



**PLAINVIEW-OLD BETHPAGE
CENTRAL SCHOOL DISTRICT**

REPORT OF REVENUE ANALYSIS

FEBRUARY 2011

February 2011

The Board of Education
Plainview-Old Bethpage Central School District
Plainview, New York 11803



Board of Education:

We have been retained to function as the internal auditor for the Plainview-Old Bethpage Central School District (hereinafter, "the District"). Our responsibility is to assess the internal control system in place for the accounting functions within the District, and to make recommendations to improve upon certain control weaknesses or deficiencies. In doing so, we hope to provide assurance to the Board, District's management, and residents, that the fiscal operations of the District are being handled appropriately and effectively.

As part of our internal audit plan for the 2010-2011 school year, the Board requested that, due to significant reductions in federal and state school aid, C&A perform a detailed analysis of the revenues earned within the District's general fund. The purpose of our review was to determine if the internal controls in place in the District were adequate to ensure that the District was capturing and properly accounting for revenues received. As such, we obtained the revenue budget status reports for this fund from the 2005-2006 school year through the 2009-2010 year. A separate risk assessment of revenues generated from special education services provided in the District was performed, and a report of our recommendations was issued in March 2008. As such, special education related revenues were not addressed in this report. We selected the 2009-2010 school year to perform a detailed analysis of revenues reported and used the results for that year as a base in determining the controls for receiving revenue in the District for the other years in the review. In some cases, we used the current year data to perform our analysis as it was more readily available. We also compared the revenue sub-account codes established in the District to the general fund revenue codes listed in the Accounting and Reporting Manual issued by the New York State Comptroller's Office to determine if there were other potential revenue streams not captured by the District. Our comparison revealed that the District has established the majority of the revenue codes listed and is receiving revenue from those sources that it is entitled to receive.

For each sub-account code within the general fund that had a budgeted amount, we obtained the detailed account transactions to perform our analysis and assessed:

- That the budgeted amounts are appropriate and reasonable;
- That the procedures for collecting, recording, and depositing money are in place to ensure that all monies are appropriately accounted for and deposited in a timely manner;
- That the reconciliations of the sub-account balances are being performed in a timely manner;
- That there is adequate separation of duties for bank reconciliations, access to cash and record keeping; and
- That there is adequate management review of revenue the District is entitled to receive.

The District has established good internal controls to account for revenues received, including the preparation of a Cash Management Procedures binder dated October 2010. The binder contains various procedures, laws, and checklists related to cash management, revenue, and budgeting. The District has specific procedures for the receipt of monies that include separation of duties. For example, the Benefits Clerk accepts the monies, logs the entries, and then gives the monies to the Accounts Receivable (A/R) clerk. The A/R clerk is responsible for issuing a Treasurer's Receipt, recounting the money, documenting who the money is from, indicating which code the money is to be deposited to as well as the purpose, and depositing the money in the appropriate bank accounts.

We noted a few minor issues during our analysis, and have detailed the results of our review below according to each of the sub-account codes reviewed.

Real Property Taxes (A1001), Commercial Property Taxes (A1081), and S.T.A.R. (A1085):

The District receives the bulk of its revenue from property taxes from District residents and commercial properties. Each year, the District and the Board prepare a budget for the upcoming school year. Once the budget is approved by the district voters, the District and the Board certifies the tax levy that indicates the total expenditures the District anticipates spending and the total amount needed to be collected from tax payers. The District receives the bulk of the tax payments electronically; however, there are 5 commercial businesses in the District that have a pilot agreement with the County to pay their taxes on a semi-annual basis. The County then remits the payments to the District via a check which identifies the property that paid the taxes. The District records and monitors the payments in a separate sub-account code, Payments in Lieu of Taxes to ensure all payments are properly received.

We reviewed the detailed account transactions for the 2009-2010 school year and verified that the District received all monies owed and that the deposits were properly recorded in the correct sub-account codes within the District's financial application, WinCap. No exceptions were noted.

