



Buffalo City School District

Special Education and Grant Administration

Report of Examination

Period Covered:

July 1, 2014 – December 20, 2016

2017M-73



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
EXECUTIVE SUMMARY	2
INTRODUCTION	4
Background	4
Objective	5
Scope and Methodology	5
Comments of District Officials and Corrective Action	5
SPECIAL EDUCATION	7
Nonresident Tuition	7
Excess Cost Aid	10
Recommendations	12
GRANT ADMINISTRATION	13
Payroll	13
Purchasing	14
Reporting	14
APPENDIX A Response From District Officials	16
APPENDIX B Audit Methodology and Standards	18
APPENDIX C How to Obtain Additional Copies of the Report	20
APPENDIX D Local Regional Office Listing	21

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2017

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Buffalo City School District, entitled Special Education and Grant Administration. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Buffalo City School District (District) is located in the City of Buffalo in Erie County. The District is governed by an elected nine-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates 56 schools with approximately 32,000 students and 6,250 employees. The modified budgeted appropriations for the 2016-17 fiscal year are \$893.4 million, which are funded primarily with State aid, sales tax, real property taxes and grants.

The general fund appropriations for special education during the 2016-17 fiscal year were approximately \$146 million or 16 percent of total appropriations.¹ State aid is available to school districts to help alleviate the cost of providing special education services. Public Excess Cost Aid (Excess Cost Aid) is available to school districts when a student's special education costs exceed a threshold amount established by the New York State Education Department (NYSED). The District is to receive \$2.6 million in Excess Cost Aid for 2016-17.

During 2015-16, the District provided special education to approximately 65 nonresident students. The District is entitled to seek reimbursement from the school districts of residence for the cost of educating these students.

The District receives grant funding from State, federal and local sources to supplement District services. Grant totals (2016-17) were \$127 million (as of March 2017) and included salaries and benefits for 775 full-time equivalent² employees.

Scope and Objective

The objective of our audit was to review the District's process for claiming Excess Cost Aid and billing nonresident tuition for special education services, and to review the grant administration procedures for the period July 1, 2014 through December 20, 2016. Our audit addressed the following related questions:

- Did the District properly claim Excess Cost Aid and appropriately bill nonresident tuition for eligible special education services?

¹ Additional special education expenditures are charged to grants and projects in the special projects fund.

² The hours worked by part-time and full-time employees converted into the equivalent days worked by full-time employees.

- Did the District properly account for, monitor and administer grant funds to ensure compliance with fiscal guidelines?

Audit Results

Although the District was properly claiming Excess Cost Aid, it could have received an additional reimbursement of more than \$800,000³ in fiscal years 2014-15 and 2015-16 from school districts of residence for providing services to nonresident students. Specifically, the actual costs of providing special education services to nonresident students averaged approximately \$1.5 million per year (approximately \$3 million for the last two fiscal years). Using nonresident tuition (NRT) rates calculated by NYSED, the District billed the school districts of residence a total of approximately \$1.7 million combined during 2014-15 and 2015-16. However, if the District had billed based on actual costs, it could have received an additional \$700,000 for services provided during these years. We also estimate that the District should have billed the school districts of residence approximately \$58,000 in 2014-15 and approximately \$49,000 in 2015-16, or a total of approximately \$107,000, for special education services provided to nonresident students attending a nonpublic school.

In addition, we found that the District under-billed the school districts of residence by approximately \$153,000 by not adjusting prior year billing based on reconciled NRT rates. As a result, the District did not maximize the amount of reimbursement that it could have received.

We found no material discrepancies with the administration of grant programs. The District properly accounted for, monitored and administered grant funds in compliance with fiscal guidelines.

Comments of District Officials

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our recommendations and indicated they have taken corrective action.

³ Based on information obtained from NYSED, the District received Foundation Aid for these students; therefore, we estimated the amount of aid received and reduced actual costs to calculate the total reimbursement the District could receive for these students.

