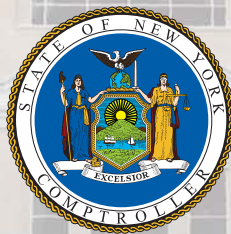




# Lavelle School for the Blind

## Selected Financial Management Practices

2009-S-2



Thomas P. DiNapoli



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# State of New York Office of the State Comptroller

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## Division of State Government Accountability

January 14, 2010

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

Dear Br. James Kearney:

The Office of the State Comptroller is committed to providing accountability for tax dollars spent to support government services 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 financial management practices at Lavelle School for the Blind. 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

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### EXECUTIVE SUMMARY

#### **Audit Objective**

Our objective was to determine whether Lavelle School for the Blind (School) established and maintained an adequate system of internal control over its financial operations in the areas of procurement, cash disbursements and payroll. Our audit period was from July 1, 2007 through March 12, 2009.

#### **Audit Results - Summary**

We determined that the Board needs to improve its efforts at monitoring compliance with certain elements of the School's policies and procedures, and it needs to ensure that the School's activities comply with State Education Department (SED) guidance. For example, the Board has not ensured implementation of recommendations by the School's external auditor to provide staff with a written manual of accounting policies and procedures. In addition, the Board needs to establish a dollar threshold that would limit the School's ability to make major purchases without prior Board approval.

We found that the School often did not follow the procedural guidance provided by SED and its own internal practices when disbursing payments. Thus, there is limited assurance that the School received the best goods and services at the lowest reasonable prices. According to SED's guidance, the School should use competitive procurement procedures for purchases of goods and services exceeding \$10,000 and public works projects exceeding \$20,000. For seven of 10 transactions, totaling \$310,919, we found no evidence that school officials requested bids or solicitations from other vendors. For example, the School had paid a heating oil vendor \$174,464 without obtaining bids from other vendors. The School also needs to strengthen its adherence to procedures for pre-approval of purchases and completion of purchase orders.

The New York State Employee Retirement System (ERS) requires that all full-time, permanent employees be enrolled in ERS. Such enrollment is optional for part-time employees. However, the Retirement and Social Security Law (Retirement Law) requires that the School notify its part-time employees, in writing, of their right to membership in the ERS and to enroll them if they elect to participate. The Retirement Law also requires that each employee sign a form acknowledging that he or she has been properly notified; this signed form must then be maintained in the employer's files.

Our report contains 9 recommendations for improving controls over procurement, cash disbursement practices and payroll practices. School officials generally agreed with our recommendations and state they have taken steps to implement the changes.

This report, dated January 14, 2010, is available on our website 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, 11<sup>th</sup> Floor

Albany, NY 12336



## Introduction

### Background

Lavelle School for the Blind (School) is located in the Bronx, New York. The School is one of 11 private schools in New York State that receives operating aid directly from the State to provide educational services for disabled students pursuant to Section 4201 of the State Education Law. During the 2007-08 school year, the School had an enrollment of about 163 students and employed 125 employees.

The School received approximately \$9.6 million in State funds to operate during the same period. The School is governed by a 15-member Board of Trustees (Board). According to the Board's By-Laws, it is responsible for the general management and control of the School's financial and education affairs. A Superintendent, along with other administrative staff, is responsible for the day-to-day management of the School under the direction of the Board.

### Audit Scope and Methodology

The objective of our audit was to determine whether the School has established and maintains an adequate system of internal controls over its financial operations in the areas of procurement, cash disbursements and payroll. Our audit period was from July 1, 2007 through March 12, 2009.

To accomplish our objective, we reviewed the School's records related to procurement, cash disbursement, and payroll transactions. We reviewed Board meeting minutes and financial statements prepared by the School's independent certified public accountant (CPA), as well as the School's completed Consolidated Fiscal Reports for the audit period. We interviewed School officials and staff to obtain an understanding of the School's policies and procedures for the procurement, cash disbursement, and payroll functions. We also reviewed both applicable laws and regulations and the School's practices related to procurement. Further, we reviewed a sample of 16 procurements to determine compliance with applicable laws, regulations, policies, and procedures. We also reviewed a sample of 25 cash disbursements to determine whether School officials complied with applicable policies and procedures. We reviewed the records of 30 employees to verify whether the School was in compliance with ERS notification requirements. Using VERIS software, we sought to verify that the School's employees had valid Social Security numbers.

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.

