

Livingston Manor Central School District

Cost-Effective Expenditure Control

JANUARY 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Livingston Manor Central School District

Audit Objective

Determine whether the Board and District officials implemented cost-effective measures to control expenditures.

Key Findings

- The Board shared the Superintendent and Business Administrator positions with other districts. We estimated that officials attained cost savings totaling \$326,000 over the previous three years.
- The Board shared sports programs with other districts to ensure their students had varied sports opportunities available to them while decreasing expenditures by \$90,000 since 2013-14.
- District officials could potentially save taxpayers \$284,000 per eight-student classroom by providing select special education services in-house.

Key Recommendations

- Periodically analyze shared positions and sports programs to ensure they remain cost-effective.
- Continue to pursue cost-effective measures by exploring the potential for offering select special education services in-house.
- Formalize any shared services agreements with the other districts to ensure all parties understand the terms.

District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The Livingston Manor Central School District (District) serves seven towns in Delaware, Sullivan and Ulster Counties. The District is governed by the Board of Education (Board), which is composed of five elected members, and is a component district of the Sullivan County Board of Cooperative Educational Services (BOCES).

The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is responsible, along with other administrative staff, for day-to-day management under the Board's direction. The Business Administrator is responsible for administering finances and accounting records and reports.

Quick Facts

Employees	74
2016-17 Enrollment	416
2018-19 General Fund Appropriations	\$16.9 million

Audit Period

July 1, 2016 – June 15, 2018. We extended our audit period back to July 1, 2013 to analyze expenditure trends.

Cost-Effective Expenditure Control

How Should Officials Control Expenditures?

The board, superintendent and business administrator are responsible for making sound financial decisions in the best interest of the district, the students they serve and the taxpayers who fund programs and operations. District officials should identify cost savings opportunities to control expenditures and reduce the taxpayers' burden. District officials should determine whether sharing programs and services with other districts would aid in controlling expenditures.

When sharing services with other districts, officials should ensure that costs are equitably distributed among the districts and that each district is properly compensated for the services provided. The boards of each participating district should also formalize the arrangements in written contracts to ensure the responsibilities and potential liabilities of each district are understood. District officials should periodically analyze shared positions and services to ensure they remain cost-effective.

The Board Reduced Expenditures by Sharing Positions

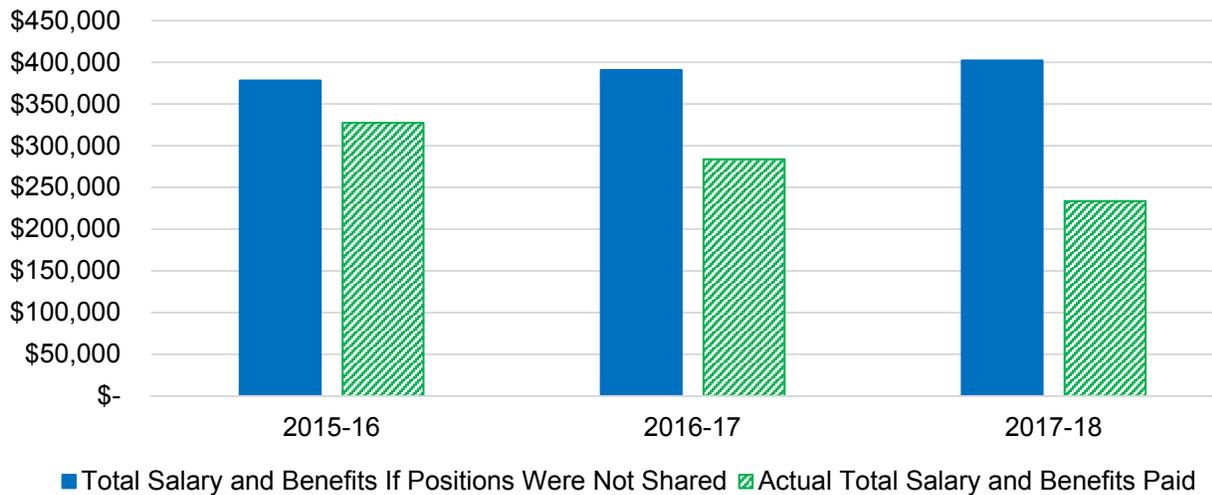
The Board sought opportunities to share services with neighboring districts to implement cost savings and maintain programs for students. Beginning in August 2015, the Board began sharing the Business Administrator position with the Roscoe Central School District (Roscoe CSD). Additionally, in January 2017, the Board entered an agreement with the Roscoe CSD to share the Superintendent position. Although District officials told us that they performed cost-benefit analyses that supported these arrangements at the time, they did not subsequently track the amounts saved by sharing these positions to ensure they were cost-effective.

We estimated the Superintendent's and Business Administrator's salaries and benefits before the positions were shared and compared these amounts with the actual salaries and benefits paid after the positions were shared to determine the amount of cost savings realized from 2015-16 through 2017-18.

By sharing these positions, District officials saved approximately \$326,000 in total salaries and benefits during this period compared to the amount that would have been paid if the positions had not been shared with the other districts. In addition to these savings, District officials told us that they started sharing these positions because it allowed them to have less turnover due to the District's small size (Figure 1).

