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# Audit Report

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Riverhead Central School District  
Education Stabilization Fund Audit  
for the Period  
March 13, 2020 through September 30, 2022

ESF-0423-03

October 19, 2023

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**The University of the State of New York**  
**THE STATE EDUCATION DEPARTMENT**  
**Office of Audit Services**  
**Albany, New York 12234**





THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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New York State Education Department  
Office of Audit Services  
89 Washington Avenue, EBA 471  
Albany, New York 12234  
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October 19, 2023

Dr. Augustine E. Tornatore  
Superintendent of Schools  
Riverhead Central School District  
814 Harrison Avenue  
Riverhead, NY 11901

Dear Dr. Tornatore:

Enclosed is the final audit report (ESF-0423-03) corresponding to our audit of Riverhead Central School District. The objective of this audit was to determine if Education Stabilization Funds (ESF) received under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) were spent in accordance with award requirements and federal regulations. This audit was conducted pursuant to Section 305 of the Education Law and the scope of the audit covered the period March 13, 2020 through September 30, 2022.

Within ninety (90) days of the issuance of this report, we request school officials provide a written corrective action plan to the Office of Audit Services which details the specific steps that were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

We appreciate the cooperation and courtesies extended to NYSED staff during the audit. If you have any questions or require additional information, please contact Zubair Khan, Auditor-in-Charge (Zubair.khan@nysed.gov).

Sincerely,

James Kampf  
Director, Office of Audit Services

Attachments

cc: Betty A. Rosa, Commissioner  
Sharon Cates-Williams, Executive Deputy Commissioner  
Jason Harmon, Deputy Commissioner P-12 Operations  
Theresa Billington, Assistant Commissioner, Office of Accountability  
Erica Meaker, Director, Office of ESSA-Funded Programs

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## **Executive Summary**

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### ***Objectives***

To determine if the Riverhead Central School District (District) Education Stabilization Fund (ESF) expenditures were reasonable, necessary, and allocable under the CARES Act and to assess their compliance with all applicable federal, state, and local laws and regulations. The audit covered the period from March 13, 2020 through September 30, 2022.

### ***Background***

On March 27, 2020, Congress passed, and the President signed into law, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act created an Education Stabilization Fund (ESF) to prevent, prepare for and respond to the coronavirus. The Riverhead Central School District was awarded \$849,689 in ESSER funds and \$144,008 in GEER funds.

### ***Key Findings***

For the audit period March 13, 2020 through September 30, 2022, we found:

1. The District did not ensure that purchases were procured in accordance with Uniform Guidance 2 CFR §200.324(a) by completing a cost or price analysis prior to their procurement of the items.
2. The District lacked internal controls to ensure the necessary documentation required was maintained for all purchases made.
3. The District did not follow its written policies and procedures for the procurement process.
4. The District's internal controls did not provide sufficient assurances that the charges to the federal grant were accurate, allowable, and properly allocated.
5. District officials did not properly monitor and account for the fixed assets that we tested and maintained incomplete and inaccurate records. Additionally, the District's fixed asset policy did not require officials to conduct periodic inventory reconciliations of its fixed assets.

## ***Key Recommendations***

We recommend the District:

1. Review its current procurement policy and update it as appropriate to ensure a cost or price analysis is completed prior to the procurement of the goods and services.
2. Review its current procurement policy and update it as appropriate to ensure that all necessary documentation is maintained.
3. Follow their purchasing policy and adequately document all purchase decisions including the justification for using sole source vendors and the reasons why solicitation of proposals or quotes are not in the District's best interest.
4. Review its written policies and procedures over federal grants and update them as necessary to provide assurances that the charges to federal grants are accurate, allowable, and properly allocated.
5. Review and update the fixed asset policy to require a physical inventory at least once every two years and ensure staff maintain a complete, accurate and up-to-date fixed asset inventory in compliance with 2 CFR §200.313(d) - *Management Requirements*.

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# Introduction

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## ***Background***

The Riverhead Central School District (“the District”) is located in the town of Riverhead in Suffolk County on the eastern end of Long Island. The District is spread over 81 square miles within Suffolk County and includes the towns of Riverhead, Southampton and Brookhaven. The mission of the Riverhead Central School District is “to inspire and academically empower all students to become tomorrow’s leaders by: developing their unique gifts and potential; providing an environment that fosters integrity, creativity, and respect; and, ensuring that our students become successful, contributing citizens in a global community.”<sup>1</sup>

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (Board) consisting of seven members. They serve three-year terms and receive no salary or other financial compensation. The Board is responsible for the general management and control of the District’s financial and educational affairs. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters. The Superintendent of Schools, Dr. Augustine E. Tornatore (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

In the 2021-2022 school year, the District had approximately 5,524 students and 813 employees.<sup>2</sup> They operate four elementary schools, one intermediate school, one middle school and one high school. The District adopted a budget of \$159.4 million for the 2021-22 school year and was funded primarily with state aid and real property taxes.

