

District Response to Forensic Audit Completed by PKF O'Connor Davies dated June 20, 2025

#	PFK Recommendation	District Response	District External/Internal Auditors
1	The resolution 9.18 Resolution to Approve Emergency Repair at NFA Main-Roof approved on the June 11, 2024 meeting did not specify which reserve fund would be used to pay for this emergency. Based on the New York State Office of the State Comptroller (“NYSOSC”) Local Government Management Guide – Reserve Funds, the resolution to expend reserve money should include specifics about the amount and the specific reserve fund to be impacted.	Disagree. This project was funded by "budgetary appropriation" as stated in the resolution. There was no use of reserve funds for this project, so no reserve fund was noted in the resolution. It was done correctly.	Reviewed by external auditor and there was no finding of any error in the resolution. The forensic auditor appears not to understand the funding source.
2	The treasurer has a detailed job description of duties and responsibilities. Based on our review of the documents provided, the Treasurer’s report omitted certain tasks which had not been performed. A clear outline of responsibilities should be stated, communicated and followed.	Agree. The treasurer has a copy of their job description and is expected to fulfill those responsibilities. There has been turnover in this position because 2 of 3 failed to perform the work.	
3	Budget transfers should be monitored on a regular basis by the Board of Education. Further, we recommend that the School District lower the threshold to obtain BOE approval on budget transfers, which is currently at \$200,000.	Already Done. Board already changed threshold to \$50K in February 2025. A monthly budget transfer report is submitted to the Board included all transfers for that period with an explanation provided by the budget manager for that area.	

4	<p>Ensuring that the budget is prepared accurately should limit the budget transfers being performed during the year. When a significant number of budget transfers are being performed during the year, appropriate action should be taken in succeeding years to address the budget shortfall.</p>	<p>Disagree. This is not realistic in a school district this size. Each director and Executive Team Member is responsible for projecting their budget for the next year during the budget development process. There are staffing changes made after an adopted budget, new mandates and student needs identified, settlements and incentives approved by the BOE not planned for. It should also be noted that unlike most districts, NECSD does not have insurance renewals aligned with the fiscal year. We are asked to estimate at least 10 months in advance what the annual health insurance increase will be as that is established the following January. Also, property and liability renews in October rather than July as most districts in the state do. The Superintendent has raised concern over rising Workers compensation and unemployment costs. These have continued to increase and can be challenging for Human Resources to project. A district is dynamic if it is really working for the students and its budget must be able to adjust to meet new priorities, requirements, and the best interest of students. We will continue to provide the best projections possible.</p>	<p>The Board's budget consultant determined that the projections in the budget were reasonable and appropriate. There were no recommendations for change to the current Budget Development Process from this consultant who thoroughly reviewed it.</p>
5	<p>Budget transfers made or requested for BOE approval should include a clear explanation or justification for why the transfer is necessary.</p>	<p>Agree, Has been district procedure for more than three years. An explanation is provided by the budget manager for that area with additional information in administrative content. The explanations run on the budget transfer report provided to the Board.</p>	

6	Fund balance projections should be provided to the BOE regularly throughout the year. As the end of the fiscal year approaches, the Superintendent and/or the Assistant Superintendent, Finance should provide the BOE a fund balance projection and possible allocations to fund balance reserves based on the School District's fund balance policy.	Disagree. Fund Balance projections begin in the late winter during the budget development process after the annual spending cutoff has concluded, mid-year rate adjustments have occurred, and there is more information to project utilities, tuition, transportation contracts, and other large expense drivers. This was discussed with the Finance committee, but that committee has not met in two years. The Board receives the annual projection with reserve funding recommendation in June each year.	External auditor reviews the process and timeline for fund balance projections as part of their annual audit, as well as the estimate. There have not been any recommendations for this area by the current or previous external auditor appointed by the Board.
7	Education Law, Section 1718 states that "An appropriation must be available before an expenditure is charged." We recommend the District review the Budget Status Reports regularly to ensure that there are no over expended lines.	Disagree. Funds must be available for procurement to occur. However, payroll is processed irrespective of available funds because staff must be paid timely; which is routine practice. Funds are reallocated as variances are identified with new/additional staff coming onboard, salary hired at vs budget amount, creation of new stipends, SMOA agreements with the unions, and salary being encumbered. Lines that may go negative in payroll processing may be overtime, stipends, and substitutes. While there is management of these expenses, some are not within the district's control. Historical information is used, but circumstances change year over year and contract language is not always known when the budget is being developed. Many contracts settle after expiration and may do so higher than the amount planned with the Superintendent in budget development.	External auditor reviews the district's financials each year to ensure appropriation was sufficient for expense and has made no recommendations to change existing process because it is compliant. Additionally, the internal auditors review this process and have not made any recommendations to change because the existing process is compliant.
8	Training on budget procedures should be performed for all employees or employees that have moved into a role that now deals with the budget process.	Agree, training has been provided historically for administrators and executive team. Training has been provided. We will review any new staff that may have such responsibilities and provide training. This is generally aligned with directors and executive team.	

