

Scarsdale Union Free School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures
June 8, 2017

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Education and Audit Committee
Scarsdale Union Free School District
Scarsdale, New York

We have performed the procedures described in the following pages, which were agreed to by the Scarsdale Union Free School District (District), on the Transportation Department in complying with policies and procedures during the period January 1, 2016 through December 31, 2016.

The District's management is responsible for administering this area.

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 either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the District's Transportation Department. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than the specified parties.

Cullen & Danowski, LLP
June 8, 2017

SCARSDALE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures
For the Period Ended December 31, 2016

Introduction:

This report is organized as follows:

- Background information
- Summary of the engagement
- Procedures performed during our detailed testwork
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan:

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan, approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department.

The District should send the Corrective Action Plan (CAP) along with the respective Internal Audit Report via mail or email to the addresses listed below. The report needs to accompany the CAP to allow the Office of Audit Services (OAS) to reconcile the District's CAP to the report to ensure all items have been addressed (i.e., CAP is not missing any recommendations).

Submission Information – Mail & Email

New York State Education Department (NYSED)
Office of Audit Services (OAS)
89 Washington Avenue
Room 524 EB
Albany, NY 12234
Fsanda133@mail.nysed.gov

Contact

Office of Audit Services
(518) 473-4516

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TRANSPORTATION DEPARTMENT

Background:

The District operates its own transportation department, where many districts contract with transportation companies to provide these services for students. The Transportation Department (Department) is responsible for the operation of the bus fleet, transporting students and hiring and training of the drivers. Transportation is provided to all students in the District to the High School, Middle School and the 5 elementary schools, as well as, other schools outside of the District, provided that the student resides within the District and resides more than 1.5 miles from such school up to a distance of 15 miles. In addition, transportation is provided for athletic events, extra-curricular programs and school-related field trips.

The Department is headed by a Supervisor of Transportation (Supervisor) with a staff of 2 Head Bus Drivers, 66 bus drivers and 9 bus monitors at the time of our fieldwork. The Department operates near the Middle School in a designated area shared with the Village of Scarsdale (Village), which includes office space and a parking lot that is known as the Bus Compound (Compound). There are 27 large buses and 50 mini-buses that are used to provide student transportation and these vehicles are safeguarded at the Compound. The Department's adjusted budget for the 2015-16 year was \$4,077,201 and the original budget for the 2016-17 year is \$4,231,347.

Village of Scarsdale

The District contracts with the Village to provide facilities (Compound), fuel, utilities, salaries and wages for the mechanics and an office assistant, and parts and materials for the Departments' fleet of buses and vehicles. The District paid \$1,183,004 to the Village during the 2015-16 year and has paid \$1,254,855 during the 2016-17 year through May 25, 2017 related to these contracted costs. The agreement stipulates that the District will be invoiced by the Village for providing these services. The Village provides an annual invoice related to the use of the Compound and a monthly invoice for the parts and materials, salary and wages, utilities and fuel. There are procedures that require the review and approval of these invoices by the Supervisor prior to submission to the Accounts Payable Department for processing the payment.

Vehicle Usage

The Department utilizes buses and vans to provide transportation for students. The majority of these vehicles use diesel fuel and only a few use gasoline. There are specific requirements regarding inspections and fueling for these vehicles. The Department's vehicles are required to receive at least 2 New York State (NYS) Department of Transportation (DOT) inspections each year and quarterly inspections by the mechanics. In addition to these inspections, these vehicles must undergo pre-trip and post-trip inspections by the respective bus drivers. These inspections include the documentation of the mileage as per the odometer when the vehicle is taken and returned. Fuel usage is also monitored by the Supervisor by verifying that the miles per gallon on each fill-up is reasonable based on the vehicle's odometer information. Each of these procedures has been implemented by the District in order to ensure that the vehicles are being used properly. The annual mileage for each vehicle is tracked and recorded by the Department, along with the total mileage of all of these vehicles, and submitted to the NYS DOT as part of the District's reporting requirements to NYS.

- *Daily Report* – each bus driver completes parts of this report at the start of their daily run and other parts are completed at the end of their daily run. A different sheet is completed for field trips and sports trips as well. The bus driver completes the starting mileage and ending mileage sections and if they pumped any fuel for the vehicle, they enter the number of gallons. The bus driver checks off that items are reviewed and must document that the items were checked. If there are any mechanical issues or defects with the vehicle, the bus driver notes this information on the report and the Department coordinates repair work with the mechanics.