Introduction

Background

The Buffalo City School District (District) is located in the City of Buffalo in Erie County. The District is governed by an elected nine-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates 56 schools with approximately 32,000 students and 6,250 employees. The modified budgeted appropriations for the 2016-17 fiscal year are \$893.4 million, which are funded primarily with State aid, sales tax, real property taxes and grants.

The general fund appropriations for special education during the 2016-17 fiscal year were approximately \$146 million or 16 percent of total appropriations.⁴ State aid is available to school districts to help alleviate the cost of providing special education services. Public Excess Cost Aid (Excess Cost Aid) is available to school districts when a student's special education costs exceed a threshold amount established by the New York State Education Department (NYSED). The District's special education department and finance departments work together to prepare the documentation necessary to file claims with NYSED. The District is to receive \$2.6 million in Excess Cost Aid for 2016-17.

The District must also provide special education to nonresident students⁵ attending District schools or attending nonpublic schools⁶ located within the District's boundaries. The District operates a school within an area hospital to provide specialized services to the most severely disabled students. Due to the unique nature of this school, it also educates many nonresident students. The District is entitled to seek reimbursement from the school districts of residence for the cost of educating these students. During 2015-16, the District provided special education to approximately 65 nonresident students attending District and nonpublic schools.

⁴ Additional special education expenditures are charged to grants and projects in the special projects fund.

⁵ Students residing outside the District's geographical boundaries.

⁶ Independent or secular schools.

The District accounts for grants in the special projects fund. Grant funding is received from State, federal and local sources to supplement District services. Grant totals (2016-17) were \$127 million (as of March 2017) and provided funding for salaries and benefits for 775 full-time equivalent⁷ employees. Budgets are adopted in accordance with grantor specifications and appropriations lapse upon completion of the programs. Therefore, grant periods, or years, do not necessarily coincide with the District's fiscal year. Based on varying fiscal years and grantor guidelines, the grants' budgets are not subject to the same Board approval as regular funds; however, their expenditures are still subject to Board approval in accordance with Board policy.

Objective

The objective of our audit was to review the District's process for claiming Excess Cost Aid and billing nonresident tuition for students receiving special education services, and to review the grant administration procedures. Our audit addressed the following related questions:

- Did the District properly claim Excess Cost Aid and appropriately bill for nonresident tuition for eligible special education services?
- Did the District properly account for, monitor and administer grant funds to ensure compliance with fiscal guidelines?

Scope and Methodology

We examined the District's process for claiming Excess Cost Aid, nonresident billing practices and grant administration for the period July 1, 2014 through December 20, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our recommendations and indicated they have taken corrective action.

⁷ The hours worked by part-time and full-time employees converted into the equivalent days worked by full-time employees.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the Secretary to the Board of Education's office.

Special Education

Federal and State laws require that school districts provide special education programs for students with disabilities including nonresident students attending either the school district or nonpublic schools located within the school district's geographic boundaries. The cost of providing special education services is the responsibility of the school district where the student resides or originated.⁸ A school district may request Public Excess Cost Aid (Excess Cost Aid) from the State for providing special education services to resident students whose special education costs are equal to or exceed a threshold amount established by the New York State Education Department (NYSED).⁹

We reviewed the District's process for billing nonresident tuition and found that the District could have received an additional reimbursement of more than \$800,000 over the last two fiscal years from school districts of residence. The District bills based on nonresident tuition rates calculated by NYSED, but the District's actual costs are generally greater than NYSED rates. In addition, the District is not billing for special education services provided to nonresident students who attend nonpublic schools. We also reviewed the District's process for identifying students and calculating costs to claim Excess Cost Aid and found it was generally reasonable and adhered to NYSED guidelines. However, the District does not include assistive technology¹⁰ purchases or rentals in the calculation of costs. These costs are considered eligible expenditures in the year that the purchase is made and should be added to the total cost for students claimed for Excess Cost Aid.