9	Due to the strict timeline of the budget process, all communication between the executive team and department heads or principals should be timely. Based on our interviews, several individuals reported submitting a budget request without receiving follow-up communication or resolution.	Agree, Existing process for the last three years. Decisions are communicated after the Board has adopted and the voters have approved the budget as that is when budget decisions are final. This has been the annual practice.	Budget Consultant reviewed the district's budget development process and found that such communication did occur. Internal Auditors review this process annually and have not made any recommendations to change the process or identify deficiencies in it either.
10	Construction manager fees were structured based on the school buildings they work on or monthly fees, making it unclear whether a building was considered part of one project or both.	Agree, Done with new contracts issued by the Board in September 2023. District legal counsel and previous Board approved a CM contract was a flat monthly fee irrespective of work being performed or volume, not a good contract for the district, nor were they required to assign the monthly fee to specific buildings/projects. HOWEVER, the current Construction Manager must breakdown their monthly invoice by project based on work underway and it is expensed that way against their purchase order.	Ms. Rohring raised this concern with the contract in 2022, so going forward that was changed in any new contracts for services.
11	According to interviews performed there was a lack of communication between the District and the construction manager.	Disagree. The district's owner rep attends weekly project meetings with the Construction Manager and various contractors for each project. There are also established Owner, Architect, Construction Manager meetings with district leadership, and frequent written communication between the CM, district, and architect.	

12	<p>The District should evaluate the current roles and responsibilities of the Construction Managers and contractor Carl Thurnau to determine if there is any overlap or duplication efforts. If duplication is identified, Carl's assigned tasks should be adjusted to ensure his time and contract are being utilized as effectively as possible.</p>	<p>Already done before hiring Mr. Thurnau in Janaury 2023.</p> <p>The construction manager is responsible for professional oversight of the work on-site, ensuring it conforms to the specifications in the drawings, ensures coordination of all the contractors and special service providers (special testing, local engineers, abatement contractors, etc.), coordinates with the architect on construction administration, reviews change orders with the contractor and with the architect before any recommendation is made to the district, estimates project cost during design and with the final design, leads the bid process and coordinates contracts bonds and insurance for the awarded contractors, reviews monthly pay applications and confirms material storage. Carl is the Owner's Rep. These responsibilities are designated to the Capital Projects Manager position however the district has not been able to effectively recruit someone into this position able to do the required work. It is essential that the district have a representative actively involved in regular project meetings making sure the project is staying on schedule, responding to inquiries, approving change orders up to \$15K to keep the project moving, working with the Architect on any recommendation for the Board to approve a change order, oversees the CM to ensure they are fulfilling their contractual responsibilities. He reviews monthly pay applications and approves payment, helps answer contractor inquiries, and ensures responses to questions posed.</p>	
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13	<p>There was an absence of Facilities Committee meetings, even with a large ongoing project still underway. The Facilities Committee should establish a regular meeting schedule, either quarterly or aligned with major project milestones. This would ensure strong oversight of the capital projects and support timely, informed decision making. Further, the Executive Director of Operations and Maintenance should be in attendance at all Facilities Committees meetings. This employee's presence is critical to ensuring that operational realities align with planning discussions and immediate or long-term maintenance priorities are communicated clearly. Additionally, this would also ensure that current projects are in-line with the building surveys.</p>	<p>Agree. A Facilities committee was established for the first time in 2022-23 based on Ms. Rohring's recommendation recognizing the volume of construction that was to get underway and the importance of keeping the Board and community informed. Monthly updates were provided that year. Mr. Velez is the Board's liaison for this committee. The capital project work happening now must align with the May 2019 propositions the community approved that specifically identify scope that may be completed with that funding. We will be undergoing another building condition survey (required to be done every 5 years and filed with NYSED). This survey will inform future capital project needs and possible propositions to the community.</p> <p>Board determines committees that exist and their meeting schedule.</p>	
14	<p>During the Facilities Committee meetings, Proposition 5 should be discussed regularly to ensure the Committee understands the project status. Any overages should be communicated as soon as identified.</p>	<p>Agree, Has been included in presentations since work started on that proposition. The proposition is already part of the capital project updates to the Board. If there is a facilities committee, they will receive monthly project updates that continue to include prop 5. We look to continue at least quarterly updates at Board meetings.</p>	

