EXECUTIVE SUMMARY

DEPARTMENT OF EDUCATION
MARIE H. KATZENBACH SCHOOL FOR THE DEAF

Our audit found that the financial transactions included in our testing were related to the school’s programs, were reasonable, and were recorded properly in the accounting systems. In making these determinations, we noted certain internal control weaknesses and matters of compliance meriting management’s attention. We also observed a campus too large and inefficient for a student population that has been steadily declining over the years.

AUDIT HIGHLIGHTS

- We found that terminated employees were not removed from the active payroll records in a timely manner increasing the risk that inappropriate or erroneous payroll transactions could be processed. In addition, established regulations were not always followed for temporary positions as non-exempt temporary employees exceeded annual work limits. We also found employees that worked more than 40 hours per week and did not receive compensation at a required overtime rate.

- The school generates additional income from the rental of vacant space. The lease states that the tenant may deduct the cost of repairs from their monthly rent if the landlord is unable to carry out the repairs in a timely fashion. We reviewed rental payments received from one tenant for the period July 2010 to January 2012 and noted they were reduced by $100,000 for repair costs. We could not verify that the repairs were approved in advance because the tenant was only required to obtain verbal approval from the school’s management. In addition, we found that $56,000 of these repairs did not have evidence of price competition as required by state procurement regulations. Enforcing compliance with procurement regulations may reduce costs and enhance rental income.

- The school, located on approximately 110 acres of land, once served a student population of nearly 600. School enrollment, however, has declined steadily over the years, resulting in a facility that is too large and inefficient for its current population. The 2011-2012 school year enrollments of 168 included 74 resident students, 20 per cent of the resident capacity. The school’s facilities and grounds are vastly underutilized. Also, although enrollments have decreased 17 percent over the last three years, the school’s expenditures have increased 9.2 percent over the same period.

AUDITEE RESPONSE

The department generally concurs with our findings and recommendations.

For the complete audit report, click here.