

THOMAS P. DiNAPOLI
STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 18, 2011

Br. James Kearney
Board President
Lavelle School for the Blind
3830 Paulding Avenue
Bronx, NY 10469

Re: Report 2011-F-9

Dear Br. James Kearney:

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, we have followed up on the actions taken by officials of Lavelle School for the Blind to implement the recommendations contained in our audit report, *Selected Financial Management Practices* (Report 2009-S-2).

Background, Scope and Objective

Lavelle School for the Blind (School) is located in the Bronx, New York. It is one of 11 private schools that receive operating aid directly from New York State (State) to provide educational services for disabled students pursuant to Section 4201 of the State Education Law (Law).

Lavelle is governed by a 15-member Board of Trustees (Board). According to its By-Laws, the Board is responsible for the general management and control of the School's financial and educational affairs. Lavelle's Superintendent and other administrative staff, under the direction of the Board, are responsible for the day-to-day management of the School.

During the 2010-11 school year, Lavelle had an enrollment of 108 students who were served by 7 full-time and 112 part-time staff. Lavelle received approximately \$9 million in State funds during the same period.

Our initial audit report, which examined the system of controls over procurement, cash disbursements, and payroll, was issued on January 14, 2010, and covered the period July 1, 2007 through March 12, 2009. The objective of our follow-up was to assess the extent of implementation, as of July 20, 2011, of the nine recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

School officials have made significant progress in correcting the problems we identified in the initial report. However, improvements are still needed. Of the nine prior audit recommendations, six have been implemented and three recommendations have been partially implemented.

Follow-up Observations

Recommendation 1

Revise the Board's By-Laws to specify frequency of Board meetings, establish limits on Board members' tenure, and establish the Board's responsibility for oversight of the contracting process.

Status - Implemented

Agency Action - The Board's By-Laws have been revised to specify the frequency of Board meetings, to establish limits on Board members' tenure, and to establish the Board's responsibility for oversight of the contracting process.

Recommendation 2

Monitor the School's compliance with SED guidance as well as their own internal practices.

Status - Implemented

Agency Action - Lavelle officials established an Audit Committee to monitor the School's compliance with SED's guidance and with the School's own internal practices. We saw evidence that the Audit Committee met regularly and reported its results to the Board. We also saw documentation indicating that Board members had reviewed the School's credit card purchases.

Recommendation 3

Implement external auditor recommendations promptly to correct internal control weaknesses.

Status - Implemented

Agency Action - School officials created an Accounting Policies Manual and revised their By-Laws to stipulate that the external auditor's recommendations must be implemented. Our review found that the two recommendations contained in the external auditor's Management Letter dated October 8, 2008 had been implemented.

Recommendation 4

Comply with SED guidance for competitive procurements involving both goods and services and public works projects.

Status - Implemented

Agency Action - We reviewed a sample of three purchases of goods and services that were valued at more than \$20,000 each, and public works projects valued at more than \$35,000. Our review found that School officials had complied with SED guidance when making these purchases.

Recommendation 5

Develop and implement written policies and procedures School officials should follow when purchasing goods and services that are not subject to competitive bidding.

Status - Partially Implemented

Agency Action - Our review found that School officials had developed written policies and procedures for purchases of goods and services not subject to competitive bidding. We reviewed a sample of five such procurements and found that School officials had not fully complied with the policies and procedures for any of the five procurements.

Recommendation 6

Establish a threshold for contracts that indicates when Board review and approval is required.

Status - Implemented

Agency Action - School officials have established a threshold for contracts that indicates when Board review and approval are required.

Recommendation 7

Comply with SED guidelines regarding documentation of purchases.

Status - Partially Implemented

Agency Action - We reviewed a sample of five purchases of goods and services and found that School officials had complied with SED's documentation guidelines for only four of the five purchases.

Recommendation 8

Establish written policies and procedures for processing cash disbursements.

Status - Implemented

Agency Action - School officials have established written policies and procedures for processing cash disbursements.

Recommendation 9

Notify all part-time employees of their right to membership in Employee Retirement System (ERS). Maintain signed ERS acknowledgment forms in School files, as required.

Status - Partially Implemented

Agency Action - School officials have notified all part-time employees of their right to membership in ERS. However, School officials did not maintain signed ERS acknowledgment forms for 4 of the 10 employees whose files we reviewed.

Major contributors to this report were Stephen Lynch, Jeremy Mack, Anthony Belgrave, and Brenda Maynard.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank the management and staff of Lavelle School for the Blind for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Kenrick A. Sifontes
Audit Manager

cc: James Conway, State Education Department
Tom Lukacs, Division of the Budget
Frank Simpson, Superintendent, Lavelle School for the Blind