15	In regards to facilities, the District has 40 data closets stored in a room with insufficient air conditioning or environmental controls. This storage arrangement poses a risk to the integrity, performance and lifespan of critical IT infrastructure. The District should develop and implement a plan to relocate or upgrade the storage of its data closets to ensure that there is adequate climate controls, increased physical security measures and compliance with industry best practices to prevent data loss and potential operational disruption.	Agree, Already in Process. This was known and attempted to be resolved for some time. With Mr. McGrath coming to the district in January he identified vendors to perform the work and Ms. Rohring identified funding. Such work is underway after the Board approved a transfer for more than \$1.9 M in May.	
16	In reviewing the bidding process, in certain cases we could not clearly identify the number of bids received or the reason behind why a vendor was chosen. The District should ensure that all procurement policies are followed and approvals are obtained.	Agree, Process was established three years ago. In 2022 under Ms. Rohring and Dr. Campbell the district assumed oversight of all capital project bids and procurement. The district issues RFPs for all professional services and makes recommendation for award to the Board (commissioning, special testing, asbestos abatement, construction manager, architect/engineer, etc.). The district also publishes the legal notices for these and all Bids for contractors on every capital project. The bid process is overseen by the Acting Purchasing Agent and documents are maintained by the district.	The Internal Auditor is to look at the purchasing process and procedures, awards and based on their review has not noted any needed changes to the existing process. Procurement has been a special area review by the internal auditor twice in the past seven years and they have not identified any deficiencies requiring corrective action.
17	When the District receives responses to a request for proposal, as strong best practice, the following information should be included in the board resolutions to formally document the bid process to ensure transparency: number of proposals received, identifying the awarded vendor and reason why the vendor was awarded.	Agree, Pre-existing district process for years - when it is a true bid process the tabulation is included with the resolution showing who responded, etc. when awarded for capital each respondent is listed in the resolution with their bid amount. We will review resolutions associated with RFP awards. Currently additional information is provided in admin content for the BOE.	The Internal Auditor is to look at the purchasing process and procedures, awards but did not have any recommendations to change the process.

18	Currently, the equipment expenditure code is utilized for items in excess of \$1,000, however the capitalization policy for the District is \$5,000 and above. To increase efficiency of identifying capital assets, the equipment expenditure code should be used for those items in excess of the District's capitalization policy.	Disagree. The NYS Comptroller defines equipment as that with a unit price of \$1,000 or more which is how the district accounting and procurement is done. In the Special Aid fund, equipment is defined as unit price of \$5,000 or more per the federal government and accounting in that fund is done based on that guidance.	External and Internal auditors review district's fixed assets and accounting and have not identified any needed changes based on existing processes in place.
19	Each approved proposition and separate funding source should be listed separately on the Capital Project Length Schedule.	Agree, Started in Fall 2023. This is done and per contract is the responsibility of the construction manager to maintain.	
20	Any emergency projects should be listed separately on the Capital Project Length Schedule.	Agree, Started in Fall 2023. They are if the project is overseen by the construction manager. If overseen by the Director of Facilities (NFA Main emergency roof) it is not included on this tracking document. Those projects tend to be of a very finite period.	
21	The School District should identify additional funding source to cover the anticipated, unfunded project costs.	Agree, Identified in 2022. The district has looked at other pathways for some of this work – i.e. using CRRSA funds for HVAC work at Heritage and Vails Gate which was approved by the Board. The district also applied for the Clean Green Schools grant to support total HVAC work at Fostertown and Gardnertown, which worked was approved by the voters in May 2025. There is also a larger conversation needed about the future of some schools that will inform any needed work or further funding review.	