**Reporting  
Requirements**

We provided a copy of this report, in draft, to School officials. We have considered their comments in preparing this audit report. School officials generally agreed with our recommendations. A copy of the School's response is attached to this report as are State Comptroller's Comments addressing certain aspects of the School's response.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Superintendent of the School shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, 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 Steven Sossei, Kenrick Sifontes, Stephen Lynch, Tania Zino, Trina Clarke, Elijah Kim, Irina Kovaneva, and Katrina Lau.

## Audit Findings and Recommendations

### Board Oversight

SED provides guidance to the School's Board members that is intended to help them perform their duties. For example, SED requires the Board to monitor the School's compliance with laws and regulations applicable to its operations, and to approve the School's policies and contracts. In addition, the Board should help set the fiscal environment or "tone at the top," in order to promote a theme of fiscal responsibility and ethical conduct among all School staff and Board members. SED also recommends that Board members establish an Audit and Finance Committee to monitor the adequacy of the School's internal controls and financial reporting process. This committee is also responsible for monitoring the reliability of the School's fiscal reports and ensuring that the weaknesses reported by the School's external auditors are corrected promptly.

We reviewed the School's By-Laws and determined that they need to be strengthened. We found that the By-Laws did not limit Board members' terms and did not prescribe the frequency of Board meetings. We also found that the By-Laws did not establish the Board's responsibility for oversight of the contracting process. For example, the Superintendent could enter into any contract on behalf of the School without first obtaining Board approval.

We also determined that the Board did not ensure compliance with SED guidance for competitive bidding nor did they ensure that the external auditor's recommendations to correct several internal control weaknesses were promptly implemented. For example, the auditors recommended in their 2008 Management Letter that the School document its various accounting and internal control procedures in a formal manual that would also incorporate the duties and responsibilities of the School's officers, committees, management, and accounting staff. However, as of May 2009, formalized policies and procedures have not yet been established.

School officials said the Board will consider revisions to its By-Laws and/or policies, including possible term limits for members. Further, School officials advised that they will develop a policy with respect to procurement and contracting that will provide for Board review and approval of transactions, where appropriate. Further, each Board member will be provided with a copy of Appendix E of the Reimbursable Cost Manual (Statement on the Governance Role of a Trustee or Board Member). School officials also advised us that they are working to address the external auditor's recommendations. For example, School officials are in the process of developing accounting and procurement policies that will involve the Board and/or its committees in the financial affairs of the School.

- Recommendations**
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.
  2. Monitor the School's compliance with SED guidance as well as their own internal practices.
  3. Implement external auditor recommendations promptly to correct internal control weaknesses.

**Procurement**

*Purchases Subject to Competitive Bidding*

SED provides entities such as the School with procedural guidance, related to procurement, derived from its Reimbursable Cost Manual and the State's General Municipal Law (Section 103). SED's guidance helps to ensure that materials, supplies and equipment are obtained in the quantities needed and at the lowest reasonable price. It states that the School should solicit bids by advertising public works projects of \$20,000 or more and purchases of goods or services valued at \$10,000 or more. A public works project designation would apply to projects in which both labor and materials are involved. However, we determined that the School often did not conform to SED's guidance.

To determine whether the School followed SED guidance for competitive bidding, we judgmentally selected ten procurements that were made during the period July 1, 2007, through June 30, 2008, for goods and services valued at more than \$10,000 and public works projects valued at more than \$20,000 (see Exhibit A). The total value of these transactions was \$402,900. Of the ten transactions, we found evidence that only two of the ten transactions were competitively bid. One other transaction, for heating system repairs, was due to an emergency, which made bidding impractical. For the remaining seven transactions, totaling \$310,919, we found no evidence that school officials requested bids or solicitations from other vendors. For example, the School had paid a heating oil vendor \$174,464 without obtaining bids from other vendors. As a result, there is no assurance that the School paid a reasonable price for goods and/or services involved in this transaction. This is contrary to the manner in which public funds should be expended.

We also noted that the School does not advertise or require vendors to submit sealed bids. In addition, the School does not have formal bid openings or prepare written justifications for its vendor selections. Further, there was no requirement that the Board approve contracts exceeding a certain threshold; therefore, the Superintendent could enter into any contract on behalf of the School.

School officials stated that the School is not legally bound to comply with the General Municipal Law. We acknowledge the School's position on this matter. However, we also note that the State Education Law provides the Commissioner of Education with the general supervision of all schools and institutions that are subject to the provisions of the Education Law. Because the direct provision of State funding to the School is authorized explicitly under the Education Law, we believe the School should follow SED's formal guidance pertaining to financial operations. Moreover, we are pleased that School officials acknowledge the value of clearly defined and consistently followed policies and procedures for procurement and contracting, and consequently, officials intend to follow SED's guidance in this area.

