

Darien Public Schools

Review of the Connecticut State Department of
Education SEDAC Form for Fiscal Year 2013 and
Review of Related Policies and Procedures
for Preparing the SEDAC Form

February 10, 2015

Board of Finance
Town of Darien

We were engaged to perform certain financial analysis and review of the Connecticut State Department of Education SEDAC forms filed by the Darien Board of Education for the period July 1, 2012 through June 30, 2013. The focus of our procedures was review of the documentation that supported costs reported on the SEDAC form.

The initial scope of this project was determined by the RFP that was issued. Based upon our review of the available information to accomplish the objectives described below, we determined the specific procedures that were necessary to be performed. In certain instances, the procedures that we determined necessary to perform were substantially more detailed than the procedures that we anticipated when we responded to the RFP. In most instances this was due to the type, format or lack of supporting documentation that was available for our review.

As the project progressed, we obtained a detailed understanding of the District's process for preparing the SEDAC form and the format and types of information that was available to support the costs. Based upon the information available, and the types of adjustments that we were finding, it was necessary to revise the specific procedures that we considered necessary to perform to meet the objectives of the project. We then informed the Board of Finance of the conditions we had discovered, the types of procedures that we considered necessary to be performed and that the related estimated hours would need to be revised to allow us to perform the recommended procedures. This process occurred multiple times throughout the project.

The Board of Finance's role in the project was only to set the scope of the project and to approve the additional costs based upon the unanticipated procedures we considered necessary to perform. Outside of the two additions to the scope of the project, neither the Board of Finance, nor any other Town or Board of Education elected official or employee, had any input into the specific procedures that we performed.

The specific procedures that were performed for the items described in the scope section of this report were designed by us based upon our knowledge and experience, the information available, the format of that information and the types of procedures that were necessary to determine the adjustments. The procedures we determined necessary were influenced/impacted by the information we obtained in performing other procedures. The objective of all the procedures performed was to verify the costs reported on the June 30, 2013 Connecticut State Department of Education SEDAC report.

OBJECTIVES:

The objectives of the analysis and review were as follows:

- a. To review the current procedures for the accounting and related reporting for both in district and out of district special education students. This included the review of the supporting documentation for calculations and allocations of salary and benefit costs, transportation costs and other allocated costs such as purchased services and supplies. This review included the procedures for updating the SEDAC form throughout the year as required by the State Department of Education.
- b. To review, recalculate and agree to appropriate supporting documentation the costs reported on the June 30, 2013 Connecticut State Department of Education SEDAC form based upon the scope determined by the RFP issued for this project.

Based upon our review, we calculated our recommended adjustments for each student cost we tested.

- c. To provide recommendations for the accounting for and the type and/or format of the supporting documentation for amounts reported on the SEDAC Form and for the methodology and documentation for any cost allocations based upon best practices.

BACKGROUND

Due to the significant amount of details and complexity of the accounting and reporting process surrounding the reporting of the costs for special education to the State, it is important to clarify certain facts and concepts that will allow a clearer understanding of this report.

This section will also address other issues that have been raised by various parties throughout the process of completing this project.

Source of Grant Funds

The Excess Cost grant is a State grant and **not** a federal grant. Therefore, any issues related to the contents of this report will be the responsibility of the State Department of Education to address, if necessary.

SEDAC Form Reporting

The **Connecticut State Department of Education** requires each District to enter cost information for certain students projected to exceed 4.5 times the District's average per pupil cost to educate. The form that the District is required to complete is called the SEDAC Form. The SEDAC form is an on-line form that is managed by the Connecticut State Department of Education.

The District is required to enter the information into the SEDAC system by December 1, update the form for any changes in students or cost projections by March 1, and then finalize the cost information by September 1, following the end of the fiscal year.

BACKGROUND

The District must develop a budget for each student where the costs of the education services provided to a student are projected to exceed 4.5 times the District's per pupil costs. For the fiscal year July 1, 2012 through June 30, 2013 for Darien, this amount was \$72,834.

This budget is normally developed by the Special Education Department based upon the student's Individual Education Plan (IEP). The student's IEP details the types of educational services that the District will provide the student. Based upon that information, the cost for each of the services is estimated to develop the budget for the student. Examples of the types of services are tuition, transportation, salaries, benefits, and other services (occupational therapy, physical therapy, tutoring, evaluation, etc.).

Based upon that process, the District determines which students are projected to meet the 4.5X (times) threshold and the **estimated/budgeted cost** is entered into the Connecticut State Department of Education SEDAC system by December 1.

SEDAC Form Reporting

The State uses the information entered into the SEDAC system from each school district to allocate the amount the State budgets annually for a grant called the **Excess Cost Grant** to each town. The State makes payments for this grant 3 times a year. The Excess Cost Grant reimburses the Town a percentage of the costs that exceed the \$72,834. The percentage may vary due to the total available grant amount being capped annually by the State. Each Town receives a proportional share of the total available grant based upon the total amount of expenditures reported by the Town compared to the total expenditures reported to the State by all Districts.

The Excess Cost grant is the only general State education formula grant that is based upon **current year** expenditures. All the other grants are based upon the prior year's expenditures.

The completion of the SEDAC form is the equivalent to a State grant reimbursement request. Any issues regarding the accurate completion of the form would be considered compliance and reporting issues and would not normally have legal implications. The implications of filing an inaccurate SEDAC grant reimbursement request would be that the State would adjust the amount eligible for reimbursement and require the Town to repay any amounts received in excess of the adjustment amount. The State normally obtains the repayment from the Town by adjusting the amount of the Education Cost Sharing grant that is provided to the Town in the subsequent year. This determination would be made by the Connecticut State Department of Education.

Aides – Time allocation

The District hires aides based upon the IEP's (needs) of the students. The aides' sole purpose is to assist the students to which they are assigned. When students are being provided other services where the aide is not required, the aide is responsible to prepare materials for the student's classes and ensure that any other items needed are ready.

Aides may assist other students in the classroom where they are working when requested by other students in the classroom, but their primary focus is the student to whom they are assigned.

Aides – Time allocation

Based upon the concept that the aides are hired only based upon the need of the students, and otherwise would not be employed by the District, it is **established practice** across school districts that the full cost of the aide is allocated to the students to which they are assigned.

If the aide is assigned other duties not related to students on a regular basis, then the allocation of time to individual students should be adjusted.

Hours noted in IEPs

Based upon discussions with the Special Education department, it was noted that the hours listed on a student's IEP is a combination of both direct services and administrative and/or consulting time with the student's teachers. Administrative services include preparation for meetings, writing reports and attendance at PPT meetings. Therefore, the amount of time listed in a student's IEP is not the amount of time that is planned to be spent providing direct services.

Regular Education Teachers

The Connecticut State Department of Education instructions for reporting costs for in-district staff states as follows:

“It is also reasonable in most cases to include only the cost of those staff members who work with a very small group of students with high needs rather than include a staff member who works with a large number of students. Costs typically reported are for salary and benefits for teachers, related services personnel and paraprofessionals”

Based upon interpretation of the instructions above, and direct confirmation with the Connecticut State Department of Education Internal Audit, this would exclude regular education teachers.

The District did report regular education teachers as a cost for the students reported on the SEDAC form for the period July 1, 2012 through June 30, 2013. This is the largest portion of the proposed adjustment to the cost reported for that period.

It should be noted that this practice **was not** limited to the Darien School District. Based upon our experience, the inclusion of regular education costs in the SEDAC form has occurred in other Districts.