22	The School District did not receive their first Annual Energy Report, which was expected to be delivered by February 28, 2025. The District should have reached out to Johnson Controls so this report could be obtained and verify that savings have been received. As part of this forensic audit, the District reached out to JCI to obtain this report. Our recommendation is to continue to follow up with JCI for the report and continue to follow up each year.	Agree – this should be forthcoming from Johnson Controls, but if not the Capital Projects Manager is responsible for following up with them to receive and review the report. This position is not currently filled.	
23	Throughout the entire 18 year guarantee period, the School District should regularly verify that the projected energy savings are being realized. If the actual savings fall short from the projected benefits, the School District should contact JCI to request reimbursement for the amount of the shortfall.	Agree – this should be forthcoming from Johnson Controls, but if not the Capital Projects Manager is responsible for following up with them to receive and review the report. This position is not currently filled.	
24	The School District should ensure that when allowable costs are incurred, grant funding should be the first resource spent.	Agree, Established district process that began in 2022. This is the practice and was being done actively by the Director of Grants during the 2023-24 year (year of the forensic audit review). That position was vacant for half the year in 2024-25, and has been recently filled.	The external auditor performs a single audit of all district grant funds received each year and has not identified any needed changes due to existing processes in place.
25	Grants should be analyzed frequently throughout the year by comparing the budget to actual amounts to ensure that the entire grant is spent down properly.	Agree, Established district process that began in 2022. This is done by the Director of Grants. The Junior Accountant maintains a monthly grant tracker that looks at actual expense against the approved budget for the grant. The Director of Grants is to use this for follow up conversations with the individual grant program managers across the district to ensure they are executing procurement, planned programs are running, and with payroll to ensure budgeted staff are being paid there.	The external auditor performs a single audit of all district grant funds received each year and has not identified any needed changes due to existing processes in place.

26	Any unspent grant funding should be submitted for the maximum carryover possible.	Agree, District process dating back prior to 2022. The district has accessed carryover funds in several grants to cover special programming, additional positions, and one time purchases. In 2025-26, the district is using carryover funds for the Summer 2025 programming.	The external auditor performs a single audit of all district grant funds received each year and has not identified any needed changes due to existing processes in place.
27	The District should hire a grants manager that focuses solely on managing the grants.	Agree, position has existed for many years. As noted this position was in placed and filled during 2023-24, but was vacant for about 6 months in 2024-25; recently filled.	Was also recommended by the internal auditor; position has existed for many years; had turnover in 2024-25.
28	A grants project length schedule should be prepared to ensure that the expenditures compared to budget are being tracked properly.	Agree, Established district process that began in 2023. There is already a tracker in place that includes the grant timeline.	The external auditor performs a single audit of all district grant funds received each year and has not identified any needed changes due to existing processes in place.
29	We noted that the School District made budget transfers to expenditure lines and accounts where funds were ultimately not expended. Although budget transfers are permissible, transferring appropriations to accounts that do not need the additional funding can reduce transparency of budget monitoring by the Board and management.	Transfers are entered in the financial software by each budget manager, not centrally. This is based upon their projected and/or known expenses. The Board receives both budget transfer reports and budget status reports which allow them to exercise fiscal oversight. These reports are publicly available in BoardDocs. Budget transfers do not impede transparency, especially when publicly available.	The external auditors review budget transfers and have not identified any needed changes due to existing processes in place.
30	All federal and state grants are recorded within the Special Aid Fund. As noted within the Grants section above, the School District should ensure that the grants are fully expended so that the unexpended grant funds are minimized.	Agree, Established district process that began in 2022. This is currently done and is the responsibility of the director of grants with oversight from their supervisor.	The external auditor performs a single audit of all district grant funds received each year and has not identified any needed changes due to existing processes in place.

31	Employee user access permissions should be reviewed regularly to ensure that the District has proper segregation of duties. Additionally, access to change pay rates for employees should be limited to the Human Resources department and payroll processing, inclusive of timesheets, should be limited to the Payroll department.	Agree – the Wincap System Administrators have attempted to do this, but it was met with significant pushback by some district leadership in previous attempts. They can undertake this with support from current District Leadership and/or Board of Education.	
32	When contractors are given access to the system, they should be provided read-only access unless they are working with the District in a specific area, at which time temporary access may be provided with oversight from the District.	Agree - access should be based on the work they are responsible to do. Already corrected.	
33	The School District should review the budgeted amount in Transfer to Special Aid to ensure that the amount is accurate based on the history of the 4408 expenditures.	Disagree - The Forensic Auditors failed to acknowledge that this budget code covers multiple transfers to special aid, it is not exclusive to the district's contribution for 4408 programming. The district has a required match each year for the GearUp grant that is also budgeted correctly in this line. Past practice was to also include funds in this code for additional PreK expense (that in excess of the grant funds), however that is now budgeted for in the general fund and part of the Contract for Excellence set aside.	
34	The Claims Auditor Report should be modified to include the requirements of the claims auditor based on the job description.	The forensic auditor reviewed an outdated scope of work. A modified job description was proposed in May 2023 that reflects the actual work done by the claims auditor, but not adopted by the Board. This however is reflective of what she is currently doing. The Board has subsequently made additional requests for items to be included in the report. This is something the audit committee can review in 2025-26 as the individuals who oversee this work and who the claims auditor reports to.	The internal auditor reviews the claims audit policies, process, etc. and has not identified any needed changes.