Nonresident Tuition

The costs for services provided to nonresident students are initially borne by the school district providing the services (educating school district). To recoup its costs, the educating school district must seek reimbursement from the school district of residence. The educating school district must identify all nonresident students receiving services while attending a district school or attending nonpublic schools located within the district's boundaries, determine which school districts to bill, accurately calculate costs, and prepare and submit the necessary documentation in a timely manner.

⁸ This applies to students in foster care or homeless students.

⁹ The threshold amount for the District's 2014-15 claim year was \$35,736.

¹⁰ Equipment or technology that is used to increase, maintain or improve the functional capabilities of a child with a disability.

The District provides special education services to approximately 65 nonresident students: 30 students attending a District school and approximately 35 students attending a nonpublic school. In 2014-15 and 2015-16, the District billed the school districts of residence approximately \$874,000 and \$863,000, respectively, for the nonresident students who received special education services at a District school. However, the District did not bill for nonresident students who received services at nonpublic schools.

Nonresident Students Attending a District School — The District can bill the school districts of residence using NYSED calculated nonresident tuition (NRT)¹¹ rates or by using actual costs.¹² Many school districts bill based on NRT rates; however, actual costs may be used when the costs of providing special education and related services exceed the NRT rates. If a school district bills based on actual costs, it should enter into a written agreement with the school district of residence documenting that actual costs will be used and ensure that its accounting records support the amounts charged. In addition, school districts must be consistent and not alter the billing method used selectively or on a case-by-case basis.

The District currently bills the school districts of residence for approximately 30 nonresident students attending a specialized school located in the District that focuses on educating students with severe disabilities. However, the NRT rates are not sufficient to cover the actual costs associated with educating these students. District officials stated that they recognize this and have considered changing their billing method to actual costs but had not taken action as of the end of fieldwork.

The actual costs of providing special education services to these students averaged approximately \$1.5 million per year (approximately \$3 million for the last two fiscal years). Using NRT rates, the District billed the school districts of residence a total of approximately \$1.7 million combined during 2014-15 and 2015-16. District officials should deduct any State aid attributed to the students from actual costs. During fieldwork, District officials told us that the District did not receive State Foundation Aid for nonresident students. However, based on information obtained from NYSED, the District received approximately \$526,000 for these students. If the District had billed

¹¹ NYSED produces a NRT output report during the current school year based on estimated costs. Nonresident tuition rates based on actual costs are released in the subsequent school year.

¹² Actual costs for services provided to a nonresident student including the proportionate share of salary and fringe benefits for teachers, aides and other professionals who provide services to the nonresident student. Services provided are based on the nonresident student's Individualized Education Program.

based on actual costs, after adjusting actual costs by the amount of Foundation Aid received, it could have received an additional \$700,000 for services provided during these years (Figure 1).

We also found that the District was not rebilling school districts of residence when NYSED released updated NRT rates. NYSED releases two NRT rates: an estimated rate and an actual rate. School districts use estimated rates for billing nonresident tuition until NYSED can review actual expenditures from the prior year and determine an actual rate (reconciled rate). Once NYSED provides the District with a reconciled rate, the District should rebill the school districts for the difference if the reconciled rate is higher than the estimated rate or issue a refund if the reconciled rate is lower.¹³ The elapsed time between being provided with estimated rates and reconciled rates varies, but reconciled rates are not typically available until the subsequent fiscal year.

We compared estimated NRT rates with reconciled NRT rates for the last two years and found that reconciled rates were significantly higher than the estimated rates for 2014-15, but slightly less for 2015-16. We calculated the difference between these two rates and found that the District under-billed the school districts of residence by approximately \$153,000. By not adjusting prior year billing based on reconciled NRT rates, the District did not maximize the amount of reimbursement that it could have received.

