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January 14, 2010

Mr. Thomas J. Markle, Superintendent
Members of the Board of Education
Seaford Union Free School District
1600 Washington Avenue
Seaford, NY 11783

Report Number: 2006M-95-F

Dear Superintendent Markle 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 school officials to reduce costs, improve service delivery and to account for and protect their school District's assets. In accordance with these objectives, we conducted an audit of the Seaford Union Free School District to assess the financial operations of the District. As a result of our audit, we issued a report, dated December 2006, identifying certain conditions and opportunities for District's 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. Based on our limited procedures, it appears that the District has made progress in implementing corrective actions for the 17 audit recommendations contained in our report. Of the 17 audit recommendations, 10 recommendations were fully implemented, five recommendations were partially implemented, and two recommendations were not implemented.

Recommendation 1 – Financial Condition

At the time the budget is prepared, the Superintendent and Assistant Superintendent for Business should analyze the District's financial records (trial balances, revenue and appropriation status reports, cash flow analysis, etc.) and prepare a realistic estimate of the unreserved fund balance at the end of the current fiscal year.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Assistant Superintendent for Business begins projecting year-end fund balances in February of each fiscal year, and then updates his projections monthly. These projections are reviewed by the Superintendent and the Board, along with a memorandum explaining fund balance projections, adjustments, re-

calculation of revenues, under-spent line items, and amounts returned to taxpayers. These projections are then used in the budget preparation process. We compared the projections of unreserved fund balance at the end of the fiscal years 2007-08 and 2008-09 against the actual unreserved fund balance at June 30, 2008 (audited) and June 30, 2009 (unaudited) and found that the Assistant Superintendent for Business made conservative projections that resulted in realistic estimates of unreserved fund balance at the end of these fiscal years.

Recommendation 2 – Financial Condition

The Assistant Superintendent for Business should provide the Board with periodic trial balances and cash flow statements.

Status of Corrective Action: Fully Implemented

Observations/Findings: We verified with the District Clerk and the minutes of the Board meetings that the Board is receiving monthly reports, including the Treasurer’s Report, revenue and appropriation status reports, budget status report, bank reconciliations, budgetary transfer report, cash flow projection, and warrants. The Treasurer has provided copies of trial balances to the Board monthly, beginning July 2009.

Recommendation 3 – Treasurer’s Office: Segregation of Duties

The Board should review the duties within the Treasurer's office and institute controls to ensure a proper segregation of duties. If this is not possible, the Board should ensure that the Assistant Superintendent for Business and the internal auditor provide oversight and monitoring.

Status of Corrective Action: Fully implemented

Observations/Findings: We interviewed District personnel in the Treasurer’s office and determined that the Assistant Superintendent for Business now provides oversight where duties are not fully segregated. Although the Treasurer’s duties still include signing checks, reconciling cash book balances to bank balances, making transfers between bank accounts and funds, and making journal entries, the Assistant Superintendent for Business reviews the journal entries, bank reconciliations, and the monthly Treasurer’s Report, and applies his signature to provide evidence of his review and approval.

Recommendation 4 – Treasurer’s Office: Bank Reconciliations

The Treasurer should reconcile each bank account to the corresponding general ledger account balance on a monthly basis and any differences should be promptly identified and resolved.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed the District's bank reconciliations for March, April, and May, 2009 and found that the Treasurer reconciled each bank account to the corresponding general ledger account balance each month. Furthermore, we found that the Assistant Superintendent for Business reviews and approves the bank reconciliations.

Recommendation 5 – Claims Processing and Procurement: Duplicate Payments

The claims auditor should ensure that an original invoice is attached before approving a claim voucher for payment.

Status of Corrective Action: Fully Implemented

Observations/Findings: The claims auditor stated that her audit process now includes comparing check copies to original checks for consistency, ensuring that all supporting documentation is attached, and completing the claims audit checklist adopted by the Board. Although we found that this checklist does not include ensuring that an original invoice is attached to the claim, it does require verification that the claim is not a duplicate payment. We reviewed ten claims, comprising 22 invoices, and found that original invoices were attached to each claim.

