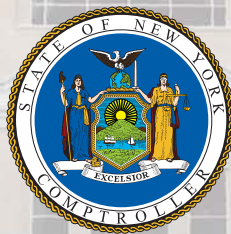




New York Institute for Special Education

Selected Financial and Management Practices

Report 2008-S-157



Thomas P. DiNapoli

Table of Contents

	Page
Authority Letter	5
Executive Summary	7
Introduction.....	9
Background	9
Audit Scope and Methodology	10
Authority.....	10
Contributors to the Report	11
Audit Findings and Recommendations.....	13
Ineligible Employees Enrolled in the State Retirement System	13
Recommendation.....	13
Interest Income Earned on State Funds	13
Recommendations	15
Disbursements and Expenses.....	15
Recommendations	17
Background and Criminal History Reviews.....	18
Recommendations	19
Institute's Comments.....	21
State Comptroller's Comments	25

State of New York Office of the State Comptroller

Division of State Government Accountability

January 14, 2010

John B. Rhodes
Chairman of the Board of Trustees
The New York Institute for Special Education
999 Pelham Parkway
Bronx, NY 10469

Dear Mr. Rhodes:

The Office of the State Comptroller is committed to providing accountability for tax dollars spent to support government programs and operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of selected financial and management practices at the New York Institute for Special Education. This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objective

Our objective was to determine whether the New York Institute for Special Education (Institute) has established and maintains an adequate system of internal control over selected aspects of its operations in the areas of cash management, financial accounting and reporting, and procurement.

Audit Results - Summary

The Institute is a not-for-profit school located in the Bronx. It receives more than \$21 million (\$18 million in 4201 funds and \$3.6 million in 4410 funds) a year in State operating aid to provide educational services to disabled students. It also receives funding from the federal government and private endowments.

We identified certain weaknesses in the Institute's system of internal control. As a result of these weaknesses, the costs incurred by the State in its support of the Institute were higher than they should have been.

The Institute is supposed to perform certain criminal background checks on new employees. However, we found that the Institute was not always performing these checks. For example, 9 of the 43 employees in our sample had not been checked for a history of child abuse and 13 of 25 employees hired after a certain date had not been checked for criminal histories. We recommend the Institute improve the internal controls over its hiring process to better ensure that all required background checks are performed.

The employees working in the Institute's State-funded programs are eligible for enrollment in the New York State and Local Employees Retirement System (ERS), but the employees working in the Institute's non-State programs are not. However, we found that 17 employees from a non-State program were enrolled in ERS, and some had been enrolled for as long as ten years. When we brought these inappropriate enrollments to the attention of Institute officials, they began working with ERS to disenroll the employees, saving State and local taxpayers future pension-related costs.

During the three years covered by our audit, the Institute earned at least \$88,867 in interest, and probably more, on its short-term investment of its State funding. The Institute should use this interest to offset the costs of its State-funded programs. However, we found instances where they

spent the interest on non-State programs. As a result, the costs of its State-funded programs were not offset to the extent they should have been.

The Institute is supposed to follow certain guidelines when accounting for the reimbursable expenses in its State-funded programs. We found that the Institute did not always follow these guidelines, and as a result, it overstated the reimbursable expenses in our sample of financial transactions. We also found that the Institute did not always ensure that contracted services were obtained in an open and competitive manner. In addition, contrary to generally accepted accounting standards, a \$200,000-plus consulting contract between the Institute and a recently retired Institute executive was not disclosed as a related-party contractual relationship in the Institute's financial statements.

Our report contains a total of 12 recommendations for improving the Institute's internal controls over its financial and management practices. Institute officials generally agreed with all recommendations.

This report, dated January 14, 2010, is available on our web site at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12336

Introduction

Background

The New York Institute for Special Education (Institute) is a not-for-profit school located in the Bronx. The Institute is one of 11 private schools in New York that receive operating aid directly from the State to provide educational services to disabled students pursuant to Section 4201 of the State Education Law.

The Institute operates two programs that are funded under Section 4201 of the Education Law: the Schermerhorn and Van Cleve Programs. The Schermerhorn Program serves children, ages 5 to 21 years old, who are blind or visually impaired. The Van Cleve Program serves children, ages 5 to 13 years old, who have both emotional and learning difficulties.