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- *Fueling Buses* – the bus drivers are responsible for filling the vehicles with fuel at the Village pumps. Each bus driver is assigned a pin number, which is entered along with the designated vehicle number and the odometer reading at the fuel pump. The Village uses the GasBoy system to manage the fuel usage. The bus driver is required to record the number of gallons received on the Daily Report.
- *Fluid Inspections* – there is a designated bus driver who is assigned to check the fluids (oil, transmission and coolant, windshield wash) about every 2 weeks for each bus. This responsibility has been handled by this driver for over 20 years and they maintain a small amount of inventory to use as necessary and coordinates the refilling of this inventory with the Head Mechanic at the Village garage.

Employee Payroll and Personnel Records

The Supervisor maintains a personnel file for each employee and a separate file to maintain all Article 19-A related records, which are requirements of bus drivers (e.g., qualifications, examinations, etc.). The employee files contain all of the initial, annual and bi-annual documents that need to be completed by the employees. These documents include, but are not limited to, training class verifications, physicals, driving tests and doctors' exams. The Business Office keeps the payroll records on file that include the payroll cycles, the reviews of timesheets and annual rollover documentation. The Payroll Clerk maintains all of these records in a file cabinet in the Business Office that are organized by pay period.

In-District Transportation – Mileage Requirements

The District has minimum mileage requirements in order for the students to qualify for transportation to their respective schools. As per Board Policy 8410 – *Student Transportation*, transportation shall be provided at District expense to the following eligible students: (1) District students in grades k-12 whose homes are 1.5 or more miles distant from the District school they legally attend; (2) students attending nonpublic schools outside the District whose homes are a minimum of 1.5 miles and a maximum of 15 miles from the school in accordance with the provisions of section 3635 of the Education Law; (3) students with disabilities attending special schools, as required by law; and (4) District students in K-8 who attend before and/or after school child care locations 1.5 or more miles distant from the schools they legally attend, to all locations within the school attendance zone and licensed child care anywhere within the District. There are formal procedures to address the need for transportation of any student living within the mileage limits. The mileage information is tracked by the Supervisor and reviewed to ensure that all students who are eligible are provided transportation.

Extracurricular Trips

Extracurricular trips are broken into 2 categories: athletics and field trips. The transportation related to these categories is generally handled very similarly. There is a standard Transportation Request Form that is prepared by the schools and submitted to the Department. These trips are assigned to a bus driver by a head bus driver. On the day of the event, the bus driver is given a Transportation Request Forms that contains all of the necessary information related to the trip. This information includes the date, bus driver name, organization being transported, destination location and the mileage at the start and end of the trip. After each event, the Transportation Request Forms are submitted to a head bus driver where they are filed in the Compound.

Drug and Alcohol Testing

The District engages a third-party company, Partners In Safety, Inc., to provide the drug and alcohol testing services. Each employee is required to take an initial drug and alcohol test before their employment begins. At this time, the employee is added to the Partners In Safety, Inc. roster. Throughout their employment, each employee can be selected at random to complete the required drug and alcohol test. After completion of the test, Partners In Safety, Inc. keeps a form for its own records, the Supervisor receives a form and the employee keeps

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a form for themselves. The Supervisor maintains these forms in a locked cabinet in his office. In the event that an employee failed the drug and alcohol test, the person would be subject to the rules under the NYS Vehicle and Traffic Law - Article 19-A. We were informed that this situation has not happened at the District.

Article 19-A and NYSED Requirements

There are several requirements for bus drivers that are imposed by the New York State Vehicle and Traffic Law's Article 19-A and the New York State Education Department (NYSED) including:

- *Article 19-A Application & Qualification Letter*
- *Annual Review and Abstract*
- *Annual Defensive Driving Observation*
- *Annual Medical Examination Report*
- *Biennial Behind The Wheel Test*
- *Biennial Written Test*
- *Annual Random Drug Test*
- *Semi-Annual Refresher*
- *Biennial Physical Performance Test (PPT)*

Summary:

We note that the oversight and review of transactions is appropriate; the adequacy of internal controls designed to mitigate the inherent risk within the Department appear appropriate, and the employees understand the need to have proper internal controls in place. We also found that the employees we interviewed demonstrated a positive attitude towards improving procedures and are knowledgeable about the requirements related to their job responsibilities.

We found a few opportunities to further improve operations as a result of our engagement. These items are described further in the findings and recommendations sections below. We recommend that the District and the Department implement these recommendations to further strengthen internal controls and/or improve operational efficiencies.

Procedures:

Our procedures, as per the engagement letter dated July 1, 2016, were as follows:

- Review Board policies and District procedures related to the transportation function and activities.
- Interview appropriate personnel regarding internal controls over staffing, time reporting, work flow, purchasing and invoice approval, budget preparation, budget monitoring, inventory control, fuel usage, District vehicles and other areas of responsibility within the transportation function.
- Review processes related to District vehicles to ensure that procedures are in place to adequately monitor their usage, inspections, mileage and fuel consumption. Also validate that these assets are properly safeguarded.
- Review procedures related to fuel purchases to ensure adequate controls, appropriate records and proper approvals are in place to track, monitor and approve expenditures related to fuel usage.