Special Education Secretary and Bookkeeper

In general, most Districts have included in the costs reported for each student (allocated to all students) the cost of the special education secretary's time related to managing student services.

However, the District **did not** include this cost or the cost for the bookkeeper time to prepare the student costs sheets in the SEDAC form for the period July 1, 2012 through June 30, 2013.

Review of IEP's

As part of our procedures, it was necessary to review student IEPs. Before we were provided access to these records, we signed a confidentiality agreement with the District. Based upon being awarded the project, the access was granted under the premise that CohnReznick was acting as an agent of the District.

Cost of In-District Employees Allocated to Students

The costs reported on the student cost sheets include the cost of the benefits for the type of employee (certified vs non-certified). Due to the State paying the cost of the Teacher's Retirement plan, the benefit cost for the aides and other non-certified employees is higher than the benefit costs for teachers.

Verification of Services Delivered

The primary purpose of the project was to verify accuracy of the SEDAC form filed with Connecticut State Department of Education for the period July 1, 2012 through June 30, 2013. The scope of the project did not include procedures to independently verify that the services were provided to the student beyond the supporting documentation available for review.

The District's procedures that were in place during this time period did not include the documentation of the time spent providing services to students during normal school hours. Based upon that type of documentation not being available, it was necessary to rely on the IEP for the types and amounts of the services provided to students to recompute the costs of the educational services provided.

Based upon the work we performed, our discussions with the Special Education staff, certain service providers and various teachers, nothing came to our attention that caused us to conclude that on an overall general basis, the services documented in a student's IEP were not delivered.

Since there was no documentation of the services provided to each student during the school day, there were no procedures that we could perform to independently verify service delivery. The only procedure that could be performed would be inquiry, which would be subject to the recollection of the individuals who provided the services.

Certain staff are employed by the District to provide students a variety of services such as speech, assistive technology, psychology, assistance with social skills, etc. The majority of these employees' responsibilities are to provide their respective services to students on a full time basis. Therefore, using aides as an example, they are hired solely based upon student needs. Their primary responsibility is to the students that they are assigned to support. Without the student's need (as documented in the student's IEP), the District would not hire the aide. Therefore, it is standard industry practice to allocate the aide's time to the students they were assigned to support. This is the **standard practice** even when the aide may not be with the student during a period when they are receiving other services (speech, OT, PT, etc.). During this time the aide is often performing administrative services related to the students they serve, such as preparing a quiz, meeting with a teacher, working with technology the student uses or preparing reports. Since the student needs the aide's support for the normal school day, the aide must be available for the normal school day. Therefore, no reduction of the costs allocated to students is appropriate.

Verification of Services Delivered

We did not encounter any evidence to conclude, nor would it be a reasonable assumption, that these employees hired to provide a specific service were not providing these services to students.

Therefore, the only reasonable approach to address the delivery of services issue is on an exception basis.

In an effort to attempt to address concerns about the services delivery issue and accomplish the objective of addressing the issue on an exception basis, an additional procedure was added to the project. The additional procedure was for the District to send a letter to each of the parents whose child (ren) were reported on the SEDAC form to invite them to meet with us privately and discuss any concerns about the services provided by the District or any questions they may have had. This process was designed to allow any service delivery issues or other items of concern to be brought to our attention so they could be addressed as part of the procedures we were performing.

The objective was to consider all the available information as part of our review of the cost forms and allow for the identification and consideration of any known services issues (exceptions) rather than auditing all services provided.

Discussion with Student Parents

When setting up interviews with the parents who contacted us, the location of the interview was part of the discussion. Although we were working at the Board of Education's Administrative Offices, the Town Hall was always provided as an alternative meeting location.

SCOPE

The scope of the project was initially determined based upon the Town's request for proposal. As the work was performed and we obtained an understanding of the District's current policies and procedures and the nature and types of documentation available for our review, we determined that the procedures we needed to perform were significantly different than the procedures we had expected to perform when we prepared our proposal and related cost estimates. As these procedures were identified, we communicated the need to perform additional procedures and/or incur additional time to complete the project to the Board of Finance. In each instance, the Board of Finance approved the additional time and procedures that we deemed necessary to allow us to complete the project.

The scope of the project was initially defined as follows:

We performed the following procedures related to the Special Education Excess Cost Reimbursement report/application (2012-2013 SEDAC Form):

- We selected 25% of the locally placed out of district students with costs over \$72,834 as reported on the June 30, 2013 SEDAC-G report. The testing performed included review of supporting documentation for all costs reported on the SEDAC form, including tuition and transportation costs. We reviewed invoices, payroll charges and any other costs that were charged or allocated to each student.

SCOPE

- We selected 100% of students educated in district with costs over \$72,834 as reported on the June 30, 2013 SEDAC-G report. The testing performed included review of supporting documentation for invoices, payroll costs, transportation costs and any other costs that were charged or allocated to each student.
- We reviewed and tested the allocation of costs to each student for supplies, payroll, transportation and any other costs reported on the SEDAC Form. As part of our review of the allocation of costs, we verified that only 100% of the actual costs were allocated.
- Our testing procedures, where possible, and approach were designed to determine the type of services delivered, who provided the services and the cost of the services.
- We reviewed the current procedures for the accounting and related reporting for both in district and out of district special education students, including the supporting documentation and calculation for allocations, transportation and other allocated costs.
- We have provided recommendations for the accounting, supporting documentation and allocation methodology based upon best practices of other districts.
- We reviewed the procedures for updating the SEDAC form throughout the year as required by the State Department of Education.

There were only two changes to the scope of the project. The changes were made to address concerns of the public and parents. The additional procedures that were added were as follows:

- The District sent a letter to each parent that had a student who was reported on the June 30, 2013 SEDAC form inviting them to meet with us to review the costs reported for their child(ren).
- We communicated with former administrators to obtain any input or additional information regarding the SEDAC reporting process.

EXHIBIT 1 presents a Summary Analysis of the Students Reported on the State Department of Education SEDAC form. The analysis shows the total number of students who were educated **in district** vs **outplaced** (see definitions below) as well as the total students entered into the SEDAC form (96) and the actual number of students that exceed the 4.5 times average per pupil cost of \$72,834 and qualified for reimbursement (64).

This Exhibit also presents the number of student SEDAC cost sheets that we tested. We based our selection of students on the SEDAC report filed by the District as of September 1, 2013. Subsequently, certain adjustments were made by the District to the SEDAC report for the December 31, 2013 filing date. This resulted in the costs for 3 students being decreased to below the \$72,834 threshold. Since the students had previously been selected for testing, we performed testing on these students also. This resulted in our procedures being performed for a total 50 of in district students.

DEFINITIONS

In order to provide the desired clarity to all stakeholders with respect to the information that is provided in this report, it is important that we define certain terminology that will be used throughout this report. Certain terminology used in this report is generally used by those who work in education and specifically in the special education area and will be defined to provide as much clarity as possible as to the procedure performed, the document reviewed or the recommendation made.

SEDAC Form

The form that is required to be completed for students the District has determined may exceed 4.5 times the District's per pupil cost. This form is the equivalent of a State grant reimbursement request. The form includes each student, identified by a unique identification number, and the cost for **tuition (defined below)**, transportation and room and board.

Tuition column as reported on SEDAC Form

The Tuition category as presented on the SEDAC form includes the cost for tuition paid to outside facilities as well as the salary and benefit costs for students who are educated in a District school (in-district), as defined below.

Excess Cost Grant (reimbursement)

This is the name of the grant that the State provides to the Town for students whose cost to educate exceeds 4.5 times the District's per pupil cost.