School officials advised us that they will develop a written procurement policy setting forth the procedures to be followed when contracting for goods and services. These policies and procedures will use the thresholds established by SED Guidance. When soliciting bids, the School will provide written specifications to evaluate the proposals equitably and ensure that the School can acquire goods and services at the lowest price. Standard forms will be created and/or revised to be used for procurement of goods and services, including those for which competitive bidding does not apply. The policies and procedures will also provide for approval by the Board of Trustees when certain thresholds are met.

## **Professional Services**

SED guidance requires the School to adopt written policies and procedures for the procurement of goods and services that are not subject to competitive bidding requirements. This includes professional services that involve specialized skill, training and expertise; use of professional judgment or discretion; and/or a high degree of creativity. For professional services, the entity needs to justify that the vendor procured was the most economical and/or appropriate available for a particular service.

To test compliance with SED guidance, we judgmentally selected six professional service procurements, totaling \$565,198, for the period of July 1, 2007 through June 30, 2008. We found noncompliance with the SED's guidance for all six transactions as there was no justification on file as to why the School selected a particular vendor. For example, the School paid \$305,643 to a provider of therapy services; however, there was no documentation to justify that this was the most economically available vendor for this particular service.

School officials advised us that standard forms will be created and/or revised to be used for procurement of goods and services, including those for which competitive bidding does not apply.

- Recommendations**
4. Comply with SED guidance for competitive procurements involving both goods and services and public works projects.
  5. Develop and implement written policies and procedures. School officials should follow when purchasing goods and services that are not subject to competitive bidding.
  6. Establish a threshold for contracts that indicates when Board review and approval is required.

**Cash  
Disbursements**

SED guidance requires that justification for school purchases be documented, and that such purchases be directly related to the educational program. In addition, all purchases must be supported by invoices describing the item purchased and indicating the purchase date and the purchase price. Although the School does not have written policies and procedures for purchasing, officials told us it is their practice to pre-approve all purchases, prepare a purchase order, and to support the purchase with the invoice and packing slip, when applicable. Further, when goods are received, the Securities and Facility Manager matches the shipment with the purchase order. During school year 2007-08, the School made 1,473 cash disbursements, totaling \$5,035,677.

To determine whether School officials had adhered to their stated practices, we selected and reviewed a judgmental sample of 25 cash disbursements totaling \$66,060. We selected disbursements with the highest dollar amount covering various types of expenditures such as computer repairs, landscaping and employee reimbursements. We found that School officials did not follow their stated practices for 12 of the 25 cash disbursements, totaling \$36,444. We noted that at least one of the following required pieces of documentation was missing: a purchase order (10 instances), a pre-approval (7 instances). In addition, six disbursements were missing both a purchase order and a pre-approval and one disbursement was not related to the educational program. For example, School officials paid a \$6,704 invoice for computer services although there was no pre-approval or purchase order authorizing this purchase. We also found that School officials paid another vendor \$6,850 for tree removal services without a pre-approval or purchase order authorizing these services.

School officials disagree with some of our conclusions regarding cash disbursements. School officials state that all payments tested were approved for payment, by the Superintendent. Nevertheless, officials stated that they will establish written policies for disbursements, including procedures and forms for requesting goods/services and the approval of their purchase.



- Recommendations**
7. Comply with SED guidelines regarding documentation of purchases.
  8. Establish written policies and procedures for processing cash disbursements.
  9. Recommendation removed from final report.

**Payroll  
Practices**

The New York State Employee Retirement System (ERS) requires that all full-time, permanent employees be enrolled in ERS. Such enrollment is optional for part-time employees. However, according to Section 45 of the Retirement Law, the School is required to notify its part-time employees, in writing, of their right to membership in the ERS, if they so choose, and to enroll them if they elect to participate. Further, the employees must be so notified at the time they are hired.

The Retirement Law also requires that each employee sign a form acknowledging that he or she has been properly notified; this signed form must then be maintained in the employer's files. As of March 2009, the School had 125 employees. Both the School and ERS consider the teachers to be part-time employees, since they work a ten-month schedule. Therefore, just 16 of the School's 125 employees are considered full-time, while the remaining 109 are classified as part-time.

