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January 14, 2010

Ms. Donna Jones, Superintendent
Members of the Board of Education
Brentwood Union Free School District
Anthony F. Felicio Administration Building
52 Third Ave
Brentwood, NY 11717

Report Number 2005M-70-F

Dear Superintendent Jones and Members of the Board of Education:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage officials to reduce cost, improve service delivery and to account for and protect their assets. In accordance with these objectives, we conducted an audit of the Brentwood Union Free School District (District) to assess the internal controls of the District. As a result of our audit, we issued a report dated January 2006, identifying certain conditions and opportunities for District management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the District in June 2009 to review the District's progress in implementing our recommendations. Our follow-up review was limited to interviews with District personnel and inspection of certain documents related to the issues identified in our report. We reviewed the District's records and documentation for the period July 1, 2008 through June 30, 2009. Based on limited procedures, it appears that the District has made significant progress in implementing corrective action. Of the 18 audit recommendations, 14 recommendations were fully implemented, two recommendations were partially implemented and two recommendations were not implemented.

Recommendation 1 - Internal Controls

The Board should ensure that the Internal Claims Auditor position is always filled with a qualified, independent person of the Board's choosing. The Board also should not allow the Director of Business Services to select the Internal Claims Auditor.

Status of Corrective Action: Fully Implemented

Observations/Findings: At the July 1, 2008 Board of Education Reorganization meeting, the Board appointed the internal auditor, the claims auditor and the external auditor.

Recommendation 2 - Internal Controls

The Board should meet with the Internal Claims Auditor periodically and review all warrants approved by the Internal Claims Auditor

Status of Corrective Action: Fully Implemented

Observations/Findings: We found that the claims auditor met with the audit committee on July 16, 2008 and also provides the audit committee with a monthly report of audited claims via the District Clerk.

Recommendation 3 - Internal Controls

The Treasurer should continue to segregate duties in her office so that the work of one individual will be independently verified by another individual in the course of their regular duties. In particular the Treasurer should keep separate the duties of cash custody (e.g., signing checks and record keeping).

Status of Corrective Action: Fully Implemented

Observations/Findings: The District took steps to properly segregate duties in the Business Office prior to the end of our 2004 audit. The District hired an accounting supervisor to limit the duties of the Treasurer's staff. The accounting supervisor is now responsible for cash custody and the preparation of journal entries.

Recommendation 4 - Internal Controls

The Treasurer should deposit cash payments within 24 hours of receipt, in accordance with the District's cash receipts policy. If the 24-hour requirement is found to be impractical, the Board should revise its policy regarding cash deposits. The Director of Business Services also should ensure that the individual District schools and the Adult Education Department transmit cash payments to the Treasurer in a timely manner.

Status of Corrective Action: Partially Implemented

Observations/Findings: In response to our audit report, the Board indicated that the District would update the cash management policy to include the requirement that all cash be deposited within 48 hours of receipt in the Business Office. While we found that the cash is being deposited within 48 hours, District officials could not provide us with evidence that the Board had formally updated the cash management policy.

Recommendation 5 – Claims Processing and Procurement

The Board should ensure that the District’s purchasing agent enforces the District's policy requiring purchase requisitions and purchase orders. For expenditures that require a purchase requisition and a purchase order, the purchasing agent should require that District personnel issue a purchase requisition and a purchase order and that District officials have reviewed and approved both before the District purchases goods and services.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed 10 requisitions that were created in September 2008, and then converted to purchase orders, totaling \$215,869 and found that all requisitions were properly approved by the purchasing agent. Additionally, we reviewed each of these purchase orders to ensure that the requisition number appeared on the purchase order. We found no exceptions.

Recommendation 6 – Claims Processing and Procurement

District officials should limit the use of confirming purchase orders only to emergency situations; District officials also should ensure that the individuals who make confirming purchase orders indicate on the purchase orders the reason(s) why these purchases must be confirming purchase orders. Also District officials should ensure that District personnel clearly mark confirming purchase orders as “confirming.”

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed 10 purchase orders totaling \$215,869, and did not find any confirming purchase orders.

Recommendation 7 – Claims Processing and Procurement

District officials should ensure that District personnel verify that the original invoice is attached to each claim and the payee’s name matches the name on the invoice prior to submitting claims to the Internal Claims Auditor for approval for payment.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed 10 purchase orders totaling \$215,869 and found that invoices were attached to all purchase orders and that the payee matched the name on the purchase orders.

Recommendation 8 – Claims Processing and Procurement

The Board should revise the District’s procurement policy to require that the District award all professional services contracts only after soliciting request for proposals.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board has not updated the purchasing policy to require the District to solicit requests for proposals (RFP) from professional service providers. However, we found that the District did solicit RFPs for all four of the professional service providers we reviewed.