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- Examine payroll records of the Department employees for 3 payroll cycles during the period and, on a test basis, compare to source documentation. Review the personnel files of the selected employees to ensure they meet the necessary requirements (e.g., CDL license, training courses, mandated testing, etc.)
- Review purchase orders (PO) for the 3 largest Department vendors during the period and examine invoices related to those POs to determine if policies and procedures of the District have been followed.
- Select an additional 10 disbursements during the period related to the Department and review supporting documentation to determine if applicable purchasing and disbursement policies and procedures have been followed.
- Review the budget for fiscal 2016-17 and compare to the 2015-16 budget and 2015-16 actual results. Obtain explanations for unusual variances. Review latest budget status report as of date of field work and obtain explanations for any variances.
- Review the latest inventory records of the Department and select a sample of items to verify their existence. In addition, compare purchases of inventory items from the disbursements testing to ensure that these items were added to the inventory records accurately and timely.
- Review records to verify that transportation is being provided in accordance with the District mileage distances and in compliance with the State requirements related to transporting students.
- Document procedures related to the different types of extracurricular trips (e.g., sporting events, field trips, etc.) and review a sample of transactions to ensure the timeliness of communications of these events and to verify that proper approvals are obtained.
- Review the employee list that is sent to the testing vendor (i.e., drug and substance test) to ensure completeness of the names provided for testing and verify that the District properly maintained the records of the results of each employee selected for testing.

Findings:

Review of Board policies, District procedures and interviews with appropriate personnel related to the transportation function and activities noted:

- The District has several Board policies and formal procedures that cover the appropriate areas related to student transportation and bus drivers.
- There are proper internal controls related to staffing, time reporting, work flow, purchasing and invoice approval, budget preparation, budget monitoring, fuel usage and District vehicles.
- The Transportation Office at the Compound has external surveillance cameras to monitor activities in the bus yard. However, we found that the monitor to view the cameras was not working during our interview with the Head Bus Driver at that location.

Review of processes related to District vehicles to ensure that usage, inspections, mileage and fuel consumption are monitored and that these assets are properly safeguarded found:

- There are processes in place to adequately monitor District vehicle usage, inspections, mileage and fuel consumption, and to validate that these assets are properly safeguarded.
- There were 2 vehicles that did not have the required official license plates, which should include "Scarsdale School District."

Review of procedures related to fuel purchases to ensure adequate controls, appropriate records and proper approvals are in place to track, monitor and approve expenditures related to fuel usage noted:

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- The District has procedures to ensure adequate controls, appropriate records and proper approvals are in place to track, monitor and approve expenditures related to fuel usage.
- The invoices received from the Village for fuel usage are not formally tracked by vehicle for miles per gallon calculations. We were informed that the Supervisor reviews the usage for reasonableness. We noted instances on the invoices where amounts should be investigated along with a documented reason. For example, there were miles per gallon calculations that were out of the “normal” range or “0”.

Review of payroll records of the Department employees for 3 payroll cycles found:

- The payment amounts were correct for all of the records that were selected and reviewed.
- There is a transportation employee who works one hour each day to deliver mail, in addition to the normal 6 hour work day for bus drivers. We were informed that this employee had, in the past, delivered mail to the Board members in addition to delivering mail from the Administrative Office to the post office at the end of the day. However, Board packets are no longer hand delivered; they are emailed and the District courier could possibly assume the task of dropping the mail from the Administrative Office to the post office, thus resulting in cost savings to the District. We also noted that the hour each day is not supported by time entries on the employee’s timesheet.
- All timesheets are reviewed by one of the head bus drivers at the Compound; however, we noted that the head bus driver did not always sign the timesheet, indicating a review took place.

Review of the personnel files of selected employees to ensure they meet the necessary requirements (e.g., CDL license, training courses, mandated testing, etc.) noted:

- There was 1 employee who was still on the list with Partners in Safety, Inc. based in our review in February 2017. However, the employee was no longer a bus driver since the summer of 2016 and should have been removed from the vendor list.

Review of invoices for POs for the 3 largest Department vendors and the additional 10 disbursements found:

- Invoices received from the Village do not include sufficient detail related to parts and materials when these amounts are significant and the overtime costs exclude the reason for the overtime. Review of the Village invoice dated November 16, 2016 noted that there was a lack of information to support 7 charges of more than \$300 including a 50% charge in the amount of \$1,975 for an HVAC condenser. There were also questionable items including charges for elevator repairs, coffee and water. Additionally, the contract between the District and the Village does not clearly define the amounts that the District is responsible for related to these items.