FIGURE 1

Costs of Superintendent and Business Administrator Positions



Shared Sports Programs Reduced Expenditures and Provided Opportunities for Students

The Board and District officials started sharing sports programs with Roscoe CSD in spring 2011 and the Downsville Central School District (Downsville CSD) in spring 2017 to ensure their students had an opportunity to participate in a variety of sports programs.¹ From 2013-14 through 2017-18, the District’s total cost for all sports programs declined by \$90,000, or 40 percent, as a result of sharing the costs of coaches, sports supplies and equipment.

District officials told us that if they did not share sports programs with other districts, they may have had to eliminate certain programs because they would not have had enough students for a team. Sharing sports programs also offered a broader range of opportunities for the students.

In addition, officials from the District, Downsville CSD and Roscoe CSD initiated a sharing study in October 2017. District officials told us that the study will address the reasonable allocation of costs issue and is scheduled to be implemented in 2018-19. However, the boards of these districts did not formalize the arrangements in written contracts to ensure the responsibilities and potential liabilities of each district are understood.

¹ As of the end of our audit period, the District shared sports programs such as football, soccer, track, softball, basketball and golf with the two other districts.

Officials Could Reduce Costs by Providing Special Education Services In-House

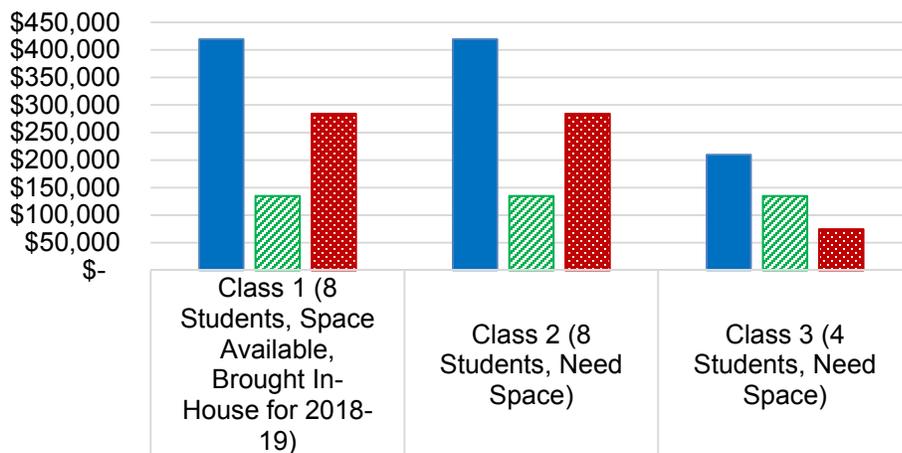
BOCES currently provides select special education services for District students. District officials are researching the opportunity to provide some of these services in-house or as part of a shared program with other districts. More specifically, we found the District could realize significant savings for special education classes that are composed of eight students, one teacher and one teacher aide. Currently, District officials have 20 special education students enrolled in BOCES classes with such a composition, or enough enrollment for at least 2.5 in-house classes at the District.

We calculated the cost per student paid to BOCES to determine the cost per classroom and the salary and benefits for an entry-level teacher and teacher aide for each classroom to determine the potential savings by providing select special education services in-house. We found the District could save up to \$284,000 per special education class provided in-house per year based on related teacher and teacher's aide expenditures for 2017-18.

District officials told us that they had available space to provide one special education classroom in-house and, in 2018-19, added one special education class to bring back eight students from BOCES classes. However, if the District has the available space, it has the opportunity to provide up to two more special education classes based on current needs, which would increase the amount of potential savings.

FIGURE 2

Special Education Classes



■ Cost if Provided by BOCES	\$419,384	\$419,384	\$209,692
▨ Cost if Provided by District	\$135,117	\$135,117	\$135,117
■ Savings	\$284,267	\$284,267	\$74,575

We commend the Board and District officials for researching and implementing shared services with other districts to achieve cost savings and maintain programs for students.

What Do We Recommend?

The Board and District officials should:

1. Periodically analyze shared positions and sports programs to ensure they remain cost-effective.
2. Continue to pursue additional cost savings by exploring the potential for offering select special education services in-house.
3. Ensure that the District is reasonably compensated for services it provides to other districts.
4. Formalize any shared services agreements with the other districts to ensure all parties understand the terms.

Appendix A: Response From District Officials

Livingston Manor Central School

John P. Evans, Superintendent

P.O. Box 947 • 19 School Street • Livingston Manor, NY 12758

January 3, 2019

Ms. Ann C. Singer, Chief Examiner
Binghamton Regional Office
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear Ms. Singer,

This letter is in response to the Office of the New York State Comptroller (OSC) draft report titled, "Cost-effective and Expenditure Control, Report of Examination 2018M-205", issued in December 2018. Please consider this letter the District's response and corrective action plan.

