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January 14, 2010

Dr. James Feltman, Superintendent  
Members of the Board of Education  
Commack Union Free School District  
480 Clay Pitts Road  
East Northport, NY 11731

Report Number: 2007M-48-F

Dear Dr. Feltman 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 district officials to reduce costs, improve service delivery and to account for and protect their district's assets. In accordance with these objectives, we conducted an audit of the Commack Union Free School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report, dated May 2007, 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 July 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. Based on our limited procedures, it appears that the District has made considerable progress in implementing our recommendations. Of the nine audit recommendations, seven recommendations were fully implemented and two recommendations were not implemented.

### **Recommendation 1 – Administrative Expenses**

The Board should ensure that final accountings for the two \$9,000 expense allowances are submitted for Board review, and recoup any unexpended portion of the allowances.

Status of Corrective Action: Not implemented

Observations/Findings: The Board has not requested the former Superintendent and the Associate Superintendent for Operations to submit a final accounting of their \$9,000 expense allowances. District officials stated that no requests were made and, therefore, they never recouped unexpended portions of the allowances (if any). Therefore, the Board has no assurance that the moneys expended were proper District expenditures or if any unexpended moneys remain payable to the District.

The current Superintendent's employment contract contains the same wording as the prior Superintendent's contract. The current Superintendent keeps an accounting of his expense allowance, but the Board has not requested a final accounting of it for review. By failing to implement this recommendation, the Board has continued a practice that puts taxpayer dollars at risk.

### **Recommendation 2 – Administrative Expenses**

District officials should retain detailed receipts and invoices to support all reimbursable expenses along with written explanations describing the business purpose and necessity of each expense.

Status of Corrective Action: Fully implemented

Observations/Findings: We reviewed the Superintendent's (July 1, 2008-June 30, 2013) and the Assistant Superintendent's (July 1, 2009-June 30, 2010) current employment contracts. Currently, only the Superintendent receives a miscellaneous expense allowance. The Superintendent retains a log with all the receipts and invoices along with written explanations describing the purpose and amount of each expense.

### **Recommendation 3 – Administrative Expenses**

If the Board chooses to provide expense allowances in the future, the Board should consider including employment contract provisions that such allowances will be encumbered at the beginning of the year, and reimbursed upon the submission of expense vouchers with adequate supporting documentation.

Status of Corrective Action: Not implemented

Observations/Findings: Currently the Superintendent is the only person who receives an expense allowance. The wording of the current Superintendent's contract contains almost the exact wording as the former Superintendent's contract. The provisions of the contract do not state that allowances will be encumbered at the beginning of the year, and reimbursed upon the submission of expense vouchers with adequate supporting documentation. The current Superintendent's contract states that he will receive a cash payment of \$9,000 at the beginning of each year to cover expenses required in the discharge of his duties. The contract also states that the Board may, at its discretion, recoup the difference if the amount incurred is less than the cash payment. Without established budget and reimbursement procedures, the risk remains that moneys could be spent improperly.

### **Recommendation 4 – Procurement**

The Board should ensure that all District employees involved in the procurement and claims audit process follow the District's procurement policy and General Municipal Law.

Status of Corrective Action: Fully implemented

Observations/Findings: The District has taken steps to tighten controls in the Purchasing Department. All district employees involved in procurement have received the District's procurement policy and regulations. The purchasing agent reviews all orders and ensures any orders over \$500 have a valid contract attached. When bids and quotes are involved she ensures that all appropriate paper work is attached. If an employee or vendor does not follow the District's policy, a memo is sent stating they are in violation of the District's policy. The memo details the appropriate procedure.

### **Recommendation 5 – Procurement**

The purchasing agent should ensure that bids or contracts referenced on purchase orders apply to the goods or services requested and note on the purchase orders that the terms (quality, quantity, and price) agree with the contracts.

Status of Corrective Action: Fully implemented

Observations/Findings: The purchasing agent ensures that bids or contracts referenced on purchase orders apply to the goods or services requested and she notes on the purchase orders that the terms (quality, quantity, and price) agree with the contracts. We reviewed five claims packets containing six purchase orders with 17 invoices totaling \$10,680, to determine whether the Purchasing Department ensures that bids and contract numbers are referenced on the purchase orders and that the goods and services requested are priced correctly and received in good condition. We found no significant exceptions.

### **Recommendation 6 – Procurement**

The Board should ensure that District officials do not circumvent the procurement policy by splitting purchases of like items to avoid obtaining competition.

Status of Corrective Action: Fully implemented

Observations/Findings: The purchasing agent reviews all documentation and creates all purchase orders to ensure that District officials do not circumvent the procurement policy. The purchasing agent also frequently runs reports of vendor payment histories/summaries to show how much has been spent, and to determine if bids are needed for a particular vendor.

We reviewed the payment histories and sampled claims of a vendor that the District purchased various goods from during the fiscal year totaling approximately \$250,000. We reviewed 10 invoices totaling \$62,200 and found that District officials did not split purchase orders to this vendor to avoid bidding. We also reviewed a vendor previously included in our audit and found no exceptions. District officials are following their procurement policy to obtain competitive pricing.

### **Recommendation 7 – Procurement**

The claims auditor should ensure that every claim contains enough supporting documentation to determine whether it is a proper charge and that the purchase complies with District policies, related contracts or awarded bids.

Status of Corrective Action: Fully implemented

Observations/Findings: We reviewed five claims packets which consisted of six purchase orders and 17 invoices totaling \$10,680, to determine if the claims auditor is ensuring that every claim contains supporting documentation. We found no exceptions.

**Recommendation 8 – Procurement**

The Business Office should obtain price lists from vendors when contract prices are based on a percentage of the price list.

Status of Corrective Action: Fully implemented

Observations/Findings: The District did not make purchases based on a percentage of the price list during our review period, July 2009. However, we did review seven invoices from an office supply vendor totaling \$1,693 to determine whether or not the Accounts Payable Department employees are confirming prices. We found that employees are confirming the prices either online or by catalog. We also found copies of the online prices attached to the invoices. When there are price discrepancies, the employees send the claims packets back to the purchasing agent for review.

**Recommendation 9 – Computer Data Safeguards**

The Board should adopt policies and procedures to strengthen internal controls relating to computer data storage and disaster recovery.

Status of Corrective Action: Fully implemented

Observations/Findings: The Board adopted a policy and procedures relating to computer data storage and disaster recovery on April 18, 2007. The District also adopted a disaster recovery plan on December 10, 2008.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage you to continue with your efforts to implement our recommended improvements in your fiscal management.

I trust that our follow-up review was of assistance to you. If you have any further questions, please contact Jeff 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