Review the budget for fiscal 2016-17 and compare to the 2015-16 budget and 2015-16 actual results noted:

- The budget for 2016-17 is \$4,231,347 and the adjusted budget was \$4,182,735 at the time of our fieldwork, which is close to the adjusted budget for 2015-16 of \$4,077,201. We found that the actual results for 2015-16 totaled \$3,615,706 and this amount was lower than the budget amount due less expenditures than anticipated for the year.
- The District has procedures to perform reviews of the transportation account codes to identify any significant variances between budget and actual results during the current fiscal year, and compare with the prior year.

Review of the inventory records of the Department and the sample of new purchases found:

- There is minimal inventory maintained by the Department and this is limited to fluids for the buses (i.e., oil and windshield washer fluid). All parts and materials are stored at the Village garage where the

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mechanics work on the vehicles. In addition, we were able to verify the existence of the new purchases that we selected.

Review of records to verify that transportation is being provided in accordance with the District mileage distances and in compliance with NYS requirements noted:

- The District is transporting students in accordance with the District mileage distances and in compliance with the State requirements.

Review of procedures related to the different types of extracurricular trips (field trips and sports trips) noted:

- The communications between the requestors and the Department are timely and the events are properly approved related to the performing arts events and field trips.
- There are appropriate procedures requiring the bus drivers to record their hourly rate on the Transportation Request Form and a second bus driver calculates the mileage for the trip, multiplies it by a rate per mile as determined by the District, then the two items are added together for a total cost. This is done for both field trips and athletic trips. We found this may not be necessary for all trips since athletic trips are not charged to each school's budget code and there is no charge for some field trips.
- There are field trips that are paid for by the District; however, there is no formal listing of these field trips.
- The selection and review of 10 Transportation Request Forms related to field trips noted:
 - There were 4 out of 10 forms where there was no charge for the field trip; however, there was no list of trips paid for by the District to support the lack of a charge.
 - There were 5 out of 10 forms where the Principal did not sign the form indicating that the field trip was pre-approved.
 - None of the forms selected had the approval of the Supervisor.
- The selection and review of 10 Transportation Request Forms related to sports trips noted:
 - There were 5 out of 10 forms that were not signed by a Coach to confirm the return time of the bus.
- The review of field trips for the Edgewood Elementary School during the 2015-16 school year found 1 deposit for \$1,380 that was incorrectly recorded to the budget code: driver salary – athletics (10-5510-1800); however, it should have been recorded to budget code: driver salary- field trips (10-5510-1810).

Review of the employee list that is sent to the testing vendor (i.e., drug and substance test) found:

- The records showed that the names provided to the vendor for testing were complete.

Recommendations:

We recommend the District consider implementing the following items to strengthen the internal controls over the Department:

1. Resolve the issue with the non-working monitor related to the external surveillance cameras at the Compound, so the head bus drivers can view the outside activities at that location.
2. Establish procedures for the Supervisor to review the miles per gallon calculations for District vehicles per the invoices from the Village and investigate any amounts that are unusual or above an established range. The reason for such variance should be investigated and documented.

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3. Consider having the District Courier assume the task of dropping the mail from the Administrative Office to the post office and discontinue having a transportation employee perform this task. We also recommend if an employee does a task outside of the normal bus driver duties, the employee should indicate on the timesheet the hours that this task is performed.
4. Establish procedures to require all transportation employee timesheets be reviewed and approved by one of the head bus drivers with a signature or initial indicating that the review was performed.
5. Establish procedures to require the Village to provide documentation to support parts and materials expenses on the invoice based on a threshold amount (e.g., \$300) and to include explanations for overtime charges. In addition, we recommend that the District coordinate with the Village to clearly define the other types of charges that should be included on the monthly invoice and appropriate percentage amount, if applicable (e.g., HVAC condenser, elevator repairs, etc.)
6. Ensure that all District vehicles have the required Scarsdale School District official license plates.
7. Improve the processes related to field trips and athletic trips as follows:
 - a) Prepare a listing of the field trips that are paid for by the District and distribute to the schools and the Department.
 - b) Define the approval requirements related to signing the Transportation Request Forms to grant permission for the field trip (e.g., principal, department head, etc.)
 - c) Require that each coach sign the Transportation Request Forms upon the return from an athletic event to confirm the return time of the bus.
 - d) Review procedures to determine if it is necessary to complete the Transportation Request Form with the bus driver's hourly rate, the miles traveled, and calculating the cost of the trip when there is no charge to the school or department.
 - e) Determine if the Supervisor must approve the Transportation Request Forms.
 - f) Revise the Transportation Request Forms as necessary.