In District

This term is used to identify the students that are reported on the State Department of Education SEDAC form that are educated by District staff and other professionals when necessary, in a District school.

Out placed

This term is used to identify the students who are reported on the State Department of Education SEDAC form that are placed in educational facilities other than a District school. In these instances, the District normally pays tuition to the educational facility and transportation costs to transport the student to and from the facility. In some cases, based upon student needs, room and board may also be paid.

IEP

Individual Education Plan (IEP). This type of plan is prepared by the District in conjunction with parents for children receiving special education services. Many students with IEPs may not be reported on the SEDAC form.

PRM (timesheet)

Payroll memorandum. This document functions as a timesheet for summer hours and any additional hours worked by District employees beyond those included in the salary. It is most commonly used for tutoring after school and for summer work.

DEFINITIONS

Employee Benefit Rate

An employee benefit rate is calculated for the cost of employee benefits. The calculation is performed for both certified personnel (teachers) and noncertified personnel (aides) since the benefits paid by the District for each group are different. The major difference in benefits is the cost of the pension plan. For certified personnel, the State of Connecticut pays the cost of funding the pension plan. For noncertified personnel, the District pays the cost of funding the pension plan.

SEDAC Cost Sheets

This term is used to refer to the excel worksheets maintained by the District to account for the costs for each student reported to the Connecticut State Department of Education on the SEDAC form.

Pupil Services

Pupil Services is the department of the District that provides services such as assistive technology (AT) speech, physical therapy (PT) and occupational therapy (OT).

Summer (as used on the SEDAC Cost Sheet)

This category represents the cost for all services that are provided to students outside the normal school year. The costs reported in this line are the costs for all services provided to each student over the summer. The types of costs included in this category are salaries, vendor costs for OT, PT, and summer school courses.

OVERVIEW

The results of the procedures we performed are described in detail below and summarized in **EXHIBIT 2**. The Exhibit presents a summary of the recommended adjustments to the SEDAC form as adjusted and filed with the Connecticut State Department of Education at December 31, 2013.

The Exhibit presents the total of the cost filed by the District at December 31, 2013, and then lists total recommend dollar value of adjustments by the categories on the District's **SEDAC Cost Sheets**. The adjustments are presented in the same categories as on the SEDAC form, which are tuition and transportation. The District did not report any costs for room and board.

During our testing we noted that in many cases there were multiple types of errors noted on a student's SEDAC cost sheet. A significant contributor to this was that there was no formal system in place to review, monitor or detect errors that may have occurred in the preparation of the cost sheets.

It is important to note that the Summary Schedule of Adjustments presents both increases and decreases to costs reported on the SEDAC form. The major cost categories that were under reported were employee benefits costs, transportation, tuition, other services (vendor) and summer school costs. See **EXHIBIT 3**.

OVERVIEW

In the situation where a cost was entered on the incorrect student's SEDAC cost sheet, the cause was due to the District using initials and a number to identify the student. For example, if there were 3 students with the initials XYZ, then the District coded the other 2 students as XYZ1 and XYZ2. In every instance a cost was charged to the incorrect student, it was charged to a student with the same initials.

It should be noted again that based upon the information available, it was necessary to use our judgment and experience as to the approach to the procedures we performed, the calculations or allocation methodology used and the appropriateness of a cost included on the Student cost sheets and the value of the supporting documentation provided.

In addition, it is important to understand that the information we obtained from the review of the available documentation and the procedures that we performed had a greater impact on our conclusions than information obtained from discussions and interviews.

CONCLUSIONS

Questions have been raised regarding the District's SEDAC form and whether the errors noted were due to an intentional scheme to increase the District's reimbursement.

Based upon the factors noted above, especially the fact that 5 categories of cost were actually under reported, and the variety of the types and nature of the causes of the recommended adjustments, we have concluded that the recommended adjustments were NOT a result of an intentional effort to overstate the SEDAC form reimbursement request.

Based upon the procedures that we performed, we concluded that the recommended adjustments are as a result of the following:

- Lack of a formal system for the flow of information and data necessary to properly and accurately update the SEDAC cost sheets. The information flow starts from the teacher and aide level, to the Special Education Department, to the Finance Department, which maintains the SEDAC cost sheets
- Lack of a formal process to monitor and check the data entered on the Student Cost Sheets for completeness and formula errors
- Lack of a formal process to reconcile the data entered on the cost sheets to the actual costs paid by the District to ensure accuracy and completeness (tuition, transportation, employee benefits).
- Lack of formal procedures to monitor and review the data on the SEDAC cost sheets for accuracy

CONCLUSIONS

The types of errors that we noted during our testing of the **SEDAC Cost Sheets** were as follows:

1. Key punch errors
2. Formula errors
3. Under reporting of certain costs due to lack of reconciliation to total actual invoices paid (transportation)
4. Amounts entered twice on spreadsheet
5. Number of students served errors (PRM allocations)
6. Costs entered on the incorrect student's SEDAC cost sheet
7. Data from IEP transcribed incorrectly (hours per year, month)
8. Teacher/Aide changes not properly updated on updated **SEDAC Cost Sheets**. The most common changes that were not always updated correctly were due to employees leaving the District's employment, maternity leave, or reassignment to other students.
9. Certain teachers and aides were over allocated (more than actual cost), due to the changes noted above in item 8 not being properly recorded.
10. Completeness of changes made by the District, but not being applied to all students affected by the changes (personnel).
11. Teachers/Aides approved annual salary amounts being entered on **SEDAC cost sheets** in September and not being adjusted to the actual amount paid.
12. Incorrect allocation (such as using the incorrect number of students to allocate the cost).
13. Costs included in the calculation of the employee benefit rate that were not benefit related.

As a result of performing our procedures, we developed worksheets for certain calculations and to develop our recommended adjustments on a student-by-student basis. These worksheets will be provided to the District for their review and use going forward to assist them in preparing certain calculations and monitoring, reviewing and reconciling information that is entered on the SEDAC cost sheets.

SUMMARY OF PROCEDURES PERFORMED AND RELATED RESULTS

1. Review of the procedures for the Connecticut State Department of Education SEDAC reporting.

Procedures Performed

We reviewed the process and procedures that were used to prepare the July 1, 2012 - June 30, 2013 SEDAC form. The review included the following:

- A. Review of the detailed process for capturing the education costs for each student.
- B. Review of the actual student cost sheets where the costs are documented and the information flow from other departments to update the information on the cost sheet.
- C. Review of the allocation methodologies and related base used for certain costs.
- D. Review of the types of supporting documentation.
- E. Review of the types of costs included and excluded.

Results of Procedures Performed

Based upon performing the procedures A – E above, we noted the following:

- The District has a specific form that is used to account for the costs for each student (Student Cost Sheets). In general these sheets are prepared based upon data provided by the Special Education department and from information based upon approved salaries, transportation costs, tuition costs and other vendor provided services (invoices).
- We noted that there was no formal system to document and communicate personnel changes, caseload changes, IEP changes or other student related changes to the Special Education department and accounting.
- We noted that the District did not have formal policies and procedures for documenting the specific number of hours of services provided to each student.
- We noted that there were no formal policies and procedures in place for the process of preparing the SEDAC cost sheets or to review/monitor/detect errors that may occur during their preparation.

The results of the procedures performed are detailed in the Recommendations section of this report.

2. Review of SEDAC Cost Sheets (General)

Procedures Performed

We reviewed the SEDAC Cost Sheets to determine the services provided. We also reviewed each sheet for any formula errors.