Aid Revenues (A3101, A3102, A3103, A3104, A3260, A3262, and A3263):

The second largest source of revenue received in the District is from State Aid. There are several components of aid that the District can receive which include:

- Foundation Aid (formally known as Basic Aid Formula): This is the largest unrestricted aid category supporting public school district expenditures in New York State. The amount of aid given to the District is based primarily on student enrollment.
- Lottery Aid: Annual proceeds from the New York State Lottery are used to support elementary, middle, and secondary education. The District receives a portion of this money based mostly on the District's taxable property wealth per pupil.
- BOCES Aid: School districts that are components of a Board of Cooperative Educational Services (BOCES) are eligible for BOCES Aid. The aid is calculated based on certain administrative and instructional expenses incurred.
- Students with Disabilities Aid: This is the public and private school excess cost aid related to special education services provided for students with disabilities. This aid is paid in

conjunction with Federal Medicaid reimbursements and is distributed to schools based on an excess cost aid payment schedule established by the State. The District receives this aid as part of the Foundation Aid money however the Assistant Business Administrator keeps track of these monies in a separate sub-account code in order to ensure that the District received the appropriate aid amount. An analysis of the revenue received from public and private excess cost aid for special education services was documented in a separate report issued to the District during March 2008, titled "Special Education / Pupil Personnel Services".

- Textbook Aid: Each public school district is eligible for an allotment of Textbook Aid in an amount equal to the district's actual expenditures during the base year for textbook purchases for resident public and nonpublic pupils. The amount of aid the District receives is \$43.25 per student and is based on purchases made and student enrollment.
- Computer Software Aid: School districts are eligible to receive aid for the purchase of certain computer software programs that is used for instructional purposes. The District receives aid equal to the lesser of actual expenditures for the prior year or a prescribed dollar amount multiplied by the total number of students enrolled. This aid is \$14.98 per student.
- Library Materials Aid: The aid received is very similar to the computer software aid. Each public school district is eligible for a maximum allotment of Library Materials Aid in an amount equal to the product of a specified dollar amount multiplied by the number of pupils attending schools, which is \$6.25 per student.

The majority of the aid that the District receives is the Foundation Aid, which is based primarily on student enrollment. In October of each school year, the Personnel Department compiles the student enrollment based on the student management database (Infinite Campus) and then completes the enrollment data on the State's Basic Educational Data System Form (known as BEDS). The enrollment data is calculated by obtaining the student enrollment reported in each of the District's schools, including the two private schools located in the District. Each building is responsible for tracking student attendance and reviewing the list of students who are enrolled in the District. The District also provides the number of students with disabilities enrolled in other public school districts, BOCES, or other State-run facilities as well as the total staff in the District.

The Assistant Business Administrator then uses the BEDS enrollment information to complete the state aid projections for the school year. This is done online on the State Aid Management System (SAMS). The data entered in SAMS is reviewed by the State who may request additional information to support variances from prior school year data that is greater than a certain threshold established by the State. Once the data is approved, the Assistant Business Administrator reviews the dollar amount of aid as calculated on the General Formula Aid Output Report (known as the GEN report), and uses those amounts to establish the aid revenues that are to be received. All State Aid documents are kept in folders by the Assistant Business Administrator.

We reviewed the enrollment calculated by the District, as well as the BEDS form, the data entered in SAMS, and the GEN reports issued from the State for the 2009-2010 school year. We noted that the data entered in the enrollment spreadsheet agreed with the information listed on the BEDS form and in SAMS. We noted that the various aid revenues listed on the GEN report from the State reflected the

correct enrollment number. In addition, we noted that the Assistant Business Administrator reviews the data maintained by the State and updates the revenue projections on a monthly basis. We examined the detailed account transactions for the various aid revenue sub-account codes and noted that the revenues received were properly recorded in the correct sub-account code in WinCap. No exceptions were noted.

Drivers Education Tuition (A1313):

The District offered driver's education classes to high school students at a cost of \$450 per student for the 2009-2010 school year. The assistant principal of the high school is responsible for managing the classes that are offered during the fall and spring. This entails collecting the checks, compiling a roster of the students who have paid for the class, copying the checks, and sending the checks to the A/R clerk to be deposited and recorded in WinCap. The assistant principal maintains folders of all records for each class. We reviewed the documents maintained in the folders and compared 20 students from the list of students on the fall and spring rosters of students taking driver's education classes to the student's applications in the folder and did not note any exceptions. We examined that these students paid the correct amount and that the check was made out to Plainview-Old Bethpage School District. We also confirmed the number of students in the course equaled the number of students listed on the deposit sheet. In general, we noted that the District has adequate internal controls for collecting, recording, and depositing the monies associated with the fall and spring driver's education program.