Nonresident Students Attending a Nonpublic School — The District also provides special education services to approximately 35 nonresident students attending nonpublic schools located within the District’s boundaries. Education Law permits the educating school district to recover the costs of providing special education and related services from the student’s school district of residence. However, there is only one method available when billing for parentally-placed nonresident students in nonpublic schools. The school district must calculate the actual costs for the services provided and deduct any federal revenue, State aid or any public or private insurance proceeds attributed to the student.

The District did not bill the school districts of residence for special education services provided to nonresident students attending a nonpublic school. We calculated the costs for services provided to 32 students in 2014-15 and 38 students in 2015-16. Eleven students in 2014-15 and 13 students in 2015-16 had total costs that were greater

¹³ NYSED Commissioner’s Regulations require that bills issued to other public schools be adjusted when the actual tuition rates become available and that refunds or additional charges be made after the conclusion of the school year.

than the federal revenue¹⁴ received by the District.¹⁵ As a result, we estimate that the District should have billed the school districts of residence approximately \$58,000 in 2014-15 and approximately \$49,000 in 2015-16, or a total of approximately \$107,000 (Figure 1).

Figure 1: Unbilled Nonresident Tuition

	2014-15	2015-16	Total
Actual Costs for Nonresident Students	\$1,534,000	\$1,450,000	\$2,984,000
Less: Amount Billed for Nonresident Students	\$874,000	\$863,000	\$1,737,000
Less: Estimated Foundation Aid	\$253,000	\$273,000	\$526,000
Estimated Unbilled Amount for Nonresident Students	\$407,000	\$314,000	\$721,000
Add: Unbilled Amount for Nonresident Students Attending Nonpublic Schools	\$58,000	\$49,000	\$107,000
Total Unbilled Amount	\$465,000	\$363,000	\$828,000

If the District does not properly recover the costs of providing special education services to nonresident students, it will be subsidizing these costs for other school districts. The most equitable method is to calculate the actual costs attributed to each nonresident student and bill school districts of residence appropriately.

Excess Cost Aid

A school district is eligible to receive Excess Cost Aid when the annualized qualified special education costs for a student exceed the threshold amount established by NYSED. Eligible costs are determined by the services provided according to the student's Individualized Education Program (IEP) and enrollment data for the prior fiscal year. Each school district must file full-time equivalent and cost data with NYSED via the System for Tracking and Accounting for Children (STAC) to claim the aid. There are specific deadlines that must be met to receive aid but, in general, a school district has approximately two years to file claims.

According to the 2015-16 Public Excess Cost Aid output report, the District was allocated approximately \$3.6 million for claims submitted during that fiscal year.¹⁶ The District submitted all 2014-15 claims for Excess Cost Aid by June 30, 2016. However, as of the end of fieldwork, the District had not yet calculated or submitted actual claim information for 2015-16¹⁷ or entered estimated claim information for 2016-17.

¹⁴ Proportionate share of Federal Individuals with Disabilities Education Act (IDEA) funds.

¹⁵ The District did not claim State aid for any of the nonresident students attending a nonpublic school.

¹⁶ The District received Excess Cost Aid of approximately \$3.7 million in 2014-15 and \$3.6 million in 2015-16.

¹⁷ For services provided in 2015-16, claims should be filed, approved and verified no later than June 30, 2017 to ensure the timeliest reimbursement for Excess Cost Aid. However, the final deadline for 2015-16 claims is June 30, 2018.

Identification Process — The District provides special education services for approximately 8,400 registered students with an IEP. In 2015-16, the District identified and submitted Excess Cost Aid claims for 256 students for services provided in 2014-15.

While NYSED generally recommends that school districts submit a claim for all students that have an IEP, this would be an overwhelming task for the District because of the significant number of students and the transient nature of the student population. Further, the system that tracks students' IEPs does not include the associated costs. Therefore, the District would have to calculate these costs manually. This would be too time consuming to do for 8,400 students whose services are constantly changing. Although every student with an IEP could potentially receive services with costs in excess of the threshold amount, the majority of students will not. To provide timely submission and ensure that the District receives all Excess Cost Aid to which it is entitled, an adequate process must be in place to identify all students receiving special education services that are eligible for aid.