We then reviewed the IEP to determine the services to be provided, the duration of the services, and the frequency of the services and compared the information to the Student Cost Sheet for each student selected for testing.

For students who were educated in district, there was no documentation by student for services provided by District employees during the school day. Since there was no other information available, in these instances, we used the amount of time noted on the student IEP to recalculate the cost of services provided.

When there was no other data available to document the amount of services delivered to a student and the IEP described the amount of services as "up to X hours" per week, month or year, the "up to X hours" amount of hours were used to recalculate the cost of the services provided, unless there was information to indicate that the amount was not correct (information obtained from parent interviews).

We performed our procedures initially on the copies of invoices and PRMs that were contained in student files. We then performed additional procedures on the related documentation as noted in each section below.

Results of Procedures Performed

Based upon the approach described above, we performed our procedures based upon the cost reported on the Student Cost Sheets. The procedures that we performed were designed based upon the nature of the cost reported in each line. The following are the procedures we performed for each of the lines on the Student Cost sheets.

3. Regular Education Teachers

Procedures Performed

We reviewed the Department of Education instructions for the preparing the SEDAC form.

Results of Procedures Performed

The Connecticut State Department of Education instructions for preparing the SEDAC form, as confirmed by the State Department of Education Internal Audit staff, stipulate that regular education teachers do not qualify as an allowable cost to be reported on the SEDAC form. Therefore, the cost of regular education teachers (generally only reported for elementary level students) was considered ineligible and was adjusted out of the total allowable costs for all students.

See **Adjustment 1** for these costs presented on **EXHIBIT 2**.

4. Employee Benefits

Procedures Performed

The allowable costs for employees that provide services to excess cost students includes both the actual salary of the employee plus any related benefit costs. The benefit cost includes medical insurance, life insurance, employer social security and retirement benefits costs.

Since the employee benefits paid by the District vary between teachers and noncertified (non teachers) staff, we calculated the benefit rates separately. The significant difference between the two groups is with respect to pension expenditures. For the teachers, it is paid by the State of Connecticut. For the noncertified staff, it is paid by the District.

The allocation of benefits was calculated as an average for all employees in the respective group (teacher vs non teachers).

The procedures we performed for the employee benefit costs were as follows:

1. We reviewed the District's fiscal year ended June 30, 2013 expenditure general ledger and identified the applicable employee benefit expenditure line items and amounts expended for the year.
2. We determined the appropriate base to allocate each cost (number of employees or total salaries).
3. We obtained total numbers of teachers and noncertified employees employed by the District.
4. We calculated a benefit cost per employee for teachers and non certified staff.
5. We added the amount to the employee's salary to get the total cost of the employee.
6. We then also applied the adjusted benefit rate to the students not selected for testing.

Results of Procedures Performed

1. Based upon our testing, we noted that the benefit allocation calculation included certain costs that we determined to not be benefit related (liability insurance).
2. Based upon our testing, we noted that the benefit allocation calculation had not been updated to use the fiscal year 2013 actual expenditures. The rates used were based upon the 2012 expenditure amounts.
3. After recalculating the benefit allocation for each employee group, we applied the change in the benefit amount per employee (an increase) to all students who had teachers and aides on their SEDAC cost sheets.

4. **Employee Benefits**

Results of Procedures Performed

The adjustments for these corrections are included in **Adjustment 2, Adjustment 4, Adjustment 6** and **Adjustment 7** in the recommended adjustments to the reported costs presented on **EXHIBIT 2**.

5. **Transportation**

Procedures Performed

Costs for transportation are only potentially reimbursable for students who must be transported using vehicles other than the regular school buses. Transportation costs are for both in district and out of district students. The District maintains a worksheet to allocate the cost of these vehicles to the students who are transported in each vehicle. In most cases, vans are used to transport the students. The cost of the van is allocated to the specific students assigned to the vehicle. The worksheet prepared by the District allocated each monthly invoice received to the students who were assigned to the vehicle. Costs were allocated to both students reported on the SEDAC form and to those who were not.

The procedures we performed for transportation costs were as follows:

1. We agreed the amount of each monthly invoice received from the transportation vendor to the worksheet prepared by the District.
2. We recalculated the amount allocated to each student based upon the listing of students by vehicle provided by the District.
3. We agreed the amount paid to the general ledger.
4. We reconciled the total transportation costs per the worksheet to the total invoices paid to ensure all invoices were properly allocated.
5. We agreed the recalculated transportation amounts to the amount reported on the SEDAC cost sheets and then the SEDAC form.

Results of Procedures Performed

1. The results of the procedures performed were that we noted that certain costs were not allocated to each student correctly. This was due to formula errors in the worksheet used to allocate the monthly invoices to each applicable student.
2. Upon reconciling the total invoices to the total allocated, we noted the total costs incurred by the District were not completely allocated to the applicable students. This again was due to the worksheet containing formula errors. There was also no formula or proof to verify all costs had been allocated. Finally, the worksheet had not been reconciled to the general ledger.

5. **Transportation**

Results of Procedures Performed

See **Adjustment 3** for the recommended adjustment to the reported costs presented on **EXHIBIT 2**.

6. **Tuition (Out Placed Students)**

Procedures Performed

Students who are outplaced are provided educational services from an education facility outside the District. In this instance, the District pays the tuition and transportation for the student to attend the educational facility.

The procedures we performed for the tuition costs were as follows:

1. We agreed each monthly invoice received from the educational facility for tuition to the worksheet prepared by the District.
2. We recalculated the amount allocated to each student based upon the listing of students by vehicle provide by the District.
3. We agreed the amount paid to the general ledger.
4. For the out of district students tested, we also examined and tested the supporting documentation for the other costs noted on the Student Cost Sheet

Results of Procedures Performed

We noted that the tuition amount had been under reported for one student. This was due to the student having transferred from one facility to another during the year, and the Student Cost Sheet not being updated accurately for the change.

See **Adjustment 4** for the recommended adjustment to the reported costs presented on **EXHIBIT 2**.

7. **Special Education Teachers**

Procedures Performed

1. We obtained a payroll report from the District detailing the actual amount each teacher was paid during the 2012-2013 fiscal year (for special education related services only).
2. We recalculated the allocation of the cost of the teachers (salaries and benefit amounts combined) based on the duration and frequency of services provided.

7. Special Education Teachers

Procedures Performed

3. We tested for over allocation by preparing a summary of all the teachers charged to all 96 students. We then calculated the total amount charged on the SEDAC Cost sheet and compared this amount to the total actual cost (salary and benefits) for that teacher. Any amounts that were in excess of actual costs were included in our recommended adjustments.
4. For the employees that were determined to have been over allocated, we followed up with the special education office to determine if there were changes in caseloads or reassignments that were not reflected on the SEDAC Cost Sheets. If so, we reviewed the available documentation related to the changes and updated the student cost sheets accordingly.

Results of Procedures Performed

We noted that the SEDAC cost sheets were populated with the teacher's approved annual salary and generally were not updated to the actual amounts paid. For certain other teachers, the change in the personnel providing services to the student was not updated for all impacted students.

As a result of our testing, we noted that for certain teachers, the information on the SEDAC cost sheets had not been updated for teachers who left the District, went on maternity leave or were reassigned caseloads during the year.

This resulted in certain cases where the costs reported on the SEDAC cost sheets were greater than the actual costs to the District for the teacher's salary and benefit costs.

We performed the analysis described above to calculate the correct amounts and have recommended the adjustments, as appropriate.