The total number of students enrolled in these two programs in fiscal years 2005-06, 2006-07 and 2007-08 was 270, 256 and 264, respectively. In these three years, the Institute received a total of \$16.4, \$17.1 and \$18.0 million, respectively, in State operating aid (also known as tuition support) under Section 4201 of the Education Law. The Institute's eligibility for this tuition support must be authorized annually by the State Education Department (SED).

The Institute also receives State funding for its Readiness Program under Section 4410 of the Education Law. The Readiness Program is a preschool program serving children, ages 3 to 5, who are developmentally delayed. Tuition support for this program is based on an SED-approved reimbursement rate for each week a child attends school. In fiscal year 2006-07, the Institute received about \$3.6 million in such tuition support for services provided to approximately 100 children.

The Institute also operates its Cornerstone Program, which promotes literacy in low-income neighborhoods by improving the quality of literacy instruction in selected elementary schools. The Cornerstone Program, which was established in 1999, is neither authorized nor funded by New York State. Rather, it is supported by the school's private endowment funds and investment earnings, and only serves school districts outside the State (e.g., in Mississippi, Alabama, Georgia, Connecticut and Massachusetts).

The Institute is governed by a 12-member Board of Trustees that is responsible for the general management and control of the Institute's financial and educational affairs. The Institute's day-to-day operations are guided by an Executive Director, who reports to the Board of Trustees. In

addition to its State funding, the Institute also receives funding from the federal government and private endowments.

SED provides tuition support to the Institute by reimbursing its expenses. SED's Reimbursable Cost Manual indicates what expenses are reimbursable and provides guidelines for the reimbursement process. The Institute is required to report all its revenues and expenses for its State-funded programs to SED in an annual Consolidated Fiscal Report.

Audit Scope and Methodology

We audited selected financial and management practices of the Institute for the period January 1, 2006 through March 19, 2009. To accomplish our audit objective, we interviewed Institute officials and spoke with representatives from SED, the Institute's CPA firm, and the New York State and Local Employees Retirement System. We reviewed Institute accounting records, financial documents, personnel and payroll records, employee retirement contribution reports, and Consolidated Fiscal Reports. We also reviewed the Institute's audited financial statements and the CPA firm's work papers supporting those financial statements.

We conducted our performance audit in accordance with 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.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

A copy of this report, in draft, was provided to Institute officials for their review and comments. Their comments were considered in preparing this draft report and are included in their entirety at the end of this report. Our rejoinders to the Institute's Comments are included thereafter in our State Comptroller's Comments. Institute officials generally agreed with our recommendations.

We request that within 90 days of the final release of this report, New York Institute for Special Education officials report to the State Comptroller advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

**Contributors
to the Report**

Major contributors to this report include Steve Sossei, Kenrick Sifontes, Sheila Jones, Rita Verma, Natalie Sherman, Jonathan Bernstein, Teeranmattie Mahtoo-Dhanraj and Dana Newhouse.

Audit Findings and Recommendations

Ineligible Employees Enrolled in the State Retirement System

Employees of New York State agencies, public authorities, local government agencies and certain other publicly-funded entities may be eligible for enrollment in the New York State and Local Employees Retirement System (ERS). In accordance with the New York State Retirement and Social Security Law, employees working in the Institute's three State-funded programs (Schermerhorn, Van Cleve and Readiness) are eligible for enrollment in ERS. However, employees working in the Cornerstone Program are not eligible for enrollment in ERS.

To determine whether the Institute employees enrolled in ERS were eligible for enrollment, we reviewed the Institute's monthly ERS enrollment reports. We found that a total of 17 ineligible employees were enrolled in ERS, as all 14 current Cornerstone Program employees and three former Cornerstone Program employees had inappropriately been enrolled. Four of the 17 employees had between eight and ten years of service credits in ERS, six had between four and seven years of service credit, and seven had less than four years of service credit.

When we brought this matter to the attention of Institute officials, they investigated this matter and discovered that a misunderstanding resulted in the enrollment of these employees in ERS. The Institute officials said they planned to work with ERS to disenroll the 17 employees, cancel their service credits, and refund their pension contributions.