To make the identification process more manageable, District officials use specific criteria to identify students most likely to have special education costs close to or greater than the threshold amount, rather than submitting a claim for all students with an IEP. For example, students that were entered into STAC in the prior year, students that attend a certain high cost school, students who are assigned an aide, students who receive certain types of high cost services or students who are assigned to a small classroom. Special education costs are then calculated for only these students and submitted to NYSED through the STAC.

In general, we found the process used to identify students for Excess Cost Aid was reasonable. We also tested a judgmental sample of 24 students that received special education services for which the District did not submit aid claims to NYSED. We found that none of these students would have been eligible for Excess Cost Aid.

Calculation of Costs — The District calculates special education costs by identifying the average annual personnel costs for individuals working in job titles that provide special education services to students. The District then calculates student-specific cost information using factors such as class size, aide assignments, and the frequency and length of time a service was provided. To ensure that the District receives all the aid to which it is entitled, District officials should ensure all qualified special education costs are properly identified and correctly calculated.

We reviewed the District's process to calculate special education costs for Excess Cost Aid by testing a judgmental sample of 19 students that received special education services in 2014-15 for which the District submitted aid claims to NYSED. We identified several minor calculation discrepancies which we discussed with District officials. Overall, we found the current process is based on a reasonable approach that adheres to NYSED guidelines. However, the District does not include assistive technology¹⁸ purchases or rentals in the calculation of costs.

The cost for assistive technology purchases or rentals are considered eligible expenditures in the year that the purchase is made and should be added to the total cost for students claimed for Excess Cost Aid. District officials indicated that, in some instances, they can reuse assistive technology for other students. In other cases, the equipment is specialized and cannot be reused. Therefore, they were unsure if they should include these purchases. However, the District could include the initial purchase cost in the year the equipment is purchased and allocate the cost to multiple students as appropriate as long as the purchase cost is not counted more than once or submitted multiple times. District officials did not maintain sufficient documentation to determine the cost of assistive technology being used during our audit period so we could not quantify this loss of aid.

Recommendations

The Board and District officials should:

1. Bill school districts of residence for nonresident students attending District schools and nonpublic schools based on actual costs and enter into written agreements specifying that actual costs will be used as the billing method.
2. Rebill school districts of residence using reconciled NRT rates when they become available and consider rebilling school districts for 2014-15 and 2015-16 based on the difference between the estimated and reconciled NRT rates.
3. Ensure all eligible costs are included when submitting claims for Excess Cost Aid, including assistive technology.

¹⁸ Equipment or technology that is used to increase, maintain or improve the functional capabilities of a child with a disability.

Grant Administration

The Board has the overall responsibility for District operations including establishing systems and procedures for properly accounting for, monitoring and administering the grant programs. According to New York State Education Department (NYSED) guidelines,¹⁹ grant programs must operate under the Board's jurisdiction. Grant funds are subject to State and federal regulations and have the same degree of accountability as all other District expenditures. District officials are responsible for complying with the fiscal guidelines established by the grantors and for the proper accounting and disbursing of grant funds. A grant recipient may be required to refund previously received grant money and may also be subject to civil penalties if grant requirements are not met.

Our audit included a review of payroll records for a sample of 25 grant employees and grant expenditures (goods and services) totaling \$7.7 million. We found no material discrepancies. Grant expenditures appeared to be for appropriate purposes and were properly supported. The District generally reported grant activity to grantors properly and accurately.