When this occurred, we requested additional information regarding the teacher's caseloads and the timing of any changes to them. This resulted in adjustments to the SEDAC cost sheets based upon the recalculation of the time period each teacher provided services to each student.

See **Adjustment 5** for the net recommended adjustment to the reported costs presented on **EXHIBIT 2**.

8. Aides

Procedures Performed

1. We obtained a report detailing the actual amount that each aide was paid during the 2012-2013 fiscal year.
2. We recalculated the allocation of salaries and benefits based on the duration and frequency of services provided.

8. Aides

Procedures Performed

3. We tested for over allocation by preparing a summary of all the aides charged to all 96 students. We then calculated the total amount charged on the SEDAC Cost sheet and compared that amount to the total actual cost (salary and benefits) for that aide. Any amounts that were in excess of actual costs were disallowed.
4. For the amounts that were disallowed, we worked with the special education office to determine if there were changes in caseloads or reassignments that were not reflected on the SEDAC Cost Sheets. If so, we reviewed the available documentation related to the changes and updated the SEDAC cost sheets accordingly.

Results of Procedures Performed

1. We noted that the Student Cost Sheets were populated with the aides approved annually salaries and generally were not updated to the actual amounts paid by the District. For certain other aides, the change in the personnel providing services to the student was not updated for all students consistently.
2. As a result of our testing, we noted that for certain aides, the information on the Student Cost Sheets had not been updated for aides that left the District or went on maternity leave or were reassigned caseloads during the year.

This resulted in certain cases where the costs reported on the Student Cost Sheets were greater than the actual costs to the District for the aide's salary and benefit costs.

We performed the analysis described above to calculate the correct amounts and have recommended the adjustments, as appropriate.

When this occurred, we requested additional information regarding the aide's caseloads and the timing of any changes to them. This resulted in adjustments to the Student Cost Sheets based upon the recalculation of the time period each aide provided services to each student.

See **Adjustment 6** for the net recommended adjustment to the reported costs presented on **EXHIBIT 2**.

9. Pupil Services

Procedures Performed

1. We traced the services reported on the SEDAC cost sheet to the student's IEP and to supporting documentation such as actual salaries, invoices and timesheets.
2. We recalculated the hourly rate for each service or teacher.
3. For salary-based in district services, we agreed the length of time the service was provided to the amount noted in the student's IEP.
4. We recalculated the amount reported for each pupil service reported for the student.
5. We verified that the amount charged for pupil services was actually paid to the teacher and adjusted the benefit rate used for the students we tested.

Results of Procedures Performed

1. We noted that the SEDAC cost sheets were populated with the service provider's approved annually salary and generally were not updated to the actual amounts paid.
2. As a result of our testing, we noted that for certain aides the information on the SEDAC cost sheets had not been updated for aides that left the District or went on maternity leave or were reassigned caseloads during the year.
3. Based upon following up on the aides that were initially over allocated, we adjusted the costs to the amount for which the aides actually performed the services for the time period they were performed.

We did not adjust the students that were not tested because those students were below the threshold and making the change would not have raised the students above the threshold. For students not tested, these adjustments may have been offset by the regular education teachers that were charged.

See Adjustment 7 for the recommended adjustment to the reported costs presented on **EXHIBIT 2**.

10. Vendor Invoices (Other Services)

Procedures Performed

For the vendor invoices amount listed on the SEDAC cost sheets for services or supplies, we performed the following procedures.

1. We agreed the amount reported for purchases of goods or services to the vendor invoice.
2. We recalculated the allocation of the invoice to each student benefiting as noted on the invoice (if applicable). In most instances, the student benefiting was manually noted on the invoice.

Results of Procedures Performed

Based upon the testing performed we noted the following:

1. For almost all invoices examined, the invoices included on the Student Cost Sheets were properly supported.
2. In certain very limited instances, an invoice was allocated incorrectly to a student.

In each of those instances, this was due to the District policy in identifying the excess cost students by their initials, with differentiation for students with the same initial being made by adding a number after the student's initials. In each case, the student to whom the invoice was incorrectly allocated had the same initials as the student to whom the invoice should have been allocated.

See **Adjustment 9** for the recommended adjustment to the reported costs presented on **EXHIBIT 2**.

11. Occupational Therapy (OT) Contract (Other Services)

Procedures Performed

Occupational therapy was contracted out by the District to an outside vendor. For the fiscal year 2013 beginning in September 2012, the vendor contract was a flat rate contract providing the District a specific number of vendor employees and hours of support. This support was district wide and not limited to the excess cost students. Therefore, since the District did not pay for these services on an hourly basis as used, the vendor did not document the student to whom services were provided.

Since there was no detail by student, we developed a methodology to allocate the cost of OT services by using the cost of the contract, the service hours made available daily, and the student IEP's with respect to the number of hours of OT that were to be provided to allocate the cost to each student.

11. Occupational Therapy (OT) Contract (Other Services)

Procedures Performed

For the months of July and August that were part of the previous contract, we were provided the necessary detail to allocate the cost based upon the service provided.

We noted that the contract for fiscal year 2014 was changed to require the vendor to identify the services as provided on an hourly basis by student.

Results of Procedures Performed

We adjusted the amounts for the students we tested. We did not adjust the students that were not tested because those students were below the threshold and making the change would not have raised the students above the threshold. For students not tested, these adjustments may have been offset by the regular education teachers that were charged.

See **Adjustment 8** for the recommended adjustment to the reported costs presented on **EXHIBIT 2**.

12. Payroll Memorandums (PRM's) (Summer and Other Services)

Procedures Performed

When payroll memorandums were used by the District employees, the students that were provided service by that employee were documented on the form (by name or initials for excess cost students).

The payroll memorandums we examined were copies of the forms submitted to payroll for payment that were maintained in the student file or the copies maintained by the special education bookkeeper by teacher.

The timesheets did not detail the actual time spent with each student.

When payroll memorandums (timesheets) were used to document the services provided to students, we performed the following procedures:

1. We recalculated the number of hours on the form.
2. We verified the rate used for the employee based upon contract or position (summer).
3. We recalculated the amount allocated to each student (if applicable). The allocation methodology used to allocate the costs to students was an even allocation to all students.
4. On a test basis, we agreed the PRM amounts to posting in the District's general ledger.

13. Payroll Memorandums (PRM's) (Summer and Other Services)

Results of Procedures Performed

1. In general the allocation of the costs of services to all students evenly when working with a group of students is acceptable, but not the preferred allocation methodology.
2. In certain instances when recalculating the amount allocated to each student, we noted math errors or the use of the incorrect number of students to allocate the total cost.
3. We also noted that the District did not have supporting documentation for the rates paid to summer school teachers, psychologists and aides.

The adjustments for these corrections are included in **Adjustment 7** and **Adjustment 10** for the recommended adjustment to the reported costs presented on **EXHIBIT 2**.

14. Discussions by CohnReznick with parents who responded to the letter from the District

Procedures Performed

From the letter the District sent to each parent that had a student who was reported on the June 30, 2013 SEDAC form inviting them to meet with us to review the costs reported for their child (ren), we received 19 responses. For the 19 parents who responded we explained the objective of the process and offered to set up a meeting to review the costs that had been reported for their child (ren). Based upon the 19 responses, 16 meetings were scheduled.

For each meeting, the parents were asked where they were comfortable meeting and Town Hall was offered as an option for each parent. A conference room had been made available to CohnReznick at the Board of Education Business Office and all the meetings held were conducted in a private conference room. No parents indicated that they were not comfortable meeting at that location.

