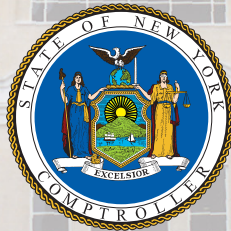




New York City Department of Education

John F. Kennedy Educational Campus: Management of General School Funds

Report 2009-N-11



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

May 25, 2010

Joel Klein
Chancellor
Department of Education
52 Chambers Street
New York, NY 10007

Dear Chancellor Klein:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report for our audit of the New York City Department of Education, Administration of General School Funds at four of the six high schools located at the John F. Kennedy Educational Campus: Marble Hill High School for International Studies (Marble Hill), Bronx Theater High School (Bronx Theater), Bronx Engineering and Technology Academy (Bronx Engineering), and Bronx High School of Law and Finance (Bronx Law and Finance). The English Language Learners and International Support Preparatory Academy (Did not have General School Funds at the time of our audit.). The results of our audit of these practices at the sixth school (John F. Kennedy High School) are reported separately in report 2009-N-2 in conjunction with our examination of school store activities at the Kennedy Campus. This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1, of the State Constitution; and Article III, Section 33 of the General Municipal Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objectives

We audited financial management practices related to general school funds (GSF) for four of the six high schools located on the John F. Kennedy Educational Campus (Kennedy Campus) to determine if such funds were managed and administered in accordance with Department of Education (DoE) guidelines and if DoE has provided oversight of these funds on the Kennedy Campus.

Audit Results - Summary

General school fund (GSF) bank accounts are the accumulated funds donated to and/or raised by the students and/or school organizations to support extracurricular and co-curricular student activities. This includes funds raised for senior year activities, such as the senior prom and yearbook; funds raised by students from bake sales; and other fund raising activities undertaken to offset extracurricular expenses. During our audit period, GSF accounts were maintained at four of the five schools we examined: Marble Hill High School for International Studies (Marble Hill), Bronx Theater High School (Bronx Theater), Bronx Engineering and Technology Academy (Bronx Engineering), and Bronx High School of Law and Finance (Bronx Law and Finance). (The English Language Learners and International Support Preparatory Academy (English Learners) did not have an account at the time of our audit and the John F. Kennedy High School is covered by a separate report.)

We determined that the DoE did not provide Kennedy Campus staff with adequate oversight and training and, in turn, school officials did not exercise due diligence and care over GSF accounts. As a result officials have created a control environment that is weak and conducive to fraud and abuse of student funds. Although bank records indicate \$193,732 was disbursed from these accounts during our audit period, poor record keeping did not allow us to fully account for these GSF funds, in part because none of the schools maintained the required cash journal to document GSF activity. As a result, there is no complete and reliable record of the amount of revenues actually collected from students and the amounts disbursed. By failing to maintain basic accounting records, the officials at the four high schools have not fulfilled their fiduciary responsibilities to properly account these funds and ensure that they are spent solely for the benefit of the students.

In some cases we found GSF funds were misspent by school principals. At Bronx Law and Finance, we found the principal used GSF funds to pay for 80 credit card charges totaling \$5,312; \$4,060 of

which were unrelated to student activities. We were also unable to identify the payees for 50 checks totaling \$35,321 drawn on this account because the principal could not locate a checkbook covering several months of activity. At Marble Hill and Bronx Theatre, principals maintained accounts with unauthorized debit cards that were sometimes used to make cash withdrawals, including over \$1,260 that was ostensibly used to pay for certain senior prom costs, but not supported by either invoices or receipts.

Our separate sample of 20 disbursements drawn from GSF accounts at all four schools found three payments for general operating costs, including postage, shipping and replacement of a student's iPod that had been stolen from one principal's office. All but one of these purchases lacked the required prior approval and six were not supported by receipts or vendor invoices. There was also no evidence on file to demonstrate that many of these goods or services were actually received.

We also found that each of the principals personally acted as treasurer for at least one GSF account, even though DoE policy requires that these duties be assigned to a staff member to ensure proper separation of duties and oversight. In addition, the principal at Marble Hill was the only one who routinely reported account balances to DoE when required. In fact, DoE was unaware that GSF accounts even existed at Bronx Engineering or at Bronx Law and Finance because the principals had not complied with policies to have them authorized.