Payroll

NYSED's guidelines for grants require grant recipients to maintain documentation in addition to normal payroll records for employees' salaries funded by grant programs. Employees whose salaries are fully funded by a grant are required to complete a time distribution certification every six months. It must include the employee's name, position, period of employment and name of the program. If an employee works on more than one grant, personnel activity reports (PARs) must be completed monthly to document the distribution of time worked on the grants. PARs have to be completed after the work is done and be signed and dated by the employee. Time distribution certifications and PARs should be maintained in addition to regular payroll records.

The payroll department processes payroll for all employees including individuals paid from grants. Payroll processing procedures for grant employees are generally the same as all District employees, except grant employees are required to prepare and submit additional documentation. To ensure compliance with NYSED guidelines, the District requires grant employees to prepare and submit 'time and effort' forms documenting the employee's job title, location and the grant. In addition, the grant employee must sign the form certifying

¹⁹ *Fiscal Guidelines for Federal and State Aided Grants*

that they performed activities consistent with the duties listed in the grant's budget. Grant payroll is approved by the grant manager and the special projects claims office.

We tested a random sample²⁰ of 25 employees, some paid out of multiple grants, and found that 15 had a time and effort form or other documentation to show that the work performed was appropriate. For the remaining 10 employees, the work was performed by a substitute and a form was not required, or for a grant that does not require a time and effort form.

Purchasing

In addition to District requirements, grant expenditures must follow grant guidelines requiring that expenditures are properly supported, include properly detailed vendor invoices (when appropriate) and must be for legitimate authorized grant purposes. Guidelines, approved grant applications and grant amendments stipulate which expenditures are authorized for each grant.

District grant purchases, like any other District purchase, are initiated by entering a requisition into the financial system. The purchasing department will put out a bid or request for proposal as needed. In addition, grant purchases require approval by the grant manager and the special projects claims office to ensure compliance with the grant budget.

We tested a judgmental sample²¹ of 35 grant purchases totaling \$7.7 million and reviewed the supporting documentation including purchase orders, invoices and contracts (if applicable) to determine whether they were properly detailed. We also compared the purchases to the grant budgets, applications and amendments (when necessary) to determine whether the purchases were for legitimate and authorized grant purposes. We found no material discrepancies. Purchases were generally supported by contracts or detailed invoices, approved by appropriate District officials and in compliance with the approved grant budgets. We discussed any minor irregularities with District officials.

Reporting

District officials are required to submit an annual report to NYSED on form FS-10-F.²² This report serves as the basis for grant fund reimbursement. The disbursement totals listed in the FS-10-F are compared with approved budget category totals to determine final approved grant expenditures. District officials are required to retain

²⁰ More information on sample selection can be found in Appendix B.

²¹ More information on sample selection can be found in Appendix B.

²² The FS-10-F is a required form listing all final expenditures charged to federal and State grants reported by the District. Federal grants are processed through NYSED.

all supporting documentation to substantiate grant disbursements and sign a certification indicating that all disbursements are directly attributable to the grant project. The amounts listed for salaries and employee benefits should represent actual time spent by employees on grant related activities and should be supported by records showing the time spent on such activities.

The special project claims office prepared the final reports for the grants. We reviewed the final reports for a judgmental sample of 33 grants, compared the salary information with supporting attachments and information from the financial system, and found no material discrepancies. We discussed any minor irregularities with District officials.

We commend District officials for designing and implementing an effective set of controls over grant programs and expenditures.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.



BOARD OF EDUCATION

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June 20, 2017

Jeffrey D. Mazula, Chief Examiner
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OSC Division of Local Government and School Accountability
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

Dear Mr. Mazula,

The Buffalo City School District is in receipt of the draft "Special Education and Grant Administration" Report of Examination for the Period July 1, 2014 through December 20, 2016. On behalf of the Board of Education and the District's administration, we would like to thank the local field staff of the Comptroller's office for their efforts in preparing this report. They were professional and courteous in working with District staff.

We have carefully reviewed the findings and recommendations. Please accept this as the response by the Buffalo City School District (hereafter "the District") and attach this document as an Appendix to the issued report.