The District appreciates that the Comptroller's Office focused on the significant program savings and budget savings the District has achieved through the sharing of services with neighboring districts. The District has been involved with the sharing of services and programs in the pursuit of providing educational opportunities for our students. For the past four years the Livingston Manor Board of Education has entered into formal agreements to share their Business Administrator with Roscoe and for the past two years the District has contracted with Roscoe to share their Superintendent (who is also shared with a third district Downsville). In each instance the Board was aware of the significant cost savings to the District. Formal one-year agreements are approved annually by each Board. In addition, during the budget process the Board budget presentations include information on what positions will be shared in the upcoming year. The cost savings from sharing these positions has been used to increase opportunities for students and manage the year to year budget. With one Superintendent working with three supportive Boards of Education the sharing of student program and services has grown significantly.

During the summer of 2017, Livingston Manor along with Downsville and Roscoe, pursued a matching grant through the New York Department of State that would help to fund hiring consultants to look for specific additional sharing opportunities. The respective Boards of Education approved this joint venture. The shared services study grant was awarded in December 2017.

In the fall of 2017 the Districts formed a shared services committee made up of Board members, administrators, teachers, support staff, and community members from each of the three districts. The Districts hired a consultant to work with the committee to document this process and make recommendations. The Districts hired a firm that specializes in their work with New York State school districts. This firm has completed a three district shared services study for both Special Education programming and Buildings & Grounds. They are currently drafting a report that will look at the business office functions of the three districts. During the summer of 2018 the three districts applied for and received a Department of State Implementation Grant in the amount of \$594,000. The grant will cover 90% of the start-up costs for additional sharing of student programs and district services that may arise out of the work of the consultants and recommendations from the shared services committee.

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• HS/MS Office Ext. 1207 • Elementary Office Ext. 1200 • Special Svc Ext. 1203 • Guidance Ext. 1213

For the 2018-2019 school year the respective Boards of Education have approved resolutions that will allow district administrators to determine an appropriate methods for sharing costs for any shared student program and services that happen among the three districts. In addition, during the spring of 2018 the District decided to convert an auxiliary cafeteria into a classroom. The work was completed during the summer of 2018 and the District was able to establish a new 8-1-1 special education classroom for students.

Office of State Comptroller (OSC) Recommendations with District Responses:

1. OSC Recommendation: Periodically analyze shared positions and sports programs to ensure they remain cost effective.

District Response: The Livingston Manor Board of Education and administration will continue to look for sharing opportunities that will enhance student opportunities and budget savings. The District will continue to identify shared opportunities in public budget presentations or when they arise throughout the year.

The Board of Education continues to support the sharing of services in general and has specifically approved the sharing of student opportunities, services and costs with the two neighboring Districts with whom Livingston Manor shares the Superintendent with. The District is currently conducting a shared services study grant award from the New York Department of State. The District has applied for and received \$594,000 for an Implementation Grant that would pay up to 90% of the costs associated with implementing sharing proposals from the consultants among the three school districts.

1. OSC Recommendation: Continue to pursue additional cost savings by exploring the potential for offering select special education services in-house.

The District created classroom space and added an in-house special education classroom during the summer of 2018. The District will continue to look for opportunities that will allow for additional in-house special education classrooms or placements in neighboring districts. As part of the Implementation Grant the District received from the NY Department of State, the District will have grant money that will allow Livingston Manor, along with Roscoe and Downsville to coordinate special education programming and seating space among the three schools.

1. Ensure that the District is reasonably compensated for services it provides to other districts.

District Response: The District applied for and was awarded a shared services study grant in 2017 that would allow Roscoe and the two other districts that share our Superintendent to have outside consultants review and report on sharing opportunities between the three districts. The districts have used these reports, as well as, input from the three district shared services committee to determine which costs should be shared. The Board of Education has approved a resolution that will allow district administrators to implement cost sharing for shared services. Currently the District is sharing cost and services for the Superintendent, Business Administrator, Instructional Technology and Athletics.

1. OSC Recommendation: Formalize any shared services agreements with the other districts to ensure all parties understand the terms.

District Response: The Board of Education has formalized agreements to share the services and the costs for both the Superintendent and Business Administrator. Both of these agreements are reviewed and renewed on an annual basis. In 2018 the Livingston Manor Board of Education (as well as the other two districts) approved resolutions that would allow for the sharing of student programs and district services along with the sharing of associated costs. Additionally, the Boards have approved municipal cooperative agreements specific to several of the current sharing arrangements.

In closing, the District would like to thank the auditor and audit team that looked into the sharing of services the District has been doing for the past four years. We appreciate the time and effort that went into finding the savings that the District has already achieved, as well as, the recommendations for ways that the District can save in the future.

Sincerely,

John P. Evans, Superintendent

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Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed Board minutes to gain an understanding of shared services with other districts.
- We reviewed the Superintendent and Business Administrator's salaries and benefits from 2015-16 through 2017-18 to determine whether the District achieved savings related to the shared positions.
- We reviewed sports programs from 2013-14 through 2017-18 to determine whether the District achieved savings related to sharing these programs.
- We reviewed select special education expenditures for 2017-18 to determine whether the District could realize cost savings by providing these services in-house.

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

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the District Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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