Our report contains 9 recommendations for improving controls over GSF accounts. DoE officials agreed with our recommendations and have taken steps to implement the changes.

This report dated May 25, 2010, is available on our web site at <http://www.osc.state.ny.us>.

Add or update your mailing list address by contacting us at: (518) 474-3271 or

Office of the State Comptroller

Division of State Government Accountability

110 State Street, 11th Floor

Albany, NY 12236

Introduction

Background

The New York City Department of Education's (DoE) John F. Kennedy Educational Campus (Kennedy Campus) is located in the Bronx and consists of six separate high schools with approximately 3,000 students. Each high school has its own principal, teachers and administrative staff. This audit addressed administration of general school funds (GSF) at four of the six schools: Marble Hill High School for International Studies (Marble Hill), Bronx Theater High School (Bronx Theater), Bronx Engineering and Technology Academy (Bronx Engineering), and the Bronx High School of Law and Finance (Bronx Law and Finance). The English Language Learners and International Support Preparatory Academy English Learners did not have GSF funds at the time of our audit. Our examination of practices at the sixth school, John F. Kennedy High School, is included in report 2009-N-2.

During our audit period, four of the five schools maintained a GSF bank account in which to deposit monies collected for extracurricular and co-curricular activities, such as the senior trip, senior prom, and athletic events. English Learners did not have a GSF because it is a new school and had not yet collected money from students or conducted fund raising activities. Based upon available records, we estimate that during the audit period, these Kennedy Campus schools disbursed a total of \$193,732 from their respective GSF accounts. Due to inadequate records we were unable to determine how much was collected and how much should have been collected.

Accountability, fiscal integrity, and proper accounting procedures for the receipt, deposit, disbursement and recording of funds raised by a school should be practiced by all school officials who handle GSF accounts. DoE's Standard Operating Procedures (Procedures) provide rules and guidelines for, among other things, the handling of GSF accounts.

Audit Scope and Methodology

The objective of our audit was to determine if the Kennedy Campus schools managed and administered their GSF accounts in accordance with the New York City Department of Education's (DoE) Standard Operating Procedures (Procedures) and if DoE had provided adequate oversight of these funds at the Kennedy Campus. Our audit period was from July 1, 2007 through June 24, 2009.

To accomplish our objectives, we reviewed DoE's Procedures. We also interviewed DoE and school officials. In our review of the schools GSF bank accounts, we sought to determine whether these accounts were registered with the DoE's Banking Unit, whether each account had the appropriate

number of authorized signatories, and whether reconciled account balances were reported annually to the DoE. In our review of the campus' financial management practices, we sought to determine whether each school maintained a cash journal that was accurate and complete and whether bank reconciliations were completed. In addition, we selected a judgmental sample of 20 checks totaling \$53,621 from the four schools' GSF bank accounts to determine whether all transactions were properly supported and authorized. We selected our sample to include high dollar purchases, and purchases that were of a questionable nature or had a purpose not readily identifiable as related to extracurricular activities.

We conducted our performance audit in accordance with generally accepted government auditing standards. These 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

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| Authority | This audit was performed in accordance with the State Comptroller's authority under Article V, Section 1 of the State Constitution, and Article III, Section 33 of the General Municipal Law. |
| Reporting Requirements | We provided a copy of this report, in draft, to DoE officials for their review and formal comments. We have considered these comments in preparing this report. DoE officials agreed with our recommendations and provided details regarding the actions they are taking to address those recommendations. A copy of DoE's response is attached to this report. |
| Contributors to the Report | Major contributors to this report include Kenrick Sifontes, Stephen Lynch, Alina Mattie, Elijah Kim, Katrina Lau and Hector Arismendi. |

Audit Findings and Recommendations

General School Fund Expenditures

From July 2007 through January 2009, 356 checks totaling \$193,732 were issued from the GSF accounts at the four schools. According to DoE's Procedures, expenditures made from GSF accounts must be directly related to student extracurricular and co-curricular activities, or must be for the direct benefit of students. All expenditures must be pre-approved in writing by the school principal and each check must be signed by two authorized signatories. The procedures also provide that checks be written only when supported by vendor invoices indicating the goods or services purchased and the amount owed to the vendor, as well as evidence that those goods or services have been received. DoE officials told us that schools should not have either a credit or debit card connected to their GSF bank accounts.

