



Palmyra-Macedon Central School District Transportation State Aid

Report of Examination

Period Covered:

July 1, 2013 – May 25, 2017

2017M- 116



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2017

Dear School District Officials:

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

Following is a report of our audit of the Palmyra-Macedon Central School District, entitled Transportation State Aid. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

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

Respectfully submitted,

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

Introduction

Background

The Palmyra-Macedon Central School District (District) is located in the Towns of Palmyra, Macedon and Walworth in Wayne County and the Towns of Farmington and Manchester in Ontario County. The District is governed by the Board of Education (Board), which is composed of nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District covers 48.5 square miles. It has two elementary schools¹, a middle school and a high school with a total of approximately 1,900 students and 380 employees. The District's budgeted appropriations for the 2017-18 fiscal year are \$38.7 million, which are funded primarily with State aid and real property taxes.

Objective

The objective of our audit was to examine the District's timeliness of transportation State aid submission. Our audit addressed the following related question:

- Did District officials promptly submit the State aid application for bus purchases?

Scope and Methodology

We examined the District's transportation State aid records for the period July 1, 2013 through May 25, 2017. District officials agreed with our recommendations and indicated they planned to take corrective action.

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

¹ One elementary school is in the Town of Macedon and the other is in the Village of Palmyra.

**Comments of
District Officials and
Corrective Action**

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

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

Transportation State Aid

The New York State Education Department (SED) provides transportation capital aid to school districts for the assumed debt service expenditures associated with the approved cost of newly purchased buses. To receive the transportation State aid, the District must promptly submit a Form SA-16 – Application for Approval of Bus Purchase for the Purposes of State Aid (Form SA-16) to SED immediately upon payment to the vendor. SED reviews the submitted documentation and establishes an approved cost² for each bus purchased. The District is then sent an award letter listing the buses that have been approved and the approved costs.

Districts receive transportation State aid on bus purchases over a five- or six-year period³ beginning 12 months after the purchase order date. For example, for a bus purchased during July 2016, the District would begin receiving State aid during the 2017-18 fiscal year and would continue to receive aid on this bus purchase through the 2021-22 fiscal year. SED calculates the assumed annual debt service cost for bus purchases based on assumed amortization schedules.⁴ The assumed annual debt service cost⁵ multiplied by the District's annual State share ratio for transportation aid (which may vary from year-to-year) determines the amount of State aid that the District is entitled to each year.

District officials did not always submit Form SA-16 promptly to ensure the timely receipt of transportation State aid. We reviewed all 19 of the District's new bus purchases during our audit period and found that District officials had submitted Form SA-16 to SED for 15 of the buses purchased. However, five of these were for buses purchased during the 2014-15 fiscal year, totaling \$389,249, and weren't submitted until after our notification⁶ to the District of our intent to conduct a State aid audit. Additionally, District officials had not submitted Form SA-16 for four buses purchased during the

² The approved cost is the net purchase price of the bus, which consists of the gross cost of the bus, including options, less any trade-in allowances, federal or State grants used to finance the purchase.

³ Transportation State aid payments are made over a five-year period if the bus is purchased during the first six months of the fiscal year (July 1 through December 31) and over a six-year period if the bus is purchased during the last six months of the fiscal year (January 1 through June 30).

⁴ The assumed amortization schedules are based on the approved cost of each bus, a statewide average interest rate, a term of five years and equal semiannual assumed payments of principal and interest.

⁵ Deductions, including deductions for other purposes and non-allowable pupils, are made to this amount.

⁶ Notification on March 23, 2017, and forms submitted in April 2017.

2016-17 fiscal year, totaling \$308,545. We informed District officials during our audit fieldwork and they completed and submitted the paperwork to SED in May 2017.⁷ Had the District not submitted Form SA-16 for the nine buses in question they potentially may have lost approximately \$400,000 in State aid, consisting of \$136,245 that the District would have received during the 2015-16 through 2016-17 fiscal years and \$264,133 that we project⁸ the District would receive during the 2017-18 through 2021-22 fiscal years.

This occurred because District officials did not establish adequate policies and procedures to ensure the prompt submission of Form SA-16. Written policies and procedures should assign responsibility for specific activities to ensure that each employee understands the overall objectives and his or her role in the process. Periodic monitoring of the process by District officials can help ensure that the District will timely receive all the State aid revenue to which it is entitled.