Results of Procedures Performed

The results of our meetings with the parents of certain students as noted above had several results as described below:

- For some parents the meeting provided an opportunity to obtain a better understanding of the purpose of the project and the types of services and costs that are were being included on the Student Cost Sheets. An example would be that employee benefit costs are included in the employee cost listed on the cost sheet and that the amount did not represent salary only.
- For others it was an opportunity for them to express their concerns about the experience they have had and to provide us with information on items for additional follow up or additional questions that needed to be answered.

14. Discussions by CohnReznick with parents who responded to the letter from the District

Results of Procedures Performed

- Finally, some parents provided us with specific information from their records or recollection as to errors that they had identified or specifics related to service providers (teachers, aides, pupil services) and the time periods services were provided. Based upon the information provided, we asked additional questions and reviewed additional documentation for the amounts reported on the Student Cost Sheets.

This resulted in changes being made to their child's Student Cost Sheet and other student costs sheets that were impacted by the information we obtained from the meeting.

- The identities of the parents that contacted us or met with us were not disclosed. The conversations and discussions with parents are considered confidential.

See **Adjustments 12 and 13** for the recommended adjustment to the reported costs presented on **EXHIBIT 2**.

15. Discussions with Current and Previous District Staff

Procedures Performed

In order to increase our understanding and gain additional perspective regarding the processes surrounding the SEDAC form reporting, we had discussions with both current and former District staff.

The focus of our discussion was to gain a complete understanding of the following:

- the procedures for completing the SEDAC form
- the types and format of information available
- the recordkeeping process
- the process for updating changes that occur throughout the year
- the current procedures for reviewing and monitoring the SEDAC forms completion
- methodologies used
- causes of errors identified
- opportunities for improvement of the process to reduce errors or increase efficiency

The following are the District staff that were interviewed or contacted:

1. Administration (District Leadership)

Current

Dr. Lynne Pierson, Interim Superintendent
John Veere, Special Education Ombudsman
Michael Feeney, Director of Finance

15. Discussions with Current and Previous District Staff

Results of Procedures Performed

The purpose of interviewing the individuals listed above was to gain their understanding of the processes that were in place for the preparation of the SEDAC form and the general concerns that had come to their attention since becoming employed by the District.

It is important to note that the individuals listed above were not employed by the District during the time period (July 1, 2012 through June 30, 2013).

These individuals also provided us information and assistance as needed in order to facilitate our review and access to the District staff or other resources that we needed to complete the project.

2. Former

Stephen Falcone, Superintendent
Judith Pandolfo, Assistant Superintendent
Richard Huot, Director of Finance

Results of Procedures Performed

We were provided by the District the last known contact information for each of the former employees noted above. We contacted the individuals using the information provided with the intent to obtain any additional information or insight that they could provide on their role in the preparation of the SEDAC form.

A. Stephen Falcone, Former Superintendent

He indicated that he had not seen our report and therefore had nothing to add.

B. Judith Pandolfo, Former Assistant Superintendent

We attempted to contact Judith and left a message with the individual who answered the phone. We explained the purpose of our call, but our call was not returned.

15. Discussions with Current and Previous District Staff

Results of Procedures Performed

C. Richard Huot, Director of Finance

We discussed with Richard his role in the process for completing the SEDAC form. He indicated that the bookkeeper in his office worked with the Special Education Department to capture the costs related to each student projected to cost the District above the threshold. He indicated that his department only was involved in accounting for the services delivered, not for determining the services to be delivered.

He also indicated that he was of the opinion that the District had a good process for capturing and reporting costs on the SEDAC form. He indicated that the District had historically obtained a significant amount of reimbursement from the excess cost grant. He shared that a few years ago, the State Department of Education requested the auditor who was performing the Town's audit to expand their testing due to the fact the District was receiving a larger reimbursement amount than other Towns. He estimated that the audit firm spent approximately 100 hours testing the SEDAC form. He indicated that the result of the additional work did not result in any adjustments being proposed by the auditors.

Finally, he indicated that he monitored any projected changes in the estimated costs reported on the SEDAC form for the March 1 required update since any changes would have had an impact on the amount of reimbursement that would be received and therefore the Board of Education budget.

3. Special Education Personnel

Current

Carleen Wood, Assistant Director of Special Education (before left District)
Dr. Barbara Lombardo, Interim Director of Special Education
Debbie Farber, Interim Assistant Director of Special Education

Results of Procedures Performed

A. Carleen Wood, Assistant Director of Special Education (before she left the District)

The purpose of interviewing the individual listed above was to gain her understanding of the processes that were in place for the preparation of the SEDAC form and the general concerns that had come to her attention regarding the process.

She was available to explain the process and methodology for the delivery of Special Education services. She provided us an understanding of the differences in service delivery for students in elementary vs secondary schools. She also explained terminology and answered our questions on specific students or processes.

15. Discussions with Current and Previous District Staff

Results of Procedures Performed

B. Dr. Barbara Lombardo, Interim Director of Special Education

and

Debbie Farber, Interim Assistant Director of Special Education

The purpose of interviewing the individuals listed above was to gain their understanding of the processes that were in place for the preparation of the SEDAC form and the general concerns that had come to their attention since becoming employed by the District.

It is important to note that Dr. Lombardo was not employed by the District during the time period (July 1, 2012 through June 30, 2013).

She provided valuable perspective on special education service delivery process and a perspective on questions we had that could not be answered with specific knowledge since the District employees who were directly involved had left the District.

When we had certain specific service delivery questions, they were able to provide information regarding current conditions, including the fact that in some instances certain students were receiving more services than listed on the IEP based upon their actual educational needs.

These individuals also provided us information and assistance as needed in order to facilitate our review and access to the District staff or other resources that we needed to complete the project

Former

Deidre Osypuk Director of Special Education

Results of Procedures Performed

We left several messages at the number provided to return our call but have not received a return call. For the number called, the voice mail service did not state the name of the person who we were calling.

4. Other District Staff

Results of Procedures Performed

As part of performing the procedures detailed in this report, we worked with substantially all the remaining District staff in the Special Education and Finance Department

15. Discussions with Current and Previous District Staff

5. Special Education Teachers

Results of Procedures Performed

On an as needed basis to confirm specifics of service delivery, we contacted teachers directly to confirm or obtain information or the answers to our questions.

All District staff from which we requested assistance were forthcoming and cooperative.

ASSUMPTIONS

Based upon the information available, the procedures that were performed and other considerations, the following is a listing of assumptions that were used in the preparation of this report.

1. Allocation of costs to students. For certain invoices, mileage reimbursement requests and timesheets, the student that the cost was allocated to was noted manually on the documentation. We relied on that allocation to determine if costs were properly charged to each student tested.
2. In instances where time records were not available, the student IEP was used to verify the amount of time that services were provided that was listed on the SEDAC cost sheet for each student
3. For certain costs, an average per student or per employee was used to allocate the cost to each student. This approach was considered reasonable.
4. Costs reimbursed by Federal grants are not allowable costs to also claim on the SEDAC form (portion of salaries and benefits charged to the IDEA grant)
5. Aides are employed by the District based upon the IEPs of the students. The aides are employed solely for that purpose. When an aide is not in the classroom with the student, they often perform administrative related duties for their assigned students. Aides may perform additional services for the District after the school day (bus monitor).
6. If a consultant billed the District for more services than was noted in the IEP and it was paid by the District, the amount paid was used as the allowable amount on the Student Cost Sheet.

