

**Blind Brook – Rye Union Free School District**

**Independent Accountants' Report On**

**Applying Agreed-Upon Procedures**

**March 4, 2009**

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

Blind Brook–Rye Union Free School District  
Rye Brook, New York

We have performed the procedures described in the following pages, which were agreed to by the Blind Brook–Rye Union Free School District (District), solely to assist in the application of certain agreed-upon procedures on the financial operations of special education of the District for the period April 1, 2008 through October 31, 2008. The District's management is responsible for establishing and maintaining internal controls and procedures for the financial operations of special education.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures, which are described in the following pages, included gaining an understanding of internal controls of certain financial transactions and a testing that targeted certain financial transactions for the period April 1, 2008 through October 31, 2008. Our findings are presented in the pages that follow.

These agreed-upon procedures do not constitute an audit of the District's internal controls, the objective of which is the expression of opinion on the District's internal control. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the District and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purpose.

*Coughlin Foundotos Cullen Danowski, LLP*

March 4, 2009

**NAME OF SCHOOL DISTRICT**  
**Report on Applying Agreed Upon Procedures**  
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**INTRODUCTION**

The Blind Brook–Rye Union Free School District (District) is responsible to provide special education services to eligible students. The costs to provide these services were \$3,767,628 in the 2007-2008 school year and the budget for these services for the 2008-2009 school year is \$4,357,263. This represents an increase of 16%. The District's costs of certain special education services are used by the state in the calculation of state aid.

Our procedures as agreed to per the engagement letter dated September 24, 2008, were as follows:

For the period April 1, 2008 through October 31, 2008 we would:

- Review Board policies and District procedures related to the financial operations of special education.
- Interview Business Office and Special Education Department personnel regarding policies, procedures and systems in effect.
- Review the budget for 2009 and compare to the fiscal 2008 budget and the fiscal 2008 actual results. Obtain explanation for unusual variances. Review latest budget status report as of date of field work and obtain explanations for variances.
- Examine payroll records of Special Education personnel for two pay periods during the period under review and on a test basis compare to source documentation.
- Review purchase orders for 5 of the 10 largest vendors during the period and examine invoices related to those purchase orders to determine if policies and procedures of the District have been followed.
- Select additional 25 disbursements from the Special Education accounts and review supporting documentation to determine if applicable purchasing and disbursement policies and procedures have been followed.
- Review the system of compiling information related to entering and reviewing System to Track and Account for Children (STAC) forms. Obtain the current Automated Verification Listings and select 5 students. Review the costs charged for accuracy and completeness.

The report is organized as follows:

- A. Budget Review
- B. Contracting and Purchasing of Goods and Services
- C. STAC Filing System

Each section of the report contains a background on the section, a listing of findings, and our recommendations to improve the operations.

**A. Budget Review**

**Background**

The proper preparation of an annual budget is very important from an internal control perspective. Budgets should be detailed enough to allow the Board of Education and the voting public to understand the programs and costs associated with those programs. In addition, a well documented budget provides the ability to monitor the actual results against the budget, which should lead to more accurate budgets in the future. As noted above, the total budget for Special Education services increased from \$3,767,628 (actual costs in 2007-2008) to \$4,357,363 in the 2008-2009 budget.

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Another key aspect of a well developed budget is that variances with actual results can be analyzed and understood, which can allow for better overall understanding of the departmental operations.

Findings

We reviewed the 2008-2009 budget and supporting documentation and compared the budget to the 2007-2008 actual costs. Our findings were as follows:

- There appeared to be appropriate understanding of the budget between the Special Education Department and the Business Office. Assumptions included in the budget were documented, and the Business Office carefully monitors the budget.
- The salary budget for administrators and instructional staff increased by 14% from the 2007-2008 actual results to the 2008-2009 budget. Upon analysis, we determined that most of this increase (10%) was due to ordinary salary increases under the Collective Bargaining Agreement with the Brook-Rye Federation of Teachers' contract. These increases are due to annual salary increases, annual step increases and teacher lane changes for continuing education credits. Because there were no retirements of special education teachers, the District did not benefit financially from the replacement of relatively highly compensated teachers with relatively less expensive teachers. Depending on the mix of teachers within the District, the impact of annual salary increases substantially above the rate of inflation could be a structural cost problem for the District as a whole.
- The balance of the increase in salaries was due to the District adding a second class to provide education services to students that would otherwise be placed outside the District. This class requires additional staffing, and the costs associated with this decision were known within the District.