If these erroneous enrollments were not canceled, State and local taxpayers could have incurred inappropriate pension expenses.

Recommendation

1. Ensure that Cornerstone Program and other ineligible employees are not enrolled in ERS.

Interest Income Earned on State Funds

We found the Institute did not always appropriately account for the interest that was earned on State funds, and in some instances, inappropriately spent this interest on non-State programs.

Use of Interest Income

According to the SED Reimbursable Cost Manual (Manual), if the Institute earns interest from the investment of its State funds, it must use the interest to offset the costs of its State-funded programs. The Institute does earn such interest, as two of its six bank accounts during our audit period were

interest-bearing money market accounts and one of these money market accounts consisted entirely of State funds. For the period January 1, 2006 through December 31, 2008, a total of \$88,867 in interest was earned on the funds in this account.

To determine whether the Institute used this \$88,867 to offset the costs of its State-funded programs, as required by the Manual, we reviewed the school's accounting records and bank statements. We found that the Institute transferred \$3,610 from the State money market account to a non-State account of its alumni association. The Institute subsequently transferred the \$3,610 to two other non-State accounts: the Institute's special activities payable account, and after that, the alumni association's receivable account. When we brought this matter to the attention of Institute's officials, they told us that the \$3,610 had been transferred to the non-State accounts erroneously. These funds remained in a non-State account at the completion of our audit work.

Interest Income Earned Not Credited to State

Institute officials told us that their second money market account consisted entirely of non-State funds. However, we determined that State funds were transferred into this account, as well. According to the detailed General Ledger, on November 30, 2007, the Institute transferred \$1.8 million from the State money market account to the non-State money market account.

During the three years covered by our audit, a total of \$246,808 in interest was earned on this second money market account. Since the \$1.8 million in State funds was in the account for part of this three-year period, a portion of the \$246,808 in interest income should have been credited to the State. We were unable to estimate how much interest should have been credited to the State, because the funds were disbursed from the account at different times and there was no way of determining how long the entire \$1.8 million was actually in the account.

When we brought this matter to the attention of Institute officials, they stated that the \$1.8 million was transferred to the non-State money market account to correct a previous error. However, we found no clear evidence of this error in the school's accounting records.

Reporting Interest Income

The New York State Consolidated Fiscal Reporting and Claiming Manual provides instructions for completing the Consolidated Fiscal Report (CFR) and specifically states that interest income earned from State funds should be reported as such in the CFR.

We reviewed the CFRs completed by the Institute for the three years covered by our audit to determine whether interest income was reported as required, and found no indication that it was. Institute officials told us that they reported interest income in those three years, but they mistakenly reported it in the wrong section of the CFR (the “Other Revenue” section). However, the officials provided no documentation showing that interest income was, in fact, included among the Other Revenue. In the absence of such documentation, there is no assurance interest income was included.

Interest income needs to be reported in the CFR to give an accurate representation of the Institute’s financial position. Institute officials stated that for the 2009 fiscal year and going forward, they will ensure that interest income is properly reported in the CFRs.

Recommendations

2. Prepare and maintain accounting records that clearly show how the interest earned on State funds is used.
3. Use the interest income earned on State funds to offset the costs of State-funded programs.
4. Ensure that funds from State sources are maintained and accounted for separately from non-State funds.
5. Ensure that all interest income earned on State funds is clearly reported in the Consolidated Fiscal Report.

Disbursements and Expenses

We found that the Institute did not always account for its reimbursable expenses in accordance with the requirements contained in the Manual, and did not always ensure that contracted services were obtained in an open and competitive manner. In addition, contrary to generally accepted accounting standards, a \$200,000-plus consulting contract between the Institute and a recently retired former executive was not disclosed as a related-party contractual relationship in the Institute’s financial statements.

Inappropriate Accounting Practices

We reviewed a sample of 181 financial transactions totaling \$310,222 to determine whether the transactions were processed in accordance with the Manual. To select our sample, we judgmentally selected ten year-end adjusting journal entries from the Institute’s general ledger for the period July 2007 through June 2008. We then reviewed the documentation for the 181 original transactions that were being adjusted by these entries. We focused on transactions that had been adjusted because of the risk associated with such transactions.