## ***CARES Act***

On March 27, 2020, Congress passed, and the President signed into law, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act created an Education Stabilization Fund (ESF) to prevent, prepare for and respond to the coronavirus, under which New York State has received:

- \$1.037 billion in Elementary and Secondary School Emergency Relief (ESSER) funds to support the ability of local educational agencies (LEAs), including charter schools that are LEAs, with emergency relief funds to address the impact that Novel Coronavirus Disease 2019 (COVID-19) has had, and continues to have, on elementary and secondary schools across the nation; and

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<sup>1</sup> <https://www.riverhead.net/district/about-riverhead/>

<sup>2</sup> National Center for Education Statistics, Riverhead Central School District (2022-2023 school year) [https://nces.ed.gov/ipeds/data/districtsearch/district\\_detail.asp?ID2=3624690](https://nces.ed.gov/ipeds/data/districtsearch/district_detail.asp?ID2=3624690)

- \$164.2 million in Governor's Emergency Education Relief (GEER) funds for the purpose of providing educational agencies with emergency assistance to address the impact of COVID-19.

The Riverhead Central School District was awarded \$849,689 in ESSER funds and \$144,008 in GEER funds, respectively. The District used these funds for summer learning programs to close learning gaps for the neediest students due to the pandemic, mental health services and supports, supplies and materials to ensure the health and safety of students and staff, and educational technology supplies and resources to maintain continuity of learning for students and teachers.

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## **Objectives, Scope, and Methodology**

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The Office of Audit Services conducted an audit to determine if the Riverhead Central School District Education Stabilization Fund (ESF) expenditures were reasonable, necessary, and allocable under the CARES Act and to assess their compliance with all applicable federal, state, and local laws and regulations. The audit covered the period from March 13, 2020 through September 30, 2022.

To accomplish our objectives, we interviewed school officials, assessed financial controls, reviewed policies and procedures for procurement, processing revenues, expenditures, and payroll, examined documentation provided by school officials to support the financial transactions, reviewed relevant laws, and interviewed other school staff.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), with the sole exception of an external peer review. Those procedures require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. In addition, GAGAS requires a review performed by a team of external peers, independent of the audit organization, at least once every three years. Due to recent changes in personnel and budget constraints, an external peer review was not conducted. We anticipate that an external peer review will be performed in the near future and believe that the lack of an external audit peer review has had no material effect on the assurances provided.



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## **Audit Findings and Recommendations**

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### **Finding 1: Procurement – Competition and Cost Analysis**

Districts are required to adopt written policies and procedures governing all purchases over goods and services. An effective procurement policy ensures that officials seek competition and purchase goods and services of desired quantity and quality at the lowest cost, particularly if federal funds are used.

In accordance with Uniform Guidance 2 CFR §200.324(a) - *Contract Cost and Price*, “The non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals.”

We examined 30 purchases reported on the FS-10-F, *Final Expenditure Report for a Federal or State Project*, totaling \$633,887 for compliance with the District’s policies and procedures and noted 16 transactions lacked evidence of competition and cost analysis.

The District did not ensure that purchases were procured in accordance with Uniform Guidance 2 CFR §200.324(a) by completing a cost or price analysis prior to the procurement of the corresponding items.

When the District is not ensuring competition is solicited and properly documented, they cannot provide assurances that goods and services were purchased in the most prudent and economical manner. This increases the risk for fraud, waste and abuse to occur and for non-compliance with federal and state laws and regulations.

### **Recommendation:**

The District should:

1. Review its current procurement policy and update it as appropriate to ensure a cost or price analysis is completed prior to the procurement of goods and services in accordance with federal requirements.

### **Finding 2: Procurement – Lack of Documentation**

Districts have the responsibility to accurately record and maintain proper documentation for all purchases of goods and services.

In accordance with Uniform Guidance 2 CFR §200.318(i) - *General Procurement Standards*, "The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

We examined 30 purchases reported on the FS-10-F, *Final Expenditure Report for a Federal or State Project*, for compliance with the District's policies and procedures and noted that 13 transactions lacked proper supporting documentation, as follows:

Count	Missing Documentation
9	Lacked any record of purchase orders or invoices.
2	Purchase orders lacked any explanation of the procurement method.
2	Purchase orders didn't have complete receiving documentation.
<b>13</b>	<b>TOTAL</b>

The District lacked internal controls to ensure the necessary documentation required was maintained for all purchases made.

When the District does not ensure purchases are properly supported with adequate documentation, they cannot provide assurances that goods and services were purchased in the most prudent and economical manner.

**Recommendation:**

The District should:

1. review its current procurement policy and update it as appropriate to ensure that all necessary documentation is maintained.