Auditor's Comment:

Based on our interviews with the assistant principal, it was noted that the District was able to extend their contract with the driving school at the 2009-2010 price rates through the 2011-2012 school year.

Continuing Education Tuition (A1315):

The District offers various adult education classes to residents of the District during the fall and spring. This sub-account is self-sustaining and the fees charged off-set the cost of running the classes. The program is managed by the Adult Education Coordinator with assistance from her secretary, who are both responsible for overseeing all operations for this program that include collecting forms and money (required to be a check or money order made out to the District), and maintaining records of enrollment and payments. A photocopy of all checks received is maintained by the Coordinator, and the actual checks are sent to the A/R clerk who then deposits the money in the bank and records the payment in WinCap. The cost of each class is listed in a brochure that is sent to all District residents. The District offers a discount to senior citizens, with proof of age required to obtain the discounted price.

We reviewed the program rosters maintained by the Adult Education Coordinator for six different classes and verified that the District is appropriately recording, depositing and accounting for revenues associated with this program. We specifically selected one senior citizen from each class and verified that the District received proof of eligibility. No exceptions were noted.

Health Services for Other Districts (A2280):

The District is able to bill for health services for students from other school districts who attend one of the two private schools in the District. The school districts that these students reside in are responsible for paying for the health services that the Plainview-Old Bethpage School District provides at these private schools (i.e. nurses, physicians, speech, psychologists, social workers, and clerical). The Assistant Business Administrator prepares a spreadsheet of the Health & Welfare cost calculations for each school year. The District computes the cost of the services that includes the salaries, fringes, equipment, contractual services, and supplies. The District then obtains the total enrollment based on the State's Basic Educational Data System (BEDS) and divides the total cost by the number of students to determine the cost per student.

At the beginning of each school year, the District sends a letter to the private schools requesting a list of all students attending and their corresponding district of residence. The Accounts Receivable clerk then prepares an invoice based on the number of students in each school. The invoice and contract are then sent to the appropriate schools. Any unpaid invoices are kept in a separate folder for follow-up. Once the invoice is paid, the invoice is attached to the payment and any other supporting documentation and stored in a binder. The binder contains all payments received by month. The checks are given to the Benefits clerk to log in and then to the A/R clerk to be deposited and recorded in WinCap. We reviewed the detailed supporting documentation of the bill to the four school districts that had the largest amount of out-of-district students. We verified that the total number of students were accounted for, the total billed was correct, the amount paid to the District was correct, and the deposit amount was properly posted in WinCap. No exceptions were noted.

Interest and Earnings (A2401):

The Assistant Business Administrator, District treasurer, and the A/R clerk are responsible for maintaining and reconciling the District's bank accounts. The District has been approved to utilize three different banks. The Assistant Business Administrator frequently reviews the balance amount in the accounts and, depending on when payments have to be made, determines if the District can place some of the money in accounts that earn higher interest such as CDs. Since recent interest rates have significantly declined in the past few years, the District has been keeping most of the money in money-market accounts, which generally are high-interest bearing accounts. Every month, the Treasurer reconciles the bank accounts and the Assistant Business Administrator reviews the reconciliation. The banks do not charge any fees to the District.

We examined the treasurer's reconciliation procedures for two months and did not note any exceptions. We also examined the detailed account transactions for the interest and earnings revenue code to verify that the interest earned on the bank statements is properly recorded in WinCap and did not note any exceptions.

Auditor's Comment:

The Assistant Business Administrator proactively reviews and negotiates with the banks to receive the highest interest rate available. Since the District has received an AAA Bond Rating,

the District has been able to leverage better than average rates resulting in additional savings to the taxpayers.

Rental Real Property - Individual (A2410):

Throughout the year, various organizations and groups request to utilize the buildings in the District for meetings or other events. The District only permits local community groups who are non-profit organizations to rent the facilities, and therefore, the amount of rental activity is relatively small. In addition, as per the District's policy 3270R: Public Use of School Facilities, the District does not charge a building usage fee, but will charge for custodial fees if the event takes place on a Saturday or Sunday. Requesting organizations are required to complete an Application for Use of Facilities form, and if custodial services are needed, they must complete an Explanation of Custodial Charges for Use of Facilities form. All forms, as well as the certificate of insurance, are reviewed and maintained by the facilities department. The facilities department calculates the cost of the custodial charges based on payroll data, and then sends the information to the A/R clerk. The A/R clerk prepares the invoice and sends the bill to be approved by the Director of Facilities before sending to the respective organizations.