Recommendation 9 – Claims Processing and Procurement

The Board should enter into written agreements with all individuals and firms that provide professional services to the District. The Board also should ensure that these agreements clearly stipulate the services to be provided and the basis for compensation.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed four professional service providers paid a total of \$201,960. We found that the Board approved all four agreements which included the providers’ compensation base.

Recommendation 10 – Capital Assets

The Board should update the capital asset policy to designate an individual to be responsible for maintaining an up-to-date and complete capital asset inventory record. Also, the Board should ensure that this individual updates the District’s current capital assets inventory records.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed the Board policy which states that the purchasing agent is responsible for the capital asset inventory. We also found that the purchasing agent updated the capital assets inventory records.

Recommendation 11 – Capital Assets

The Board should revise its capital assets policy to ensure that District personnel accurately report all the District's dispositions and transfers of fixed assets in a timely manner.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board approved a policy which outlines the process for disposal of the District's fixed assets.

Recommendation 12 – Capital Assets

District officials should ensure that each of the District's departments takes periodic physical inventories and compares those inventories to the capital assets inventory records. District officials should then investigate and resolve any discrepancies. At times, District officials should ensure that someone who is outside of each department performs the periodic departmental physical inventories.

Status of Corrective Action: Not Implemented

Observations/Findings: Physical inventories have not been conducted by District officials.

Recommendation 13 – Capital Assets

The District should update its inventory records to accurately reflect the items that are missing, stolen, or discarded, and investigate the missing inventory items and take appropriate action.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Director of Business Services informed us that after our internal control audit in 2005, the District contracted with a vendor to reconcile the inventory to accurately reflect the items that were missing, stolen, or discarded. District officials investigated any missing inventory items and took appropriate action, either correcting the location of the item, or removing those items that were no longer in the District's possession. To verify the implementation of this recommendation, we chose three items, valued at \$11,295, from the inventory list and traced from the list to the items. We were able to locate the selected items.

Recommendation 14 – Other Policies

The Board should monitor cell phone usage to ensure compliance with the District's new cell phone policy.

Status of Corrective Action: Fully Implemented

Observations/Findings: On January 24, 2005, the Board approved the cell phone policy. We obtained the list of authorized cell phone users, along with a memo giving the employees the option of paying \$60 per year for personal usage or turning the phone in at the end of each day. The District had 27 phones available for use. Six employees elected to pay the \$60 per year, 15 elected to turn the phone in at the end of the day, three employees are exempt from the policy because of their positions, and three lines were eliminated.

Recommendation 15 – Other Policies

The Board should adopt a written policy that describes which personnel are authorized to use Districts credit cards, the limits for use of the credit cards, and the type of required supporting documentation that personnel must produce.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Board adopted a credit card policy on May 16, 2005 which indicates that only authorized individuals in the Building & Grounds Department are permitted to use the credit card. The policy also describes the required supporting documentation that personnel must produce when the credit card is used. However, we reviewed 15 transactions totaling \$4,017 and found that 11 transactions totaling \$3,175 were made by unauthorized individuals. The Director of Business Services issued a memo to the Board for presentation at the July 7, 2009 meeting to show a specific list of individuals who are authorized to use the credit card.

Recommendation 16 – Other Policies

The Board should require the Internal Claims Auditor to ensure that every District credit card claim contains enough supporting documentation to determine whether it complies with District policies, and that amounts claimed represent actual and necessary expenses.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed five credit card claims totaling \$4,037 and found that they each had sufficient documentation attached and the claims auditor reviewed all documentation for the claims.

Recommendation 17 – Other Policies

The Board should adopt a policy governing the allowable reimbursements for automotive expenses. The policy should indicate the cost per mile that personnel will be reimbursed for authorized use of their personal vehicles.

Status of Corrective Action: Fully Implemented

Observations/Findings: On April 20, 2006 the Board revised the mileage reimbursement policy to follow the Internal Revenue Service (IRS) standard rate. We reviewed claims for 6,704 miles driven by four employees reimbursed a total of \$3,943 and found that all employees were paid the IRS standard rate.

Recommendation 18 – Other Policies

The Board should adopt a written policy for providing meals and refreshments at District meetings.

Status of Corrective Action: Fully Implemented

Observations/Findings: On December 15, 2005, the Board revised the meal and entertainment policy which now states that all District meals are to be itemized when possible, and all documentation should be attached prior to submission for payment.

I trust that our follow-up review was of assistance to you. If you have any further questions, please contact, Jeffrey P. Leonard, Chief Examiner of our Hauppauge Regional Office at (631) 952-6534.

Sincerely,

Steven J. Hancox
Deputy Comptroller
Office of the State Comptroller
Division of Local Government
And School Accountability

cc: Mrs. Stacy O'Connor, Director of Business Services
Mrs. Pauline Lalor-Cuervas, District Clerk