ASSUMPTIONS

7. In the instances where there was **no other documentation available** to support the hours listed on the SEDAC cost sheet and there was no other information to the contrary with respect to the services noted in the IEP, we used the number of hours of service noted on the student's IEP. For purposes of the recalculating costs, we had to conclude that the services were delivered to the student were at the level noted in the IEP. This included the instances where listed the services to be provided as "up to X hours".
8. Other than known errors that impacted students that were not included in the scope of our testing, we are unable to provide any assurance on the costs reported on the Student Cost Sheets for the students not tested.

All of the in district students that were not tested were below the 4.5 times the District per pupil cost and therefore would be unlikely to impact any State reimbursement.

9. Due to the lack of formal records and the fact that we did not test all of the students, we did not test for the over allocation of Pupil Services employees (psychology, AT, PT, speech).
10. When we relied on the student's IEP for our calculations, we generally used the IEPs applicable to the period March/April 2012 - March/April 2013. If services on the IEP (hours, etc.) agreed to services on SEDAC cost sheets, then we assumed services were provided and without any changes throughout year. If we compared the services and hours to the IEP and determined that they were different than what was listed on the cost sheet, we then inquired with the Special Education Department and requested a subsequent IEP to review. We only requested subsequent IEPs when our review of the information caused us to believe that services or hours had changed.
11. Certain invoices that were paid in the incorrect period for transportation and travel were not reported on the prior SEDAC form for the prior period.
12. All copies of the invoices and PRMs contained in the student files that were not tested were paid by the District and therefore properly included on the student cost sheets.

Recommendations

RECOMMENDATIONS

Based upon our review of the policies and procedures in place during the period July 1, 2012 through June 30, 2013 and the procedures we performed, the following are our recommendations to improve the policies, procedures, processes and documentation related to the preparation of the Connecticut State Department of Education SEDAC form.

We have assigned a number to each recommendation to allow for monitoring and status updates.

It is our understanding that some of the recommendations described below were implemented or addressed by the District for the June 30, 2014 SEDAC filing. We did not review the June 30, 2014 SEDAC form or any related documentation for that filing and, therefore, are not able to identify the specific recommendations that follow that have been addressed by the District.

2013- 1 **Information Flow**

We recommend that formal policies and procedures be developed related to the preparation of the SEDAC form. The policies and procedures should include the development of standard forms and/or other documentation to capture and update the personnel providing services to students including:

- Actual time students were provided services
- Formal system to capture changes to service providers by student on at least a monthly basis. This could include a formal confirmation of caseloads by each teacher and/or aide
- Formalizing and streamlining the flow of information from the Special Education Department to the Special Education bookkeeper for service provider changes. This could include either the use of a change form to communicate the change or having the Special Education secretary be responsible for updating the cost sheets for changes in service providers and the bookkeeper be responsible for updating the cost sheets for the financial impact of those changes.
- A formal process to update the cost form when there are changes made to a student's IEP. The process to update the cost sheet should follow the same process as described above for changes to service providers.

2013-2 **Caseload management**

Currently, the District uses a caseload management system only for special education teachers.

We recommend that a formal caseload management system be developed and implemented to manage all service providers including teachers, aides, and the employees classified under pupil services (speech, assistive technology, social skills, psychologist, etc.). The caseload management system should include accounting for 100% of an employee's time whether the employee's time is allocated to excess cost students or non excess students. It will also allow an analysis to be performed to identify if any service providers appear to be providing services on an overlapping basis.

This system should include procedures for managing all personnel changes, including effective dates, and for ensuring that the necessary information is updated on the SEDAC cost sheets. Changes should be documented in student excess cost files, including any applicable approvals.

RECOMMENDATIONS

2013-2 Caseload management

The caseload policies and procedures should include how the services to be delivered will be documented in the student's IEP, how services provided are documented and the related administrative time that is required to properly serve the students.

This system should also include controls or a reconciliation process to prevent over allocation of employee time.

The recommendations related to information flow noted above would apply to the caseload process.

For secondary students who are assigned a case manager, formal policies and procedures should be developed and implemented to ensure that the services provided are properly documented for each student.

2013-3 SEDAC cost worksheets

We recommend that formal policies and procedures be developed and implemented regarding the preparation, update and review of the SEDAC cost sheets.

The policies and procedures should include the following items:

- The standard format for each student, whether the service is provided to the individual or not. This will allow for additional detailed analysis and reconciliation and reduce clerical errors.
- Student identification standards, including the student's grade level
- Employee identification standards
- Data entry timing standards (monthly)
- Timing, process and documentation of review and update of the budget amount to actual amounts for service providers, salary amounts, IEP changes and other changes.
- Review process that is required by the Business Office and the Special Education department for the information on the SEDAC cost sheets. This should be detailed as to the nature, timing and format of the documentation of this review.

Based upon the types of errors we noted when we reviewed the SEDAC cost sheets, we recommend that the following procedures be implemented to ensure the detection of errors and the accuracy of the SEDAC cost sheets and SEDAC form reporting:

- Proofs should be added to the worksheet to detect formula and other errors
- SEDAC cost sheets currently have columns to track cost by month. All costs should be presented in the cost sheets in the month incurred to allow for efficient review and audit of the costs.

RECOMMENDATIONS

2013-3 SEDAC Cost Worksheets

- For summer school, the summer school heading on the cost sheet is appropriate, but the services provided to the student in that time period should be listed in the same manner as the services provided during the regular school year (teacher, aide, pupil service, etc.).

Since the majority of the services provided in the summer are documented using PRMs, we recommend that the PRMs be summarized by employee by month on the worksheet below the SEDAC cost sheet totals.

- Approved salary amounts that were entered on the worksheet in September should be adjusted for any changes (docked amounts, maternity leave or other leaves of absence) for the updating of costs reported on the SEDAC form as of April 1 as required by the Connecticut State Department of Education.
- Changes to the cost sheets should be documented (change form or change log) in the student's file. Changes to the caseload should be reconciled to the cost sheets.
- Cost sheets should identify the student's grade to allow easier review and error evaluation of the costs listed on the sheets (secondary students are not assigned special education teachers but instead are assigned case managers).
- Cost sheets should list the full names of the teacher and aides to avoid errors for employees with the same first initial and last name.
- The cost sheets should be updated for employee names when the service provider's name changes during the year.
- Amounts entered on the cost sheets should be reviewed to ensure that there is no under or over reporting of costs. The review should include such items as verification of estimated costs to actual costs, reconciliation of data to caseloads or reconciliation to the students IEP for the amount of services provided (hours per day, week, month or year).
- Certain costs such as tuition and transportation should be reconciled to the general ledger to ensure accuracy and completeness.
- Invoices should clearly document the allocation to each benefitting student. If necessary, the allocation should be documented on a separate form and included in the students excess cost file.
- A procedure should be implemented that requires that the Special Education Department review each student's SEDAC Cost sheets for errors. The review should be performed for service providers, service quantities and service periods (daily, weekly, monthly, annually). In addition, some of the information on the cost sheet should be randomly sampled and reconciled to the supporting documentation to ensure accuracy.
- A procedure should be implemented that requires that the Business Office review each student's SEDAC Cost sheets for obvious errors such as proofs that are not correct, missing information, duplicate entries, etc. In addition, some of the information on the cost sheet should be randomly sampled and reconciled to the supporting documentation to ensure accuracy.

RECOMMENDATIONS

2013-4 Transportation Cost Worksheets

We recommend that formal policies and procedures be developed and implemented regarding the preparation, update and review of the transportation allocation worksheet. The worksheet should incorporate proofs to the worksheets to detect clerical and formula errors.