Recommendations

None.

**B. Contracting and Purchasing of Goods and Services**

Background

The District has developed a procedure in which all contracts must be approved by the Board of Education prior to a purchase order (PO) being issued. As a control point, no payment to a vendor can be made without a PO. Both of these procedures are appropriate.

In the past year, the District has also required that all documentation supporting a contract be in place prior to approval by the Board of Education. For special education, this means that not only does the contract need to be complete, but items such as insurance certificates and fingerprinting documentation need to be complete prior to the contract being sent to the Board for review and approval.

The issuance of a PO is done only when the contract has been approved by the Board. Under the current system, the issuance of a PO also has the effect of encumbering funds.

Findings

- The documentation maintained in the Special Education Department supporting contracts has improved substantially this fiscal year. The most recent files were complete and were well maintained.

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- We determined that services have been received (students placed in schools, third-party services provided) prior to the Board approving a contract for those services. For example, contracts for tuition of students placed at schools in September 2008 were not presented to the Board until November 2008. As a result, POs (and encumbrances) for these services were not made until November 2008; therefore, no payment was made for these services. However, we found no instances in which POs were issued prior to Board approval. It should be noted, however, that since the Board approved all Special Education Committee recommendations, the Board was aware of these placements prior to the placements being made thereby authorizing the service and the expenditure.
  - We identified two cases in which stipulation agreements to reimburse parents for costs incurred in the then current fiscal year were not recorded as expenditures in that year because the POs were not issued until after the end of the fiscal year. Since the District was aware of the costs associated with these stipulation agreements, and because the services had been received by the District, we believe the appropriate accounting treatment would be to accrue those costs at year end of the year in which the services were received.

Recommendations

1. We recommend the Business Office review all potential liabilities at year end and accrue costs as required under Generally Accepted Accounting Principals.

**C. STAC Filing System**

Background

The STAC filing system is the mechanism that school districts use to report special education-related costs for high-cost students and for summer services. The amounts submitted to the state through the STAC process are used in the calculation of state aid.

For students that are placed in out-of-district schools, the filing of the STAC form is fairly straight forward. Generally, the actual amount paid to the other school is the amount filed on that student's STAC form. The Assistant Superintendent of Finance and Facilities reviews the amounts entered into the STAC system for these students by comparing the STAC filings to the invoices from the third parties.

For students that are provided in-district services, the cost calculations are more complex. Salary, benefit and therapy costs need to be accumulated on a student-by-student basis in order to calculate the costs for each student.

From an internal control perspective, it is important that the calculations supporting the STAC filings be complete and accurate since the amount of state aid is dependent on the filings.

Calculations for the STAC filings and the entry into the state STAC system are currently made by the Director of Pupil Personnel Services. After the filing of the STAC form, the State of New York provides a summary listing which is reviewed and edited by the Assistant Superintendent of Finance and Facilities.

Findings

- The supporting documentation related to certain calculations for the STAC entries for students educated in the District during the 2007-2008 school year were not available for review. These calculations were made by a person no longer employed by the District, and to date, the District has not been able to provide the supporting documentation. If necessary, these calculations could be re-created.

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- The calculations made for the 2008-2009 school year were available for review. The calculations were made manually, and not well documented. With the assistance of the Director of Pupil Personnel Services, we were able to review the calculations and found two calculation errors of the five student costs sampled. One of the errors was a difference of \$6,300. In the other instance, the amount calculated in the Tuition Summary Worksheet differed by \$1,000 to the amount entered in the STAC Filing System.
- We found that the worksheets for the 2008-2009 school year used to calculate the salary and benefit costs for teachers, psychologists and teacher aides, contained a formula error which resulted in the benefit costs for the teacher aides being incorrectly calculated and overstated.

Recommendations

2. We recommend that a standard spreadsheet be developed to accumulate costs and calculations for each individual student educated in the District. Each entry should be labeled so that the amounts can be verified by a reviewer.
3. As part of an internal control structure, all significant transactions should be reviewed by a second person. We recommend that once the STAC calculations are prepared, a qualified member of the Business Office should review the calculations for completeness and accuracy.
4. We recommend that the annual worksheet of salary and benefit costs be tested by recalculating several employees from different categories to ensure the calculations are accurate prior to these costs being used in the STAC calculations.