We selected three of the largest billed applications, and reviewed the supporting documentation to ensure it was complete and that the amount billed was calculated correctly. We then verified that the amount charged was properly received and posted in WinCap. We did not note any exceptions.

Rental Real Property - ACDS (A2413), Shalom Day Care Center (A2418), BOCES @ Parkway (A2420), Debbie's Creative Child Care (A2421), and Gymboree (A2422):

The District currently has 5 rentals. Each renter has its own lease which indicates the yearly and monthly amounts owed, and is based on price per square foot utilized. Square footage is calculated based on schematics prepared by facilities. Periodically, the District will visit the rental sites to ensure that the renters are not utilizing additional rooms/space that are not in their contract. The District is currently renting 2 buildings that were formally used by the District, Fern Place and Jamaica Avenue. Due to decreased enrollment over the years, the District decided to rent the facilities rather than sell the building should enrollment increase in the future. The District has utilized the services of a local real estate firm to determine the fair market price per square footage to charge. Currently, ACDS rents the entire facility at Fern Place. As a result, they are responsible for paying their own utilities. The renters of Jamaica Avenue, which include Shalom Day Care, Debbie's Creative Child Care, and Gymboree, share the space with the Senior Citizen program sponsored by the District. As such, the utilities for this building are paid by the District. BOCES utilizes a small space in the Parkway Elementary building utilized by the District.

We reviewed the revenues received from the rentals and compared the monies received to 2009-2010 lease agreements. When the District receives the payment, the A/R Clerk logs the money received in her log book and enters the deposit in WinCap. Our testing included recalculating the yearly and monthly rental amounts, confirming that the monthly rental amount recalculated agrees with the amount indicated on the lease, confirming the monthly amount being charged agrees with amount

collected as reflected on A/R log to those listed in the lease agreement, confirming the total amount received on the revenue status reports from WinCap agree with recalculated amount, and confirming the monthly rental payment for the month of September 2009 was properly deposited in the bank. Our testing did not disclose any exceptions.

Auditor's Comment:

It is standard for leases to include provisions for operating expenses or pass-through costs (i.e. snow removal, trash removal, utilities, maintenance, etc.). In reviewing the Districts leases, we did not see any provisions for such pass-through costs. We are aware that the District has obtained information on fair market rents from real estate agents, but without the inclusion of pass-through costs, which often run approximately 5% or so of the lease amount, the District's charged rent may be slightly below fair market value. The District may wish to consider including pass-through costs in future leases, especially as utility expenses have been increasing.

Other Charges - Services to Individuals (A1489):

The District offers three different after school and Saturday morning programs for students in the community to attend:

- 4th R Recreation Program: This is an after-school enrichment program where students can take classes in dance, art and crafts, baking, computers, sports, and science. All classes, except for the science classes, are the same fee and are taught by teachers / teacher aides in the District. The science classes are provided through an outside organization, Mad Science of Long Island, and the fee is indicated on the registration form. Classes are offered in the fall and in the spring.
- Swim Club: The District offers a Saturday instructional swim program and an Age Group Competitive Swim Team program (this is only offered to students who are residents of the District). The instructional swim program is offered in the fall and spring. The Swim Team program occurs October through March.
- Fun Time: This is an after-school program for special education elementary students. The program includes various recreational activities and runs from October through April.

These programs are intended to be self-sufficient in that the revenues collected offset the cost of running the programs, which includes supplies and salaries. The monies collected from these programs are all deposited into this account code by the A/R clerk. All programs require only checks or money orders for payment. Cash is not accepted. Class rosters are maintained by the persons responsible for the programs. Our testing included verifying that the District accurately accounted for all students registered. We selected 6 deposits made throughout the 2009-2010 school year and compared that to the bank and District records. No exceptions were noted.

Auditor's Comment:

During our testing of one of the Saturday swim classes, we noted that the enrollment was slightly higher than the maximum number of students permitted as indicated on the

registration form. While we were assured that the class can handle the additional students, the District may want to consider either increasing the maximum enrollment capacity or offering a second class.