The policies and procedures should also address

- Format (standard by student – excess cost students and non excess cost students)
- Student identification standards
- Reconciliation to the general ledger/invoices to ensure completeness and accuracy.

2013-5 Payroll Memorandums (PRMs) (Time sheets)

We recommend that the PRMs (timesheets) be revised to include a schedule that documents the time spent with each student by day. Time should be charged to students based upon actual time vs an average per student (unless it is a group activity).

We recommend that the form be converted to excel and be required to be prepared electronically to prevent clerical errors.

We recommend the timesheet be reviewed and approved by the Special Education Director or Assistant Director to ensure proper approval and completeness.

We recommend that the rates used for employees who work in the summer be formally approved by the Board of Education and formally documented in the employee's personnel file.

We recommend that the actual amounts paid to employees be reconciled from the general ledger to the amounts included on the SEDAC cost worksheets to ensure completeness and accuracy.

2013-6 Regular Education Teachers

In order to comply with Connecticut State Department of Education regulations and instructions, we recommend that the charging of regular education teachers be discontinued unless they are providing a direct service to excess cost students.

2013-7 Individual Education Programs (IEP)

We recommend that in order to provide clarity with respect to how services are delivered and allocated to each student based upon the information in the student's IEP, the District consider revising the IEP documentation as follows:

- Eliminate the use of “up to X hours” and/or implement a system to document the amount of hours actually provided to the student
- If possible, match the service delivery time to the class schedules time frames (30 min, 48 min, etc.).

RECOMMENDATIONS

2013-7 Individual Education Programs (IEP)

- Document in the IEP the estimated number of hours expected to be provided for each of the following separately:
 - a. Number of hours for each service provided
 - b. Direct services provided to the student
 - c. Administrative services related to the student (consulting to team, meetings, planning, etc.)

This also will provide a means to be able to clearly communication to each student's parents the services being provided that are direct services and those that are administrative in nature.

2013-8 Cost Allocation Methodology/Calculations and Documentation

- We recommend that the District develop and implement formal policies, procedures and formats for each specific type of cost allocated to excess cost and non excess cost students. The types of costs that should be addressed in the policies and procedures include teachers, aides, other services such as speech, social skills, occupational therapy, physical therapy, and any other service provided to/charged to students. It should also address the types of costs that are allowed and unallowed.

The policy should also address the following:

- a. How direct costs will be documented, such as costs that are documented on PRM's (timesheets).
 - b. How the services delivered by Pupil Services (speech, social skills, PT, assistive technology, etc.) will be formally documented by student.
 - c. The monitoring and controls that will be implemented or testing that will be performed to ensure that employees and other costs are not over allocated.
- We recommend that calculations be formalized and documented using excel to allow for updates or changes as necessary. This would also include a formal calculation for the average benefit amount that is allocated to and added to the salary cost for teacher and aides.
 - We recommend that the calculations be updated annually (employee benefits) to ensure the proper reporting of actual costs.

2013-9 Student Identification System

We recommend that the practice of identifying excess cost students by initial and numbers (XY, XY1, XY2) be immediately discontinued as it has resulted in a number of errors when recording costs on certain students' SEDAC cost sheets.

We recommend that a student identification number system be implemented to identify students. Consideration could be given to adding an alpha character to assist in identification of excess cost vs. non excess cost students.

RECOMMENDATIONS

2013-10 Accounting Related Recommendations

- We noted certain transportation related invoices (vendor and parent mileage reimbursements) were not properly accrued as accounts payable in the year incurred and therefore reported on the subsequent year SEDAC form. The costs were properly included in the SEDAC form, just not in the period incurred.
- We noted that a contracted vendor used the District's PRM form to be paid although they were not an employee. The vendor should be required to submit an invoice to the District for payment.
- We noted that the current form being used for mileage reimbursement is not adequate to meet IRS regulations. The form should be reviewed and updated to ensure it complies with the IRS regulations.

Update of Report

We reserve the right to update our report for any new, revised or corrected information that becomes available subsequent to the issuance of our report.

Restrictions

This report is intended solely for the use of the Town of Darien and the Darien Board of Education.

The validity of this report is predicated on the extent to which full, honest and complete disclosure was made by all parties.



CohnReznick LLP
Hartford, Connecticut

Attachments: EXHIBITS 1-3

EXHIBITS

DARIEN BOARD OF EDUCATION

**NET ADJUSTMENT STATISTICS
DECEMBER 31, 2013 UPDATED SEDAC FORM**

	Total Students Reported	Number of Students Below Reimbursement Threshold \$72,834	Balance to be Tested	Number of Students Tested	
In District Students	73	26	47	50	(1)
Out of District Students	23	6	17	4	(2)
Total	96	32	64	54	

Notes:

Our determination of the in district students that cost to educate was greater than the \$72,834 was based upon the September 1, 2013 SEDAC report. As required by the Connecticut State Department of Education, the SEDAC form was adjusted as necessary for December 31, 2013. The adjustment included in the December 31, 2013 filing reduced the costs reported for certain students to amount below the threshold.

(1)

(2)

Per scope of project - 25% of of students tested.

DARIEN BOARD OF EDUCATION

SCHEDULE OF NET ADJUSTMENTS

	Adjustment Reference	As Filed December 31, 2013		
		Tuition	Transportation	Total
AMOUNTS REPORTED TO STATE		\$ 8,665,637.00	\$ 900,801.00	\$ 9,566,438.00
<u>Adjustment made to all students:</u>				
Regular Education Teachers	Adjustment -1	(185,042.96)		(185,042.96)
Employee Benefit rate adjustment to 2013-2014 costs for student not tested	Adjustment -2	12,235.49		12,235.49
Transportation adjustment based upon testing performed	Adjustment -3		23,609.90	23,609.90
Tuition	Adjustment -4	13,548.90		13,548.90
Special Education Teacher	Adjustment -5	(105,473.61)		(105,473.61)
Aides	Adjustment -6	(9,423.79)		(9,423.79)
Pupil Services	Adjustment -7	(55,201.86)		(55,201.86)
Other Services	Adjustment -8	32,922.46		32,922.46
Purchases	Adjustment -9	(695.33)		(695.33)
Summer	Adjustment -10	4,953.31		4,953.31
Difference between District records and amount entered on State Report	Adjustment -11	498.84		498.84
Adjustments to students not tested	Adjustment -12	(607.64)		(607.64)
Adjustments based upon meetings with parents	Adjustment -13	(20,351.30)		(20,351.30)
ADJUSTED TOTALS		\$ 8,352,999.51	\$ 924,410.90	\$ 9,277,410.41
Total Recommended Adjustments to the December 31, 2013 SEDAC Form		\$ (312,637.49)	\$ 23,609.90	\$ (289,027.59)

DARIEN BOARD OF EDUCATION

NET ADJUSTMENT STATISTICS

Number of Students with net increase adjustments	26
Number of Students with net decrease adjustments	<u>49</u>
Number of Students with adjustments	75
Total Students with no changes	<u>21</u>
Total number of Students on SEDAC Form	<u><u>96</u></u>
Total number of Students not directly tested	<u><u>45</u></u>

Notes:

All students who had teachers or aides as part of their cost were increased due to the recalculation of the employee benefits rate.

Above amounts were aggregated based upon the final net changes based upon our recommended adjustments. Due to multiple types of changes that may have occurred for some students, the recommended adjustment amount may include both increases and decreases.