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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

December 1, 2011

Ms. Anita Price Baird  
President  
St. Joseph's School for the Deaf  
1000 Hutchinson River Parkway  
Bronx, NY 10465

Re: Report 2011-F-10

Dear President Baird:

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 St. Joseph's School for the Deaf (St. Joseph's) to implement the recommendations contained in our audit report, *Selected Financial Management Practices* (Report 2009-S-30).

**Background, Scope and Objective**

St. Joseph's School for the Deaf is located in the Bronx, New York. Under Section 4201 of the State Education Law, St. Joseph's is one of 11 private schools in New York State that receive operating aid directly from the State Education Department (SED) to provide educational services to certain types of disabled students. St. Joseph's serves 116 students in kindergarten through 12<sup>th</sup> grade. The school also operates an on-site daycare center and pre-school.

St. Joseph's is regulated by SED but is governed by a nine member Board of Trustees (Board) which, according to the Board's By-Laws, is responsible for the general management and control of the school's financial and educational affairs. The Executive Director and other administrative staff are responsible for the day-to-day management of the school under the direction of the Board. For the fiscal year ended June 30, 2011, St. Joseph's received approximately \$8.9 million from New York State.

Our initial audit report, which was issued on January 14, 2010, examined whether St. Joseph's officials had established and maintained an adequate system of internal control over the school's financial operations. We found that St. Joseph's officials often did not follow the procedural guidance provided by SED and its own internal practices when disbursing payments. We also found that St. Joseph's officials did not comply with SED guidance regarding the procurement of goods and services valued at more than \$10,000, and public works valued at

more than \$20,000. The objective of our follow-up was to assess the extent of implementation, as of July 8, 2011, of the eight recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

St. Joseph's officials have made significant progress in correcting the problems we identified in the initial report. However, improvements are still needed. Of the eight prior audit recommendations, seven have been implemented and one recommendation has not been implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Monitor the School's compliance with SED guidance as well as its own internal procedures to ensure that the School is being operated in an efficient and effective manner.*

Status - Implemented

Agency Action - Our review of Board minutes indicates that St. Joseph's officials are monitoring the school's compliance with SED's guidance, as well as the school's internal procedures. These Board minutes indicate that matters relating to budgeting, bank reconciliations, revenue and expense accounts, and the competitive bidding of appropriate procurements were reviewed, discussed, and approved. In addition, the Board created a Finance subcommittee, which meets prior to Board meetings to review and discuss the school's financial operations, and to ensure that all internal procedures are being followed.

#### **Recommendation 2**

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

Status - Implemented

Agency Action - St. Joseph's officials revised their By-Laws to specify how frequently Board meetings should be held. The revised By-Laws also established the Board's responsibility for oversight of the contracting process.

#### **Recommendation 3**

*Require that all approved COLA payments be documented in the Board minutes.*

Status - Implemented

Agency Action - We reviewed the Board records associated with the COLA paid to school employees on April 30, 2011 and found proper documentation was in place.

#### **Recommendation 4**

*Comply with SED guidance for competitive procurements involving both goods and services.*

Status - Not Implemented

Agency Action - SED requires that items valued at more than \$20,000 be advertised and awarded on the basis of formal bids. We reviewed a judgmental sample of five procurements valued at more than \$20,000 each. We found school officials had neither advertised nor followed formal bid processes for these items. St. Joseph's officials believe that they are not subject to SED's guidance on procurements since the school is neither a school district nor a 'political subdivision' of the State. Further, they believe they have consistently maintained the spirit of competitive bidding by developing and following the school's own procurement policies. We found that three or more telephone/fax/email quotes were obtained for each of the five procurements we reviewed, indicating that a limited competitive process had been followed.

#### **Recommendation 5**

*Perform a cost/benefit analysis of whether centralizing the School's purchasing function would be beneficial.*

Status - Implemented

Agency Action - Since our prior audit, St. Joseph's purchasing function has been centralized in the Business Office, where the procurement officer routinely consults with a statewide vendor list prior to making any purchases. Although the specific cost/benefit analysis called for in our prior recommendation was not documented as part of the consolidation, this reorganization achieves the intent by eliminating duplication of efforts and ensuring consistency in the procurement process.

#### **Recommendation 6**

*Develop and implement written policies and procedures for purchasing goods and services that are both subject and not subject to competitive bidding.*

Status - Implemented

Agency Action - St. Joseph's has developed written procedures for purchasing goods and services that are both subject and not subject to competitive bidding. These procedures are currently being used by the procurement officer.

#### **Recommendation 7**

*Comply with SED guidelines and the School's own procedures regarding cash disbursements.*

Status - Implemented

Agency Action - SED guidance requires that all purchases must be supported with invoices. In addition, St. Joseph's policies and procedures require a purchase order or a check request to support each purchase. We reviewed a judgmental sample of 10 cash disbursements and found that St. Joseph's officials had complied with SED guidelines and the school's own policies and procedures for all 10 disbursements.

**Recommendation 8**

*This recommendation was removed from the final report based on the school's response.*

Status - No Longer Applicable

**Recommendation 9**

*Issue 1099 forms only to independent contractors.*

Status - Implemented

Agency Action - We compared the 1099 forms issued by St. Joseph's for calendar year 2010 with the employee listing and the list of contractors. We found that 1099 forms were issued only to independent contractors.

Major contributors to this report were Christine Chu, Tania Zino, and Trina Clarke.

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 also thank the management and staff of the St. Joseph's School for the Deaf for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Kenrick A. Sifontes  
Audit Manager

cc: Mr. James Conway, State Education Department  
Mr. Thomas Lukacs, Division of the Budget  
Ms. Debra Arles, Executive Director, St. Joseph's School for the Deaf