**Finding 3: Procurement – Single/Sole Source**

The District's *Purchasing Regulation Policy – Quotes When Competitive bidding Not Required* (2) (j) states, "Sole Source - Written or verbal quotes: Documentation will include, among other things, the unique benefits of the patented item as compared to other items available in the marketplace; that no other item provides substantially equivalent or similar benefits; and that considering the benefits received, the cost of the item is reasonable, when compared to conventional methods. The district will maintain notations of verbal quotes. In addition, the district will document that there is no possibility of competition for the procurement of the goods."

We examined 30 purchases reported on the FS-10-F, *Final Expenditure Report for a Federal or State Project*, of which one was a sole source purchase, to ensure the purchases complied with written policies and procedures.

The sole source purchase lacked justification, including:

- Why the item/service was unique;
- How it was determined that there was only one source for the item/service;
- The basis upon which the price/cost was determined to be fair and reasonable.

When District officials do not follow their adopted policies and maintain written documentation of their sole source procurements, they cannot provide adequate assurances that the goods and services were obtained in a prudent and economical manner, without favoritism.

### **Recommendation:**

District officials should:

1. Follow their purchasing policy and adequately document all purchase decisions, including the justification for using sole source vendors and the reasons why solicitation of proposals or quotes are not in the District's best interest.

### **Finding 4: Salaries**

The District is responsible for ensuring there are adequate procedures in place to accurately compensate employees for work performed. An effective payroll system can provide assurance that employees are paid in accordance with collective bargaining agreements, and the payroll records are accurately recorded and authorized by management.

In accordance with Uniform Guidance 2 CFR §200.430(i) - *Standards for Documentation of Personnel Expenses*, "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into the official records of the non-Federal entity;
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities."

We examined the payroll records of four teachers who were reported on the FS-10-F, *Final Expenditure Report for a Federal or State Project*, to verify if their compensation had been calculated correctly. We compared the time sheet hours to the payroll registers and noted that one teacher's sign-in sheet hours did not match the hours reported in the payroll register, resulting in the teacher being overpaid by \$133.44. Furthermore, the District was unable to retrieve the time sheet for one of the teachers in our sample for which we were unable to verify their compensation.

The District's internal controls did not provide sufficient assurances that the charges to the federal grant were accurate, allowable, and properly allocated.

Without sufficient internal controls to document charges to federal grants, the District cannot provide assurances that the charges to federal grants were accurate, allowable, and properly allocated.

**Recommendation:**

The District should:

1. Review its written policies and procedures over federal grants and update them as necessary to provide assurances that the charges to federal grants are accurate, allowable, and properly allocated.

**Finding 5: Asset Management & Inventory File**

School District officials routinely purchase supplies and equipment, and therefore, should have established policies and procedures on how inventory will be maintained and when the physical inventory will be completed.

In accordance with Uniform Guidance 2 CFR §200.313(d) – *Management Requirements*, "Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- 1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- 2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- 3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- 4) Adequate maintenance procedures must be developed to keep the property in good condition.
- 5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Additionally, the District's *Inventories/Capitalization Policy (i.e., 6000 Fiscal Management)* states, "In order to provide for the proper control and conservation of district property, the Superintendent of School or designee shall maintain Inventory Records and accounts for Capital Expenditures in accordance with the following guidelines:

Inventory Records:

1. All equipment items costing in excess of \$500 shall be inventoried.
2. All non-equipment capital assets costing in excess of \$15,000 shall be inventoried.

The following information must be maintained on the equipment/fixed asset inventory:

1. Name and description of the property
2. Name of titleholder
3. Serial number or other identification number
4. Cost of the asset (estimate if unknown)
5. Acquisition date
6. Purpose (Note and justify any changes in use)
7. Location of use
8. Date and method of disposal and sale price
9. For items acquired with federal funds:
  - a) Funding source
  - b) Use and condition of property
  - c) Percentage of federal participation in the cost"

We tested a total of 29 inventory items (i.e., 25 laptops and 4 interactive screens) reported on the FS-10-F, *Final Expenditure Report for a Federal or State Project*, and noted the following:

- 1) Twenty-five (25) laptops didn't have their serial numbers listed.
- 2) Twenty-five (25) laptops didn't have their location listed.
- 3) Twenty-nine (29) inventory items didn't have the property source funding listed.
- 4) Twenty-nine (29) inventory items didn't have the title holder listed.
- 5) Twenty-nine (29) inventory items didn't have the percentage of federal award used to purchase the property listed.

For the 25 laptops selected for testing, we requested their storage location before being deployed to students. Additionally, for the four (4) interactive screens selected for testing, we requested a picture with their serial number and their location. However, the District could not provide this information to ensure the equipment was adequately maintained, serviced, insured and safe-guarded. Furthermore, there was no evidence to suggest an inventory reconciliation was completed within the last two years.