To determine whether the School was in compliance with ERS requirements, we selected a judgmental sample of 30 part-time employees (teachers). Twenty of these employees had joined ERS, but ten had not. Our review found no acknowledgment forms in School files for any of the 30 employees. Failure to retain signed acknowledgment forms from part-time employees may result in future claims from employees who assert they were not notified of their option to participate in the ERS.

School officials have agreed with our findings. They advised us that, since the audit, all current employees not already in the ERS have been given a new packet of information concerning their options, including an application and an acknowledgment/declination form. They said such signed forms are now kept in each employee's personnel file, and a similar form will be placed in the files of new employees as they are hired.

- Recommendation**
10. Notify all part-time employees of their right to membership in ERS. Maintain signed ERS acknowledgment forms in School files, as required.

**Exhibit A: Purchases Subject to Competitive Bidding**

Type of Service/Product	Contract/Purchase Type	Competitively Bid (Yes or No)	Total Amount Paid
Heating Oil	Goods and Services	No	\$174,464
Exterior Door Replacement	Public Works	Yes	\$44,388
Janitorial Supplies	Goods and Services	No	\$37,209
Building Supplies	Goods and Services	No	\$29,624
Roof Installation	Public Works	Yes	\$25,300
Payroll Processing	Goods and Services	No	\$23,359
Heating System Repairs	Goods and Services	N/A-Emergency	\$22,293
Lawn Maintenance	Goods and Services	No	\$19,250
Intercom and Security Camera System Services	Goods and Services	No	\$13,997
Education Materials	Goods and Services	No	\$13,016
<b>Total</b>			<b>\$402,900</b>



## Agency Comments

***Lavelle***  
***School*** 3830 Paulding Avenue, Bronx, New York 10469  
***for the Blind*** (718) 882-1212  
FAX: (718) 882-0005

September 17, 2009

Kenrick A. Sifontes  
Audit Manager  
Office of the State Comptroller  
110 State Street  
Albany, New York 12236

**Re: Response to Audit Report Regarding Lavelle School for the Blind  
Report 2009-S-2**

Dear Mr. Sifontes:

We received the draft Audit Report (2009-S-2) of the Office of State Comptroller ("OSC"), dated August 21, 2009, regarding selected financial management practices of Lavelle School for the Blind ("LSB" or the "School"). This letter constitutes the School's comments pertaining to that draft audit report's findings and recommendations. We understand that these comments will be included as an appendix to your final report.

### INAPPLICABILITY OF LEGAL PROVISIONS TO LAVELLE SCHOOL FOR THE BLIND

As an initial matter, we note that many of the OSC's audit and conclusions appear to be predicated on the notion that various legal provisions apply to LSB, including but not limited to General Municipal Law (GML) Section 103 and certain "SED guidance" referenced by the OSC. However, the GML by its terms applies only to a "school district." While that term is not defined specifically in the Education Law, it is clear that LSB is not a "school district" for any purpose. This is evidenced by the fact that Lavelle School for the Blind does not have the words "school district" in its name, which is required of all School Districts under 8 N.Y.C.R.R. Part 240. Additionally, LSB is referred to as an "institution" throughout Article 85 of the Education Law, and Section 4204-b of that Article distinguishes LSB from school districts, in fact recognizing that LSB enrolls students from multiple school districts. Accordingly, there is no basis for applying the requirements of the legal provision above to LSB, which is a private school.

The draft audit findings make numerous references to "SED guidance" with respect to various matters, including competitive bidding. However, the Reimbursable Cost Manual for Programs Receiving Funding Under Article 85 of the Education Law (the "Manual") does not impose any specific competitive bidding requirements upon LSB, or at least not those required of school districts by the GML and Education Law. Moreover, the SED Purchasing Handbook refers to "school districts" throughout and ties

\*  
**Comment**  
**1**

\*See State Comptroller's Comments, page 23

many of its requirements to the General Municipal Law and various sections of the Education Law, the provisions of which do not apply to LSB.

Based on the foregoing, we disagree with the audit findings that are based on alleged non-compliance with GML and Education Law provisions that are inapplicable to LSB and/or SED guidance that is based on such GML and Education Law provisions.

#### **RESPONSE TO SPECIFIC RECOMMENDATIONS**

Notwithstanding the foregoing, LSB understands the wisdom and value of having clearly defined and consistently followed policies and procedures for the items reviewed during the OSC's audit. To this end, as discussed below, we agree with many of the recommendations set forth in your audit findings.