We found that the Institute used inappropriate accounting practices in 6 of the 181 transactions. The accounting practices were inappropriate because they did not comply with the requirements contained in the Manual, and as a result, overstated the Institute's reimbursable expenses.

In 6 of the 12 transactions, the Institute did not comply with the Manual's requirements for depreciation. According to the Manual, purchases of equipment, furniture and other such items costing \$1,000 or more with an estimated useful life of two or more years should be depreciated. However, the Institute did not depreciate six such purchases totaling \$11,476; instead, it recorded the purchases as expenses, and as a result, immediately claimed reimbursement for the entire \$11,476. If the purchases had been depreciated as required, the \$11,476 in expenses would have been spread over two or more years, and the Institute would have been reimbursed accordingly.

We note that the Institute initially recorded the six purchases in Federal accounts, and at the end of the year, made several adjusting entries to transfer the purchases to State accounts. The Institute initially charged the purchases to Federal accounts because, under Federal guidelines, items valued at less than \$5,000 do not have to be depreciated. Thus, the Institute could circumvent the State's depreciation requirements. Institute officials told us they believe the State's \$1,000 threshold for depreciation is unreasonable and cumbersome. Accordingly, they initially mis-classify such purchases as Federal to avoid the depreciation requirement, and later correct the error. However, such a practice is inappropriate and demonstrates a breakdown in internal control.

The Institute also erroneously classified the items in the six purchases (computers and furniture) as "supplies." As a result, the items were not included in the Institute's inventory records and subject to inventory controls that provide protection against loss and misuse.

Procurement

According to guidance provided by SED, when reimbursement is claimed for professional or consultant services, the school should maintain documentation showing that the vendor selected to provide the services was the most economical and/or appropriate available. To determine whether such documentation was maintained, we judgmentally selected six procurements of \$10,000 or more from the period January 2006 through June 2008 and reviewed the documentation relating to the procurements.

We found that the recommended documentation was maintained for only one of the six procurements. In the other five, there was no documentation showing that the vendor selected was the most economical and/or appropriate

available. Four of the five procurements totaled \$489,156 and involved such services as advertising for staff recruitment.

Furthermore, in one of the procurements (totaling \$67,943), there was no formal contract between the Institute and the vendor. To adequately protect its interests, the Institute should have formal contracts in such instances. Institute officials agreed and told us that, in the future, they will have formal contracts. They also stated that they would meet all vendor solicitation requirements.

Accountability and Disclosure

During our review of the Institute's financial records, we identified a contractual relationship between the Institute and a former Institute executive. This executive retired from his position at the Institute, effective June 30, 2007. However, on May 17, 2007, just prior to his retirement, the executive and the Institute entered into a two-year consulting agreement. Under the contract, the Institute was to pay a company owned and operated by the executive more than \$200,000 for providing consulting services to the Institute.

We further determined that, in July 2007, less than one month after the executive's retirement, the Institute paid the executive's company \$105,000 for consulting services. The Institute paid another \$105,000 six months later, in January 2008. We note that State funds were not used in making these payments.

According to generally accepted accounting principles, such related-party contractual relationships (i.e., those in which one or more of the parties had a special relationship prior to the contract) should be disclosed in an entity's financial statements. However, the Institute did not disclose this related-party relationship in its financial statements. We recommend the Institute disclose all such relationships.

- Recommendations**
6. Comply with the Reimbursable Cost Manual's requirements for depreciation and cost allocation.
 7. Include all equipment items in the inventory records.
 8. Maintain the documentation recommended by SED when reimbursement is claimed for professional or consultant services, and ensure that there is a formal contract for the services.
 9. Disclose all related-party contractual relationships in the Institute's financial statements.

Background and Criminal History Reviews

The New York State Office of Children and Family Services maintain the Statewide Central Register, a database of individuals with reported cases of child abuse and maltreatment. Since the Institute provides child care programs to school age children, it is required to screen potential employees to ensure that they are not listed on the Statewide Central Register.

To determine whether the Institute was complying with this requirement, we selected a judgmental sample of 50 Institute employees and reviewed their personnel records. We found that the Institute was required to perform the screening for 43 of the 50 employees (the other seven were hired before the requirement went into effect in July 1987). However, the Institute had screened only 34 of these 43 employees. The other nine employees had not been screened.