The principal at Bronx Law and Finance used GSF funds to pay for charges on an American Express credit card which he had obtained in both his and the school's name. Between November 4, 2007 and February 3, 2009, there were 80 charges totaling \$5,312 made on the account, none of which were supported by invoices or receipts. We found 56 of these purchases totaling \$4,060 were not made for the direct benefit of students, nor were they otherwise related to their extra-curricular and co-curricular activities as follows:

- 16 charges totaling \$2,607 were made for airfare, hotel and restaurant charges for staff attending conferences,
- 14 transactions totaling \$862 were used to purchase meals for the PTA, School Leadership Teams, and other school staff,
- 18 Metro-North Commuter Railroad ticket transactions totaling \$287 were made by the principal. He acknowledged that these tickets were for personal travel, and
- 8 charges totaling \$304 were made for other miscellaneous expenses such as parking and purchases of tools.

DoE officials agreed that GSF funds should not be used for personal or staff expenses. As of October 6, 2009, we found the principal had reimbursed the GSF account for slightly more than half of these charges; \$2,075. He informed us that he had canceled the American Express credit card account on June 30, 2009.

We noted that two of the schools had unauthorized debit cards associated with their GSF accounts. The Bronx Theater principal used a debit card to make three ATM cash withdrawals totaling \$1,261 from the school's GSF account. The principal stated she used this cash to pay for senior prom expenses, including rental of the catering hall (\$540), the DJ (\$460) and refreshments (\$261). However, we could not validate the accuracy of these statements because no invoices were available to support any of these expenditures. The principal of Marble Hill also used a debit card from the school's GSF account to make online purchases. During our audit period, we found 35 debit card purchases totaling \$27,710.

To further test whether school officials complied with the Procedures, we selected a judgmental sample of 20 checks totaling \$53,621 from the four high schools' GSF bank accounts. Our sample selection was designed to include high-dollar purchases, as well as items that were of a questionable nature or had a purpose that was not readily identifiable as related to student activities. We found that 3 of the 20 payments totaling \$786 were not student-related, but instead represented normal business expenses that should have been paid with school funds. These included \$500 for postage, \$136 for shipping costs for Regents examinations, and \$150 spent to replace a student's iPod that was stolen from the Bronx Theater principal's office.

Our sample also showed significant non-compliance with parts of the Procedures that are designed to ensure expenditures are valid. For example, all but one of purchases were missing the required written pre-approvals, and invoices or receipts were missing for six purchases totaling \$7,766. Further, there was no evidence to support that the goods and services totaling \$46,961 were ever received at the Kennedy Campus.

- Recommendations**
1. Require the Bronx Law and Finance principal to reimburse the GSF funds for the personal and non-student-related expenditures he made from GSF funds.
 2. Require the Bronx Theater principal and the Marble Hill principal to cancel the debit cards associated with their respective school GSF account.
 3. Reimburse the applicable GSF accounts \$786 for the inappropriate expenditures identified in our sample.
 4. Perform an independent review of all remaining GSF expenditures from the GSF accounts for the audit scope period to identify any additional inappropriate use of GSF funds and, if items are identified, arrange for reimbursement of GSF accounts from the appropriate source(s).

**General School
Fund Treasurer
Financial
Management
Practices**

5. Review the activities related to GSF accounts at the Kennedy Campus to ensure that all school purchases are directly related to students' extracurricular activities, all purchases are pre-approved by the principal and supported by appropriate receipts or invoices, and that each school documents that goods and services are received prior to payment.