##### ***Board Oversight***

The OSC suggests a revision of LSB's Board Bylaws because there are no term limits, nor a specific provision regarding the frequency of meetings. We note that the current Board members serve for three-year terms, after which they must be re-appointed. However, there is no legal limitation on the number of terms any trustee may serve. While the Board Bylaws do not specify the number of Board meetings per year, the Board has four (4) regular meetings per year and the Executive Committee holds an additional four (4) meetings per year. Other committees, including the Finance Committee, meet as appropriate and a special meeting can be called pursuant to the Bylaws.

With respect to financial oversight of the Board, the Board approves compensation increases for employees. The Controller reports to the Treasurer, and the Finance Committee is a standing committee of the Board. Finally, an independent audit is performed on an annual basis by a firm that audits at least two other Education Law 4201 schools.

OSC made the following recommendations concerning Board oversight:

**OSC Recommendation #1:** Revise the Board's By-Laws to specify frequency of Board meetings, establish limits on Board members' tenure, and establish responsibility for oversight of the contracting process.

**OSC Recommendation #2:** Monitor the School's compliance with SED guidance as well as their own internal practices.

**OSC Recommendation #3:** Implement external auditor recommendations promptly to correct internal control weaknesses.

As noted above, the School disagrees that the SED guidance referenced has any application to LSB.



LSB has already provided each member of the Board of Trustees with a copy of Appendix E of the Manual (Statement on the Governance Role of a Trustee or Board Member). Whenever possible, written resolutions will be prepared and given to Board members prior to a Board meeting to help document Board action. The Board will consider revisions to its bylaws and/or policies, including possible term limits, but there is no legal requirement for such limitations. The School's procurement practices will be discussed below, and the School's new written policy to be developed will provide for Board approval for larger purchases and contracts. Additionally, the School will continue working to address the external auditor's recommendations referenced by the OSC, including a whistleblower complaint procedure, a document retention policy, and accounting and procurement policies.

### **Procurement**

As noted above, the reference to General Municipal Law ("GML") Section 103 and certain "SED guidance" concerning competitive bidding has no application to LSB.

We note that while OSC found a number of transactions that were not competitively bid *per se*, this is partially as a result of the judgmental selection process and an emergency situation explained to the audit team. In that case, the original job had been bid upon by three vendors. The low bid received the contract, but performed so poorly a replacement was needed on an emergency basis. This replacement was obtained by asking another Education Law 4201 school for a recommendation.

\*  
**Comment**  
**2**

With respect to other purchases/contracts reviewed by OSC, we showed the OSC that multiple bids were often obtained and the lowest bid selected. As noted below, we intend to formalize more detailed procedures in writing to ensure consistency and accountability. However, we take exception to any suggestion in the OSC's report that goods or services have not been awarded by the School to the lowest of bids received and/or to any implication that any goods or services were improperly obtained. Indeed, the OSC failed to identify any specific instance the School's existing policy and practice (albeit unwritten) resulted in the procurement of goods and/or services in a financially irresponsible manner.

OSC made the following recommendations concerning contracting and procurement:

**OSC Recommendation #4:** Comply with SED guidance for competitive procurements involving both goods and services and public works projects.

**OSC 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.

\*See State Comptroller's Comments, page 23

**OSC Recommendation #6.** Establish a threshold for contracts that indicates when Board review and approval is required.

As noted above, the School disagrees that the SED guidance referenced has any application to LSB.

Consistent with these recommendations, the School will develop a written procurement policy setting forth the procedure to be followed when contracting for goods and services. The revised policies and procedures will use the GML \$20,000 and \$10,000 thresholds notwithstanding LSB's position concerning the inapplicability of that law. When soliciting bids, LSB will provide written specifications to evaluate the proposals equitably and ensure that the School can acquire goods and services at the lowest price. Standard forms will be created and/or revised to be used for procurement of goods and services, including those for which competitive bidding does not apply. The revised policies and procedures will also provide for approval by the Board of Trustees when certain thresholds are met. The revised policies and procedures, as well as the forms used, will be reviewed on an annual basis by the School.

In the meantime, while the policies, procedures and forms referenced above are being developed and approved by the Board, the School will begin to employ competitive bidding procedures for new projects/purchases. For example, bids will be obtained from multiple oil companies for the 2009-2010 School Year.

#### ***Cash Disbursements***

With respect to cash disbursements, we note that the purportedly high incidence of "exceptions" identified by the OSC is a function in part by its judgmental sampling of reimbursements and expenditures that it found to be "questionable."