Institute officials agreed that these nine employees should have been screened. Subsequent to our review, they screened and obtained clearance for seven of the nine. They did not screen the other two because one was no longer employed at the Institute (since 2007) and the other was about to retire.

In addition, even though it is not required by State law, it is the Institute's policy that a criminal history check must be performed for all employees hired on or after July 1, 2002. In this check, the employees' fingerprints are obtained and sent to the New York City Department of Investigations for a check on the individual's criminal history.

To determine whether the Institute was complying with the criminal history check policy, we reviewed the personnel records for the same sample of 50 employees. We found that a criminal history check was required for 25 of the employees, since they were hired on or after July 1, 2002. However, a criminal history check had been performed, and clearance received, for only 12 of these 25 employees. The other 13 employees, all of whom were still employed by the Institute at the time of our review, had not received the required criminal history clearance.

We recommend the Institute obtain this clearance as expeditiously as possible. We also recommend the Institute determine whether such clearance is needed for any of the employees not included in our sample, and if so, obtain clearance for those employees as expeditiously as possible. We further recommend that the Institute review its hiring procedures, determine why the required Statewide Central Register screenings and criminal history checks are not being performed for some newly hired employees, and take steps to ensure that they are performed.

- Recommendations**
10. Obtain criminal history clearance for the 13 sampled employees as expeditiously as possible.
 11. Determine whether criminal history or Statewide Central Register clearance is needed for any of the employees not included in our sample, and if so, obtain clearance for those employees as expeditiously as possible.
 12. Review the Institute's hiring procedures, determine why the required Statewide Central Register screenings and criminal history checks are not being performed for some newly hired employees, and take steps to ensure that they are performed.

Institute's Comments



The New York Institute for Special Education

*Founded in 1831 as The New York Institute
for the Education of the Blind*

December 3, 2009

Mr. Steven E. Sossei
Office of the State Comptroller
Division of State Government Accountability
110 State St., 11th Floor
Albany, NY 12236

Dear Mr. Sossei:

The New York Institute for Special Education (NYISE) has made every attempt reasonably possible to comply with the requirements of the State and will make the necessary changes to improve our practices. The items in the audit will help us work on a plan for improvement; however, we would like to respond to some of the items that were identified in the audit.

Ineligible Employees Enrolled in the State Retirement System

The enrollment of ineligible employees in the NYSLRS was a misunderstanding as opposed to an intentional act to evade the law. In fact, such enrollment was done with advisement and consent of NYSLRS. The New York Institute for Special Education (NYISE) followed the guidelines about membership in the NYSLRS. On page 6 of the Your Retirement Plan Coordinated Plan it states that "If you are working in a permanent, full time position of an employer that participates in the New York State and Local Employees Retirement System, you must become a member of the Retirement System". NYISE enrolled the employees in question since they met the above requirement. The employees enrolled were working in a special project and not directly with New York State students or paid by New York State. Once the issue was brought to the attention of the Institute, we entered into discussion with Deputy Comptroller Kevin Murray and all parties recognized that this situation occurred due to miscommunication between the parties which lead to honest mistakes by both NYISE and the Comptroller's Office. We worked with the Deputy Comptroller and developed a plan to disenroll the employees, cancel their service credits and receive a refund for their pension contributions.

*
Comment
1

* See State Comptroller's Comments on page 25.

999 Pelham Parkway
Bronx, NY 10469-4998

(718) 519-7000
(718) 519-6196 (TTY)
(718) 231-9314 (Fax)

www.nyise.org

Executive Director
Bernadette M. Kappen, Ph.D.

BOARD OF TRUSTEES

President
John B. Rhodes

Vice Presidents
Donna O'Hare Brayton, M.D.
Edward Ridley Finch
Phillip C. Foote

Secretary
Rosanne K. Silberman

Treasurer
William L. Musser, Jr.

Edward F. Cox
Frances E. Dennison
John H.D. Dewey
Thomas A.D. Ettinghausen
Richard C. Gay
Paul B. Yellin, M.D.

Interest Income Earned on State Funds

Since the audit, the Institute contacted SED to have the electronic transfer of funds into the money market account that holds state funds. This change should correct the issues identified and is a response to recommendations 2, 3, 4, 5 of this report.