School principals are ultimately responsible for the collection, distribution, and accounting for all GSF accounts. However, according to the Procedures, each school principal should assign a member of the school's staff the duty of school treasurer (treasurer) to perform many of the administrative tasks related to the school's GSF account. The treasurer should receive GSF money, issue receipts, prepare checks for signatures, maintain a cash journal of funds received and expenditures made. Cash journals provide accountability over GSF monies collected and disbursed. The treasurer should also prepare monthly bank reconciliations for review and approval by the principal. Accurate and timely bank reconciliations can uncover differences that may need further investigating, and can uncover errors and irregularities more quickly, thus enabling the treasurer to take corrective action. The principal must make certain that all receipts and expenditures are monitored on a regular basis and ensure that bills are paid in a timely manner. Checks drawn against the GSF account must have at least two signatures and deposits should be made at least once a week.

With respect to the individual schools, we found the following:

- At Marble Hill, the school principal acted as the treasurer for the GSF account. The principal did not maintain a cash journal or perform required bank reconciliations of GSF accounts. From July 1, 2007 through January 31, 2009, 63 checks totaling \$53,920 were issued from this account and monthly bank reconciliations were not performed. The principal told us that she reviewed vendor invoices and issued the checks herself; usually ignoring DoE's requirement that each check have two signatures. Student fees were collected by the school's faculty advisor, who delivered the money to the principal for deposit. We noted that the faculty advisor maintained several receipt books; however, we were unable to reconcile the receipts to the cash deposits because of inadequate recordkeeping practices. For example, the faculty advisor maintained three separate receipts books, but used each one indiscriminately. In addition, the principal informed us that she had organized several student fundraising events herself, but we found no evidence that these collections were ever reconciled with the funds actually delivered to the treasurer. We also found the school did not make weekly deposits as required.
- At Bronx Theater, the school principal also acted as the treasurer for the GSF account. The principal did not maintain a cash journal or perform

required bank reconciliations, even though she had received specific training on GSF responsibilities from DoE during 2008. She told us that she reviewed vendor invoices and disbursed the checks herself despite a requirement that each check bear two signatures. From July 1, 2007 through January 31, 2009, 146 checks totaling \$49,923 were issued from this account and monthly bank reconciliations were not performed.

- At Bronx Engineering, the school principal acted as the treasurer for the GSF account. The principal did not maintain a cash journal or perform required bank reconciliations of GSF accounts. Further, he told us he did not retain vendor bills or invoices after he made payments. From July 1, 2007 through January 31, 2009, seven checks totaling \$14,620 were issued from this account and monthly bank reconciliations were not performed. The principal informed us that he generally required just one signature on each check instead of two, as required. This lack of compliance occurred even though he had received DoE training in 2007. The principal assigned the collection of GSF funds to a faculty advisor. Although the faculty advisor told us she delivered all collections to the principal weekly along with a report, our review of the current receipts book showed funds were not turned over timely. For instance, during April 2009 we found one was not delivered to the principal for 22 calendar days, while three others took over two weeks. When we asked to review the weekly reports, the faculty advisor told us that her computer had crashed last year and she no longer has such reports. Similarly, the principal told us that neither the receipt book used by the faculty advisor during the previous academic year, nor a spreadsheet recording the payments, had been retained.
- At Bronx Law and Finance, the school principal acted as the treasurer for one of the two GSF accounts and appointed a treasurer for the second. Neither the principal nor the treasurer maintained a cash journal or performed required bank reconciliations of GSF accounts. Instead of a cash journal, the principal used stubs in a checkbook to annotate details of every disbursement. From July 1, 2007 through January 31, 2009, bank records indicate 140 checks totaling \$75,269 were issued from this account. However, the principal was not able to locate the checkbook for the period September 2008 through January 2009. As a result, we could not identify the payees for 50 checks totaling \$35,321 written during this period. The other GSF account was used for senior dues, deposits for the senior trip and collections for the senior prom. During this time, the treasurer delivered the collections to the principal on a daily basis. However, the treasurer alone made all the purchases related to the prom and trip; received and approved all the bills for payment and wrote, signed and mailed out each of the payment checks.

- Recommendations**
6. Ensure that Marble Hill, Bronx Theater, Bronx Engineering and Bronx Law and Finance appoint a treasurer for its GSF accounts.
 7. Ensure that each school maintains a cash journal, performs monthly bank reconciliations, and make timely bank deposits.