District officials did not properly monitor and account for the fixed assets that we selected for testing and maintained incomplete and inaccurate records. Additionally, the District's fixed asset policy did not require officials to conduct periodic inventory reconciliations of its fixed assets.

By not complying with Uniform Guidance or their own fixed asset policy, the District has an increased risk that their fixed assets could be lost, stolen, or misused. Even with a physical inventory performed, the missing information on the District's Asset Inventory Report prevents staff from specifically identifying each asset. Therefore, officials cannot ensure that all assets purchased remain in the District's custody.

**Recommendation:**

We recommend the District:

- 1) Review and update the fixed asset policy to require a physical inventory at least once every two years.
- 2) Ensure staff maintain a complete, accurate and up-to-date fixed asset inventory in compliance with 2 CFR §200.313(d) - *Management Requirements*.

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## **Contributors to the Report**

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- James Kampf, Director of Audit Services
- Jeanne Day, Audit Manager
- Zubair Khan, Auditor-in-Charge
- Jorel Johnson, Auditor-in-Charge
- Valli Ragavan, Staff Auditor

**RIVERHEAD CENTRAL SCHOOL DISTRICT**

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**Corrective Action Plan**

**Education Stabilization Fund Audit**

**March 13, 2020 through September 30, 2022**

**Observations and Recommendations from the Education Stabilization Fund Audit  
for the Period March 13, 2020 through September 30, 2022**

1. Cost or Price Analysis

**Condition:** The District did not ensure that purchases were procured in accordance with Uniform Guidance 2 CFR §200.324(a) by completing a cost or price analysis prior to its purchasing of the items.

**Recommendation:** The District should review its existing written purchasing policies and procedures and update them as needed in order to comply with requirements of the Uniform Guidance and prepare cost or price analysis.

**Contact Person(s) for Corrective Action:** The Assistant Purchasing Agent, Purchasing Agent, Assistant Superintendent for Business, and Policy Committee.

**Corrective Action:** The District adopted a Federal Fund Procedural Manual on January 24, 2023. The Policy Committee will review its existing written purchasing policies and procedures and update them as needed in order to comply with requirements of the Uniform Guidance and prepare cost or price analysis.

**Anticipated Completion Date:** June 30, 2024

2. Documentation

**Condition:** The District lacked internal controls to ensure the necessary documentation required was maintained for all purchases made and payroll records/personnel expenses. The documentation should provide sufficient assurances that the charges to the federal grant are accurate, allowable, and properly allocated.



**Recommendation:** The District should review its current purchasing policies and update them as appropriate to ensure that all necessary documentation is maintained.

**Recommendation:** The District should follow its purchasing policies and adequately document all purchase decisions including the justification for using sole source vendors and the reasons why solicitation of proposals or quotes are not in the District's best interest.

**Recommendation:** The District should review its written purchasing policies and procedures over federal grants and update them as necessary to provide assurance that the charges to federal grants are accurate, allowable, and properly allocated.

**Contact Person(s) for Corrective Action:** The Payroll Supervisor, Assistant Purchasing Agent, Purchasing Agent, Claims Auditor, and Assistant Superintendent for Business.

**Corrective Action:** The Payroll Supervisor, Assistant Purchasing Agent, Purchasing Agent, and Claims Auditor will review the procedures in the Purchasing Office and Payroll Office to ensure that the purchasing policies are followed and staff adequately document all purchase decisions including the justification for using sole source vendors, and to ensure that the charges to federal grants are accurate, allowable, and properly allocated. The Payroll Supervisor and Claims Auditor will review procedures to ensure charges to Federal awards for salaries and wages are based on records that accurately reflect the work performed and are accurate, allowable, and properly allocated.

**Anticipated Completion Date:** June 30, 2024

### 3. Equipment and Real Property Management

**Condition:** The District officials did not properly monitor and account for the fixed assets that were tested and maintained incomplete and inaccurate records. Additionally, the District's fixed asset policy did not require officials to conduct periodic inventory reconciliations of its fixed assets.

**Recommendation:** The District should review and update the fixed asset policy to require a physical inventory at least once every two years and ensure staff maintain a complete, accurate and up-to-date fixed asset inventory in compliance with 2 CFR §200.313(d) - *Management Requirements*.

**Contact Person(s) for Corrective Action:** The Policy Committee, Assistant Purchasing Agent, Purchasing Agent, Deputy Treasurer, Treasurer, Directors, and Assistant Superintendent for Business.

**Corrective Action:** The Assistant Purchasing Agent, Purchasing Agent, Directors, Deputy Treasurer, and Treasurer will develop procedures to ensure that the equipment gets properly tagged and added to the District's capital assets inventory record. In addition, the District's officials will conduct periodic inventory reconciliations of its fixed assets.

**Anticipated Completion Date:** June 30, 2024