With respect to the one instance where tuition reimbursement was determined to be unjustified, we note that this circumstance was brought to the auditors' attention by the School. Unfortunately, the initial reimbursement had been approved and paid, but a subsequent request for similar reimbursement was denied. No other instances of tuition reimbursement for study in an unrelated field were discovered. The School will revise its tuition reimbursement form and process to ensure that such an inadvertent approval does not occur in the future.

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**Comment  
3**

The School disagrees with the assertion that payments are authorized without approval for a particular good or service. No instances were identified by the OSC where a good or service was paid for but not received or provided. Invoices reflect approval and include backup documentation in many instances. No administrator or staff member requests a service without approval from the Superintendent, and such matters are typically discussed at weekly administrator meetings.

\*  
**Comment  
4**

\*See State Comptroller's Comments, page 23



In at least two of the twenty-five transactions reviewed by OSC, pre-approval was noted directly on the invoice reviewed by the OSC. In four other transactions, the services (legal, translation, advertisements, educational evaluations) were requested by the Superintendent, which provides the approval for the expenditure. In another instance, an engagement letter was executed with respect to the services to be provided. In the other instances, the invoices were all subject to and did in fact receive approval by administrative personnel. Thus, the School has an approval process in place that is followed with respect to all purchases of goods and services.

The OSC made the following recommendations concerning cash disbursements:

**OSC Recommendation #7:** Comply with SED guidelines regarding documentation of purchases.

**OSC Recommendation #8:** Establish written policies and procedures for processing cash disbursements.

**OSC Recommendation #9:** Reimburse staff members only for those courses that are related to the fields in which they work.

<p style="text-align: center;">*</p> <p style="text-align: center;"><b>Comment</b></p> <p style="text-align: center;"><b>3</b></p>
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As noted above, the School disagrees that the SED guidance referenced has any application to LSB.

The School will develop formal written policies, procedures and forms for tuition reimbursement to ensure that only related field tuition gets reimbursed. As noted above, a single exception to this practice was voluntarily disclosed to the OSC by the School. However, the School may not be able to recoup the tuition reimbursement it inadvertently approved because of the passage of time and other legal considerations. The Manual will be followed in all respects to ensure that tuition reimbursement is properly reimbursable.

The School also agrees to establish written policies for disbursements, including procedures and forms for requesting goods/services and approval of same. This policy will complement the procurement policy mentioned above, where necessary.

### ***Payroll Practices***

During orientation, each new employee is provided with a packet of information concerning their employment, including written information concerning the NYS Employee Retirement System. However, an acknowledgement/declination form was not kept in each employee's personnel file, although an orientation checklist noting that the NYS ERS was covered is signed by each employee. (The law does not require this written documentation to be separate from other orientation documentation and forms.) Nevertheless, since the audit, all employees not already in the ERS were given a new packet of information concerning ERS, including an application and an acknowledgement/declination form. The latter is now kept in each employee's personnel file.

<p>*See State Comptroller's Comments, page 23</p>
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OSC made the following recommendation concerning the NYS ERS:

**OSC Recommendation #10:** Notify all part-time employees of their right to membership in ERS. Maintain signed ERS acknowledgement forms in School files, as required.

As described above, LSB already educates new employees on the NYS ERS and documents that as part of the orientation process. All current employees have been re-informed regarding this benefit and an acknowledgement/declination form has been placed in their files. A similar form will be put in the files of new employees going forward.

We would like to thank you as well as Steve Lynch, Audit Supervisor, Tania Zino, Examiner in Charge, and Trina Clarke, Elijah Kim and Irina Kovaneva, Examiners, for their work on developing this draft audit report. We value this information and we are confident that the actions to be taken above will improve our School's financial practices.

Sincerely yours,

A handwritten signature in black ink, appearing to read "William F. Simpson", with a stylized flourish at the end.

William F. Simpson  
Superintendent

## State Comptroller's Comments

1. Our report acknowledges the School's position and we continue to believe that given the significant amounts of State funds used in the operation of the School conformance with SED procurement guidance should occur. As shown in Exhibit A of our report, significant procurements were made without competition. We will continue to work with SED to strengthen the procurement requirements related to Schools supported by State funds. In the interim, we do support the School's efforts to strengthen its own internal procurement policies.
2. The School's handling of the emergency repairs to the heating system was not questioned by OSC.
3. Based upon the School's comments, this matter was removed from the report.
4. We believe that our comments have been misinterpreted. Our exceptions related to the absence of written approvals prior to the purchase or service being procured, and not to the actual delivery of goods or services.