**General School
Fund Bank
Accounts Not
Authorized by
DoE**

According to DoE's Procedures, a school must submit a request to DoE's Bureau of Financial Management and Reporting Banking Unit (Banking Unit) to open a GSF bank account. Prior to February 2008, school officials were only required to notify the Banking Unit after they had already opened a GSF bank account. Each school principal should report reconciled GSF account balances to the Banking Unit by July 31st every year to ensure accurate reporting of the amounts in the DoE's and the City of New York's financial statements. With respect to the individual schools, we found the following:

- At Marble Hill, the principal maintained one GSF checking account that had \$53,920 in activity during the audit period. This account was properly registered and reconciled balances were reported for both years.
- At Bronx Theater, the principal maintained a GSF checking account that had \$49,923 in activity during the audit period. This account was properly registered; however, the school principal only submitted the reconciled balances to the DoE for one of two years during our audit period.
- At Bronx Engineering, the principal maintained six unauthorized GSF checking accounts that had \$14,620 in activity during the audit period. The principal had not requested permission to open any of the accounts and had not notified DoE of their existence.
- At Bronx Law and Finance, the principal also maintained two unauthorized checking accounts of which DoE was unaware. These two checking accounts had \$75,269 in activity during the audit period.

- Recommendation**
8. Ensure that each of the four high schools notify DoE's Banking Unit when opening GSF accounts and annually report their reconciled account balances by July 31.

**Control
Environment**

Based upon the major problems we identified at the Kennedy Campus, we conclude that the control environment is weak and conducive to fraud and abuse of student funds. The Kennedy Campus principals failed to exercise basic accountability, fiscal integrity, and proper accounting procedures for the handling of these funds.

We found that two of the four school principals, and none of the GSF account treasurers, received training from DoE in the financial management

of the GSF prior to our audit; even though DoE officials knew of similar problems at other schools.. DoE's Office of the Auditor General, working in conjunction with an independent audit firm, conducted internal audits of GSF, and other activities, at 33 other New York City schools for the period September 2005 through January 2008. In its reports, the audit firm identified numerous significant internal control weaknesses in the financial management of GSF accounts at the schools it visited. For example, they found that the schools either did not maintain a cash journal, or the journal was incomplete and/or inaccurate. The audit firm also identified multiple expenditures paid from GSF accounts for non-student related items.

DoE officials stated that when they launched the "principal empowerment and accountability" initiative a few years ago, one goal was to reduce the number of mandatory trainings that resulted in principals and their staffs being removed from their schools where their presence is needed most. It is now up to the principals to determine if attending group training or requesting individual on-site training related to GSF financial management is in their school's best interest, DoE officials also informed us that the schools cited in the audit reports submitted management action plans to correct the deficiencies. DoE officials also told us that they performed follow-up audits to determine whether the schools audited in prior years have implemented the recommendations. However, DoE did not take steps to ensure that all of the high schools under its jurisdiction established and maintained a system of internal controls to provide accountability over GSF.

In an attempt to provide schools with additional tools to efficiently and effectively manage GSF funds, DoE officials told us that they are developing an on-line bookkeeping system. Five high schools are currently participating in a pilot program to test this software during the 2009-2010 school year. Thereafter, the DoE will develop request for proposals for a vendor for this or a similar bookkeeping system. Further, DoE officials told us that it is not their intention to make this accounting software mandatory for all schools because some schools already have a strong system in place with good internal controls. However, we believe that, based upon the findings detailed in our report, as well as in the report from the independent audit firm, DoE needs to increase its oversight of Kennedy Campus' GSF fiscal operations and controls to help ensure such funds are properly accounted for and spent for the purposes for which they were intended.

- Recommendation**
9. Provide training to all school employees who are responsible for GSF accounts and take disciplinary action against school officials for the misuse of GSF funds.