In addition, we verified that the students on the class roster paid the correct registration fee as follows:

- For students enrolled in the Saturday Instructional Swim program, we selected 2 students in each class for the fall and the spring sessions. The roster for the special education class was the same for the fall and spring. A total of 16 students were selected and compared to the deposit information. No exceptions were noted.
- For students enrolled in Fun Time programs, we reviewed the roster of 21 students and selected 5 students and compared to the deposit information. No exceptions were noted.
- For students enrolled in 4thR programs, we selected 2 classes from the spring 2010 semester, and 2 classes from the fall 2010 semester (the information was more readily available than fall 2009). For each class, we selected 5 students from each class roster and compared to the deposit information. No exceptions were noted.

Non-Resident Special Education Tuition (A2230):

The District receives revenues for special education services provided to students who live outside the school District. The Senior Account Clerk in the Pupil Personnel Services (PPS) Department prepares a list of all students receiving special education services who reside in another school district. The list contains the student name and the school district they reside in. The Business office indicates the student's yearly tuition (depends on whether the student is in grades K-6 or 7-12), and the total tuition that should be received from that district. The list is given to A/R Clerk who then prepares the invoices to bill the districts. The tuition rates come from the NY State Education Department's website and are the estimated rates for the current school year.). The Districts use the prior year rates when preparing the invoices at the beginning of the school year. Adjustments would be made to the final invoice when the rates are finalized (usually sometime in January).

Our test included selecting the 4 school districts with the largest invoice payments and verifying that the invoices contained the correct number of students, the correct rate, and the correct total amount billed. In addition, we reviewed the controls to ensure that all students were billed and that all students were billed at the correct rate (the rate is different depending on the grade level). Our testing did not disclose any exceptions.

Other Revenue Sources - Child Care (OT fund):

The District has established a separate fund (entitled "OT") to maintain the revenues received from the District's before and after school child care program. This program was started approximately 20 years ago by one of the teachers in the District who still runs the program. The cost of the program is offset by the revenues received. Parents have a variety of options to choose for childcare which are indicated on the registration form. Childcare costs \$5 per hour for one child and \$4 per hour for each

additional child of a family. If a parent is late in picking up their child (by more than 15 minutes), the parent is charged for the extra hour. This is documented separately by the child care worker and requires the parents to initial as well. The program director prepares an invoice based on the days and hours requested and parents can chose to pay either the full year price at a 10% discount, or pay semi-monthly. All checks or money orders received are recorded by the program director in QuickBooks and remitted to the A/R clerk, who then deposits the money and records the deposits in WinCap. Our testing included verifying that class rosters are maintained, that attendance is taken indicating the pickup time, that child care employees are initialing the attendance taken, and that parents are being charged correctly. We examined a sample of invoices prepared and recalculated the total invoice amount. Our testing did not disclose any exceptions.

Auditor's Comment:

We noted that this program generates additional revenues for the District. Although this fund is separate from the general fund, the District should consider performing a more thorough review on a periodic basis of the records maintained by the Child Care program director.

Other Revenue Considerations:

The District continues to be proactive in researching other means of obtaining revenues and reducing costs. Recently, the District has been considering green initiatives to save energy, and has received rebates from LIPA for implementing various energy-saving programs. As part of this effort, the District has contracted to have an energy audit performed by a third party and will use the results of that audit to help ensure capital improvements that need to be made across the District are done in the most energy-efficient manner. We commend the District on their efforts to pursue and initiate cost savings and revenue enhancement measures and encourage them to continue to examine areas where savings can be achieved.

Auditor's Comment:

The New York State Comptroller's Office had launched a green initiative program in September 2007 and has since been conducting audits at several school districts across the State to ensure that schools are in compliance with environment and energy requirements. As the District continues to explore and implement energy-saving programs, the District should be cognizant that the State has started performing audits of cost savings by examining selected financial operations and determining the extent to which a district has established practices related to the initiatives implemented. Some other areas that other schools have implemented that the District can consider include:

- Installing geothermal heat pump systems to lower the cost and maintenance of heating the District's swimming pools; and
- Replacing traditional computers with virtual desktops resulting in reducing the cost of equipment purchased, lowering the energy consumption, and reducing the time and efforts of the Information Technology staff to maintain the equipment.

We would like to thank the staff at the District for its cooperation and professionalism during our testing.

We understand the fiduciary duty of the Board of Education, as well as the role of the internal auditor in ensuring that the proper control systems are in place and functioning consistently with the Board's policies and procedures.

Should you have any questions regarding anything included in our report, please do not hesitate to contact us at (631) 582-1600.

Sincerely,

Cerini & Associates LLP

Cerini & Associates, LLP
Internal Auditors