It is important to point out that while the interest was not reported correctly as revenue the error did not create a loss or have a negative impact on state funds. Private funds supplemented the 4201 program in amounts that substantially exceeded the interest income for each of the three years.

Disbursements and Expenses

The Institute has taken steps to be sure that the Reimbursable Cost Manual's requirement for depreciation is followed. From time to time items charged to our federal funds may be reclassified as an allowable state expense. In the rare cases that this may happen, any item of \$1000 or more will be depreciated. The Institute does not believe that the errors demonstrated a breakdown in internal control but we acknowledge the need to be extremely careful in depreciating items that the state will be asked to reimburse.

The report indicated that the Institute charged the purchase of a replacement water tank to our 4201 expenses when it should have been spread to all programs. The water tank was installed in the Service Building on the campus and this water tank provides water to the Schermerhorn Building (this is the classroom building where students from the Schermerhorn and Van Cleve Programs participate in educational services) and the Service Building (students from Schermerhorn and Van Cleve eat in the dining room in this building). During the on-site audit documents were shared and the location of the water tank was discussed. We believe the cost was properly accounted for and should not have been spread to other programs on the campus.

*
Comment
2

In the area of procurement, the Institute paid for three of the vendors from private funds and these funds are not subject to the Reimbursable Cost Manual. The first vendor paid with state funds was for auditing fees. In 2005, the Institute sent out RFPs to 15 auditing firms and had responses from two. The current auditing firm was selected based on their experience and knowledge of non-profit organizations. Yearly bidding of an auditing firm does not seem to be best practice or cost effective since it takes time to orient a new firm. The Institute plans to send out RFPs to auditing firms for the 2009-2010 fiscal year audits. The second vendor provided low vision evaluations for the students. This vendor was the only one willing to work with the students and come to the campus to discuss the results with the staff for educational planning. The third vendor is a pediatric medical group. This vendor is located in the Bronx and the services are accessible to the campus. Once again this vendor provides a specialized service and other vendors that were identified were unable to provide the medical services required for children with disabilities.

*
Comment
3

* See State Comptroller's Comments on page 25.

The consulting agreement between the Institute and Limitless Vision was paid with private funds. The 2008-2009 audit is complete. In the future if there are any related-party contractual relationships, we will be sure that the auditors have a footnote in the financial statements to disclose the transaction.

Background and Criminal History Reviews

The New York Institute for Special Education takes seriously the need to investigate the background of our employees. The samples where the largest number of missing SCR clearances existed were with employees who work in a special project off the campus of NYISE. These individuals are located in Philadelphia, Georgia and Massachusetts and do not come into contact with the students at NYISE. Since these individuals do not work in New York State and are not paid with funds from New York State we believed they were not mandated to have these clearances.

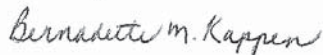
However, we want to ensure compliance and in response to recommendation number 10, we obtained the clearances for all 7 of the employees working outside of New York State. The six remaining employees in the sample were not required to obtain a criminal record history due to the requirements set by the SCR of Child Abuse and Maltreatment effective July 1, 1987. The six employees were hired prior to July 1, 1987.

The records of all employees not included in the sample were reviewed and the Fingerprinting and SCR clearances are up to date.

The New York Institute's policy on Fingerprinting and Screening of Employees was updated on May 1, 2009. The policy now requires practicum students and interns to complete the SCR clearance. The interns and practicum students must be fingerprinted before they begin their work at the Institute. Our policy exceeds the SED requirements for fingerprinting. Since 2001 all new employees are required to be fingerprinted.

On behalf of The New York Institute for Special Education I would like to thank the Office of the State Comptroller for its draft report. We value this information and know that the information will improve the operations of NYISE.

Sincerely,



Bernadette M. Kappen
Executive Director

State Comptroller's Comments

1. Changes to the report were made based upon the Institute's response.
2. This matter was removed from the final report based upon the Institute's response.
3. We stand by our conclusions regarding the procurement of the five contractors. NYISE's policies require that bids be obtained for all purchases in excess of \$10,000, except in cases of sole source procurements and the use of State contracts. This policy applies to all funds.