Agency Comments



Department of
Education

Joel I. Klein
Chancellor

Division of School Support

52 Chambers Street * Room 205 * New York, New York 10007
Phone: 212-374-3457 Fax: 212-374-5902 * 212-374-5967

April 1, 2010

Steven E. Sossei
Audit Director
Office of the State Comptroller
110 State Street
Albany, New York, 12236

Re: Draft Audit Report on New York City
Department of Education's
John F. Kennedy Educational Campus
Management of General School Funds 2009-N-11

Dear Mr. Sossei:

Per your letter of February 23, 2010, this letter will serve as the New York City Department of Education's ("Department") formal response to the draft audit report by the Office of the State Comptroller ("OSC") in its audit of the Department's John F. Kennedy Educational Campus Management of General School Funds ("GSF"), to be included as an Appendix to the OSC's final audit report.

As discussed at the exit conference, the Department generally agrees with the recommendations contained in the draft audit report and the principals of the four schools addressed in this report – Marble Hill High School for International Studies (Marble Hill), Bronx Theater High School (Bronx Theater), Bronx Engineering and Technology Academy (Bronx Engineering) and the Bronx High School of Law and Finance (Bronx Law and Finance) - have taken steps to implement the OSC's recommendations. The principals of all four schools have committed to ensuring that all future activities related to the GSF accounts are directly related to student extracurricular activities, purchases are pre-approved by the principals in advance, and that all checks are signed by two authorized signatories. Each school has appointed a treasurer for its GSF account. All of the schools are now maintaining cash journals, performing monthly bank reconciliations and making timely bank deposits. Each of the Kennedy campus schools has begun to annually submit reconciled GSF balances to the Department's Banking Unit by July 31. The principals also understand the requirement that they notify the Banking Unit when opening or closing future GSF accounts.

The Department's Office of Auditor General ("OAG") will perform a judgmental review of all remaining expenditures from the GSF accounts for the audit scope period to identify and follow up on any additional inappropriate use of GSF funds at each of the Kennedy Campus schools. If inappropriate items are identified, the schools will work with the Division of Financial Operations ("DFO") to reimburse GSF accounts from the appropriate funding source. Children First Network ("CFN") staff assigned to the four Kennedy Campus schools with assistance from OAG internal control officers, will provide ongoing support and guidance regarding appropriate use of GSF, proper recording keeping and approval procedures.

Regarding the school specific recommendations:

- The Bronx Law and Finance GSF account has been reimbursed by the principal for personal expenditures he made and by the school's budget for non-student-related school expenditures made from the GSF account.
- The Bronx Theatre principal and Marble Hill principal have both cancelled the debit cards associated with their respective school GSF account.
- The principals of Bronx Law & Finance, Bronx Theatre and Bronx Engineering have reimbursed their respective GSF accounts for their portion of the \$786 identified by the OSC as inappropriate expenditures.

The last OSC recommendation is to provide training to all school employees who are responsible for GSF accounts. When the Department launched the "principal empowerment and accountability" initiative a few years ago, one goal was to reduce the number of mandatory trainings that resulted in principals and their staff being removed from their schools where their presence is needed most. It is now up to each principal to determine what is in her school's best interests, including when to attend group training or request individualized on-site training related to GSF management. Principals generally are responsible for assessing what specific areas of training they or their staff need. While the Department acknowledges that principals have a great number of competing priorities, empowering them to make the best choice for their schools requires that they be empowered and accountable for the financial activities taking place within their schools, including ultimate oversight of the GSF. Principals need to select competent staff to manage these activities. They need to ensure that these individuals receive necessary training and also ensure that either the principal or designee monitors these activities, since it is the principal who is ultimately accountable for what occurs at the school level.

In an additional effort to better prepare principals and school staff, OAG, in partnership with the Division of School Support, will announce internal control workshops for specific schools where prior internal and external audit findings have identified deficiencies. This requisite training will be scheduled with the involvement of the network leaders, and will include the participation of principals and school staff. The training will focus on prior identified areas of deficiency. It will also provide an overview of internal controls to ensure familiarity with the SOP, which should help limit future audit findings and reduce the potential for fraud, waste and mismanagement. On October 27, 2009 OAG provided internal controls training related to GSF accounts to representatives from all four schools.

Additional assistance to implement the OSC recommendations will come from the CFN staff with support from OAG.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Nadelstern".

Eric Nadelstern
Chief Schools Officer

cc: Joel I. Klein
Brian Fleischer
Andrea Breland-Turner
George Davis, Mayor's Office of Operations