summer Transportation Cost Reporting for Students with Disabilities on the ST-3. Districts must report their July and August transportation expenditures for students with disabilities (SWDs) enrolled in summer Section 4408.

The State Aid Unit will reconcile summer transportation costs claimed through STAC for individual students with disabilities against the district total level transportation costs reported on the ST-3.

In addition, The SESS Department should ensure that all ESY program educational expenditures have been verified in a timely fashion.

Observation 3: When comparing the Transportation departments cost per student calculations with the SESS departments cost per student calculations, we noted that several students did not reconcile. We noted that there is confusion regarding the Early Learning Focus (ELF) Program and if the District should record these students into their overall transportation cost per student calculations.

During interviewing staff and evaluating the process, we noted the transportation department prorates the transportation costs which includes the ELF students. However, the SESS department will make adjustments again to bus attendance which then impacts the cost per student (i.e. removing ELF students from the overall calculations). The SESS department usually documents this on paper but was unable to locate the hand-written documents to support changes made to bus attendance. Internal audit was unable to verify if the adjusted amounts were reasonable in accordance with overall bus attendance. Therefore, the transportation cost per student calculation are being overstated after SESS removes ELF students.

Recommendations: The SESS department should use the transportation cost per student generated from the Transportation department (includes both ELF and ESY students). The overall transportation cost per student

	<i>should be based on the total number of students on that specific bus route. If ELF students are being subtracted from the bus route, this will inflate the cost per student calculations. The SESS Department should also properly retain all supporting documentation in the event of adjusting the transportation cost per student.</i>
SUBMITTED BY:	David Leather, Internal Auditor
DATED:	May 11, 2018

Phyllis L. Albano
Treasurer / Business Administrator
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Bethlehem Central School District

<http://bethlehemschools.org>



TO: Jody Monroe, Superintendent
Audit Committee Members

FROM: Judith E. Kehoe, CBFO

COPY: Phyllis L. Albano, Treasurer/Business Administrator

DATE: January 9, 2019

SUBJECT: Response to Internal Audit Report – 2017/18 Special Education – ESY Program

Recommendation #1: The District should consider contacting Questar III BOCES's State Aid Planning for guidance on the completion of the supplemental schedules. The District should consider amending prior years' submission of supplemental schedules and STAC reports from FY 2015/16 to current. The District will need to obtain SED approval to amend submissions beyond 2017.

Below are responses to specific observations relating to recommendation #1:

Observation #1a: The District did not complete the supplemental schedule SS-10 which reports the administrative expenditures associated with the full day and half day programs.

Response: The District erroneously reported the administrative expenditures on supplemental schedule SS-11. The District has revised SS-11 and reported these expenditures on the SS-10.



Observation #1b: The District did not claim expenditures regarding personnel services on their supplemental schedule SS-13. The District did not include services provided by the director of special education, secretaries, physical therapist, speech therapist, as well as custodians who were responsible for cleaning the rooms.

Response: The personnel services for the physical therapist and speech therapist were identified by the Special Education and Student Services (SESS) as related services. According to SED, related services cannot be reported on any of the supplemental schedules. Instead, these costs are reimbursed directly through the STAC system, based on information submitted by SESS.

The District currently reports the entire salary of the ESY Coordinator, who is responsible for the staffing and coordination of all aspects of the ESY Program. Although the District could allocate a portion of the salaries of the director of special education, secretaries, as well as custodians that relate to work involved in the ESY Program, we would need to perform a cost benefit analysis to determine if these costs are significant and should be reported. If so, part of these salaries would be required to be reported in the Federal Fund.

Observation #1c: The full and half day programs, reported on Supplemental Schedule SS-14, were not operating at maximum capacity or the programs were overstaffed. The full day program had a maximum capacity of 84 students, but the District only had 41 students attending the program; while the half day program had a maximum capacity of 36 students, but the District only had 16 students attending the program.

Response: The District is aware that the full and half day programs were overstaffed and exceeded the SED approved classroom ratios. The approved classroom ratio for both the full day and half day program is 12:1:3 (12 students, 1 teacher, 3 ASWDs). The District has scheduled based on enrolled students, but has found students have not actually attended the program. In the future, the District will schedule staff based on anticipated patterns of attendance and lower staff levels, accordingly, to meet the SED approved classroom ratios.

Recommendation #2: The District should obtain training from Questar III BOCES's State Aid Planning on how to calculate ESY transportation cost. The District should consider using the worksheet from State Aid Planning as a guide to properly calculate transportation expenditures.

Response: The Transportation Department will be using the worksheet, provided by State Aid Planning, to calculate the transportation costs of the ESY Program, effective for the 2018/19 school year. The worksheet will be prepared by the Transportation Department and sent to the Business Office for review. Once reviewed, the transportation costs will be forwarded to the SESS Department; SESS will enter the transportation costs in the STAC system for each student, if applicable, attending the ESY Program.

Recommendation #3: The Transportation Department should calculate the transportation expenditures by using bus runs rather than bus routes. This should ensure that the District is properly accounting for and allocating the appropriate number of student riders on each bus route.

Response: The Transportation Department will begin calculating the transportation expenditures, by bus runs rather than bus routes, of the ESY Program effective for the 2018/19 school year.

Observation #4: The Transportation Department should obtain the instructions set by SED and separate mileage that does not pertain to the ESY Program. This would ensure that the department is properly allocating the overall summer mileage for the ESY related bus routes only.

Response: The Transportation Department has written instructions, set by SED, which provide detailed explanations; these instructions specifically address the breakdown of mileage, including regular routes, field trips, athletic trips, etc. and the ESY Program, that is required to be reported to SED annually.

The CBFO has directed the Transportation Director and staff to gain a better understanding of the software used to calculate bus mileage and to work with the vendor, if needed. The Transportation Director has also been informed of the need to maintain accurate mileage for each bus, and in total, as well as a breakdown of mileage for the various types of programs/events. Specifically relating to the ESY Program, the total mileage will be calculated and separately identified for students attending the ESY Program and attending the ELF program.