35	The District should ensure that procurement policies are followed and approvals are obtained.	Agree, District has had a focus on procurement since 2022 to ensure General Municipal Law is followed in all district procurement. This is being done by the Purchasing department and reviewed/confirmed by the claims auditor when reviewing and approving claims for payment.	The internal auditor reviews the claims audit policies, process, etc. and has not identified any needed changes.
36	The Board should establish clear expectations regarding which reports they would like to be presented at each board meeting in addition to the minimum required by the Commissioner's Regulations.	Reporting wouldn't happen at every meeting. The Board meets more than once a month. Additionally, June reports are held until the year end financials have been audited by the external auditor so accurate information is transmitted; and July and August reports are also completed after the annual external audit is complete to ensure they are done against the actual opening balances per the audit. That means these reports are transmitted in October. That is timely and standard practice in most districts.	The external auditor reviews such reports as part of their annual audit and have not identified any required changes to existing practice. They have noted the need for timeliness in the reports but understand that reports do not occur at every meeting based on the NECSD Board meeting schedule.
37	The Treasurer should fulfill the responsibilities outlined in the job description, such as fund balance projections and current revenue projections. These should be communicated to the Board.	Agree that the Treasurer should fulfill the responsibilities of the position, this is why there has been turnover in this position. Personnel concerns were shared with the Board.	
38	In the Treasurer's report, it is recommended to provide the board with a list of payments made between board meetings to give members the opportunity to review and investigate each payment.	Disagree, Existing district process. The Board has designated a claims auditor to review and approve all payments on their behalf as prescribed in statute. The Board receives the warrant reports (which provide more information than a check register) as attachments to the monthly claims auditor report which comes immediately following the end of the month rather than on cycle with the treasurer's reports.	

39	Best practice is to cross-train all essential Treasurer functions to ensure operational continuity and fiscal accountability, in accordance with best practices outlined by the NYS Office of the State Comptroller. Moreover, all positions should have a trained back-up to prevent any disruptions or delays in the work.	Agree, Began in 2022. The deputy treasurer and treasurer are cross trained, and this has continued with new staff. Additionally, the School Business Administrator is trained as backup.	
40	The School Lunch Fund had excess fund balance of \$370,728. The School District should monitor their fund balance in the School Lunch Fund to determine if they are in compliance with the NYS Education Regulations limit.	Agree, District has complied with all guidance in this area since before 2022. There is provision for a district to be in excess of the 3 months operating expense and the district has complied with those NYSED processes. It should be noted that this was increased to 6 months recognizing that allows for greater funding stability. Given the programs annual deficit spending, it is prudent for the district to maintain fund balance for this fund to help sustain program operations.	
41	To strengthen internal controls, it is recommended that the School District phase out the collection of cash for the School Lunch Fund and transition to a cashless payment system. Limiting cash handling whenever possible assists in preventing fraud and reduces the administrative burden.	Agree. Ms. Rohring recommended this in 2022, but it was not supported by district leadership to enforce. We will revisit this recommendation, and whether it should go beyond school lunch to other funds.	

42	<p>We found that the District is eligible for Medicaid reimbursement for school supportive health services programs including physical, mental and behavioral health services for eligible students. The reimbursement is based on the district's compliance with federal requirements for Medicaid participation. We recommend that the subcommittee formed by the BOE monitor the implementation of the policy and coordination of compliance with the school district's Medicaid Compliance Officer.</p>	<p>Disagree. In compliance with Board policy, there is an audit every 2 years on Medicaid compliance done by the internal auditor. The Board will consider requesting a quarterly report from the Medicaid compliance officer that notes the claims submitted, payments received, contract expense for this reporting – on a year to date basis.</p>	<p>The internal auditor completed the mandatory compliance review per Board policy in 2024 and did not recommend any such changes. They did suggest a quarterly report.</p>
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