We thank you for your commendation on our grant administration procedures and controls.

We agree with the recommendations provided in the special education section of the report and will provide a detailed corrective action plan within 90 days as required. The District will more fully elaborate in our corrective action plan, but please note some of the actions taken to date:

- The District has completed the billing for non-resident students attending school #084 during the 2016/17 school year. This has resulted in additional revenues of approximately \$340,000 over the billings calculated by using the preliminary Non-Resident Tuition (NRT) rates set by the State.
- The District is in the process of completing the billings for special education services provided to non-resident students attending non-public schools in Buffalo during the 2016/17 school year.
- The District is currently investigating the mechanics of issuing revised billings for years prior to 2016/17 for non-resident students attending non-public schools in Buffalo and non-resident students attending school #084.

Once again, thank you for your thoughtful report.

Respectfully Submitted,

Dr. Kriner Cash
Superintendent

Dr. Barbara Seals Nevergold
Board President

"Putting children and families first to ensure high academic achievement for all."

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

Special Education:

- We interviewed District officials, reviewed District policies and procedures and contacted NYSED to gain an understanding of the processes and procedures related to claiming Excess Cost Aid and billing other school districts for nonresident students receiving special education services.
- We reviewed spreadsheets prepared by District officials of students with IEPs to derive statistical data such as the number of students with an IEP, potentially aid eligible, not likely aid eligible and those entered into the STAC for 2014-15.
- We evaluated the process used by officials to calculate personnel costs for special education services for 2014-15 and verified that calculations appeared accurate and reasonable. We recalculated personnel costs for 2015-16.
- We calculated special education costs for a sample of 24 students that the District considered not likely to be aid eligible and determined whether these students should have been entered into the STAC. We judgmentally selected students who received certain services, were placed in small classroom settings and received multiple services.
- We recalculated special education costs for a sample of 19 students that were entered into the STAC and evaluated whether the calculation of costs appeared accurate and reasonable. We judgmentally selected all students who attended a certain school and were assigned an aide.
- We evaluated the billing process for nonresident students receiving special education services while attending a District school.
- We recalculated the amount billed by the District for nonresident students using actual NYSED NRT rates published in the subsequent fiscal year and determined whether the District would be owed additional money from the school districts of residence.
- We calculated the actual costs for special education services provided to nonresident students attending a specific District school during 2014-15 and 2015-16 and estimated the amount of Foundation Aid attributable to these students then compared the net costs to the amount originally billed by the District using NRT rates.
- We calculated the actual costs for special education services provided to nonresident students who attended nonpublic schools during 2014-15 and 2015-16. We determined whether

calculated costs for each nonresident student were greater than the revenue received from federal grants and State aid.

Grant Administration:

- We interviewed District officials to gain an understanding of the District's grant administration processes and procedures.
- We reviewed District policies and procedures related to grant administration and general District policies for purchasing and payroll.
- We tested a sample of 25 grant employees to determine whether they have a time and effort form or other documentation to show that the work performed was appropriate. We selected our sample using a random number generator from the population of all employees paid out of grants with a budget of greater than \$1 million.
- We tested a sample of 35 grant purchases totaling \$7.7 million. Our sample was selected from a population of all grants with a budget of greater than \$1 million. We judgmentally selected grants which included a variety of purchases and professional services. We also selected a portion of our sample using a random number generator.
- For all purchases in our sample, we reviewed the supporting documentation including purchase orders, invoices, packing slips and contracts to determine whether the purchases were properly supported by sufficient detailed documentation and were for legitimate and authorized grant purposes, and that goods and services were actually received.
- We reviewed the final reports for a judgmental sample of 33 grants and compared the salary and other expenditure information reported with supporting attachments and data from the financial system to ensure the reporting was accurate. We selected all grants with a budget of greater than \$1 million during our audit period.

We conducted this performance audit in accordance with GAGAS. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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