Although SED approval for transportation State aid is anticipated, the failure to promptly submit Form SA-16 for all new bus purchases resulted in delayed payments of State aid and the District levying more taxes than would have been needed to fund operations during the 2015-16 and 2016-17 fiscal years. Specifically, had the District submitted all State aid forms in a timely manner, it would have received additional State aid of \$66,391 during 2015-16 and \$69,854 during 2016-17 and would have allowed the District to reduce tax levies during those years by the same amount.

Recommendations

District officials should:

1. Establish comprehensive written policies and procedures requiring the prompt submission of Form SA-16 to ensure timely receipt of eligible transportation State aid.
2. Periodically monitor the submission process of Form SA-16 for compliance.

⁷ As of the conclusion of our audit fieldwork the District was awaiting SED's approval.

⁸ Projected with the District's average State share ratio for transportation aid and deduction amounts for the 2013-14 through 2016-17 fiscal years.

APPENDIX A
RESPONSE FROM DISTRICT OFFICIALS

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



Palmyra-Macedon Central School District

Board of Education



PROJECT LEAD THE WAY
PLTW



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October 11, 2017

Edward V. Grant Jr., Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
The Powers Building
16 W. Main Street – Suite 522
Rochester, New York 14614-1608

Dear Mr. Grant:

We write to respond to your office’s draft review of the district’s New York State Aid for bus purchases from July 1, 2013 to May 25, 2017. We are pleased to confirm that the district will receive all of the bus purchase aid to which it is entitled on all buses purchased during the audit period.

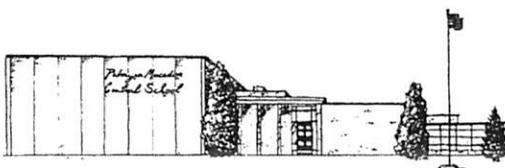
Below please find the corrective action plan in response to the recommendations in the draft Report of Examination.

Recommendations:

1. District officials should establish comprehensive written policies and procedures requiring the prompt submission of Form SA-16 to ensure timely receipt of eligible transportation State aid.
2. District officials should periodically monitor the submission process of Form SA-16 for compliance.

Corrective action:

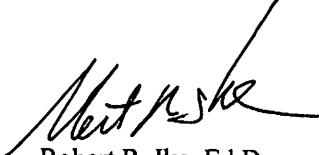
The New York State Education Department has discontinued use of the paper SA-16 claim form and is not currently accepting any applications for bus purchase aid for buses purchased since July 1, 2017. The New York State Education Department advises districts to expect subsequent guidance in the future regarding a new online bus purchase approval system. When the new online system becomes operational and the New York State Education Department has issued guidance regarding use of the system, the district will put into writing its procedures for submitting and monitoring bus purchase aid claims.

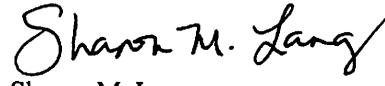


The Pal-mac Way is Every Day

Thank you.

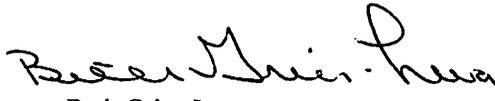
Sincerely,


Robert R. Ike, Ed.D.
Superintendent


Sharon M. Lang
Board of Education, President


Laura Arrington
Board of Education, Vice President


Christine A. Cole
Board of Education

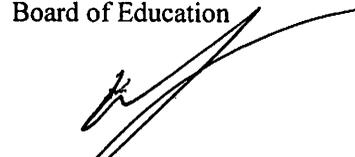

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APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and reviewed various transportation State aid documents to gain an understanding of the District's procedures related to the State aid process for the purchase of new buses and any associated effects of deficiencies in those procedures.
- We reviewed all of the District's new bus purchases during our audit period to verify whether the District had submitted State aid forms to SED to receive transportation State aid for new bus purchases. We also performed calculations to determine the amount of State aid lost or not received by the District for State aid forms that were not submitted and any corresponding effect on the District's tax levies.
- We reviewed information and guidance on SED's web site regarding State Aid.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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