Recommendation 6 – Claims Processing and Procurement: Duplicate Payments

The District should recover the duplicate payment of \$1,024 made to the tutoring firm.

Status of Corrective Action: Fully Implemented

Observations/Findings: The District provided documentation that it recovered the \$1,024 from the tutoring firm in the 2006-07 fiscal year.

Recommendation 7 – Claims Processing and Procurement: Purchase Orders

The Board and the purchasing agent should take steps to ensure that a purchase order is completed for all applicable purchases.

Status of Corrective Action: Fully Implemented

Observations/Finding: Upon acquiring a new financial software package (software) in the 2006-07 fiscal year, the District computerized its purchase order process so that requisitions and purchase orders are processed and approved through the software. The Assistant Superintendent for Business, as purchasing agent, reviews the purchase order details and approval history before issuing the purchase order. We examined 10 claims, totaling \$11,907, and found that purchase orders were completed for each applicable invoice and approved by the purchasing agent.

Recommendation 8 – Claims Processing and Procurement: Confirming Purchase Orders

The Board and the purchasing agent should take steps to limit the use of confirming purchase orders to only emergency situations.

Status of Corrective Action: Not Implemented

Observations/Findings: Although an account clerk stated that confirming purchase orders are used for emergencies only, and must be identified as an “emergency,” the District’s purchasing policy and regulations do not address the use of confirming purchase orders. We examined 14 purchase orders attached to ten claims, totaling \$11,907, and found that the District continues to use confirming purchase orders. Two of the 14 purchase orders we reviewed, totaling \$595, were confirming purchase orders. These purchase orders were not marked as “confirming,” nor were they related to emergency situations.

Recommendation 9 – Claims Processing and Procurement: Contracts with Professionals

The District should enter into written agreements with all professionals at the beginning of the contract period and before any services are rendered.

Status of Corrective Action: Fully Implemented

Observations/Findings: We selected five professional service providers, who were paid a total of \$258,863 in the 2008-09 fiscal year, and found that the District entered into a written service agreement, using a standardized form, with each provider at the beginning of the contract period and before any services were rendered.

Recommendation 10 – Claims Processing and Procurement: Contracts with Professionals

The Board should follow provisions of its purchasing policy and award contracts to professional service providers only after soliciting proposals.

Status of Corrective Action: Partially Implemented

Observation/Findings: On July 3, 2008, the Board adopted its policy “Contracting for Professional Services,” which requires the District to solicit requests for proposals (RFPs) no less than once every five years when seeking professional services. The policy does not provide any exceptions for special education or any other types of services. The Board’s purchasing policy regulation, adopted on the same date, states that the District is not required to obtain proposals for the procurement of professional services of a confidential nature.

We judgmentally selected five professional service providers, who were paid \$258,863 in the 2008-09 fiscal year and determined that four of the five providers (a tutoring firm and three therapists), paid a total of \$207,023 in the 2008-09 fiscal year, were not solicited through an RFP process. The Assistant Superintendent for Business, told us that the District does not solicit RFPs for professional services related to special education because of their confidential nature.

Recommendation 11 – Claims Processing and Procurement: Payments to Professionals

The District should recover the overpayments of at least \$7,540 made to the firm providing therapy services.

Status of Corrective Action: Partially Implemented

Observations/Findings: The District provided documentation that it recovered \$4,412 from the firm providing therapy services in the 2006-07 fiscal year. The Assistant Superintendent for Business told us that the full amount was not collected because the District and the vendor agreed to the \$4,412 amount. The District does not, however, have any documentation or correspondence to substantiate this agreement.

Recommendation 12 – Claims Processing and Procurement: Payments to Professionals

The claims auditor should verify that charges for professional services are based on contractual rates prior to approving claims for payment.

Status of Corrective Action: Fully Implemented

Observations/Findings: We examined five claims from professional service providers totaling \$30,255. We found that all five claims were reviewed by the claims auditor prior to making payments and that the rates charged agreed with those specified in the related contracts.

Recommendation 13 – Claims Processing and Procurement: Procurement

The Board should follow provisions of its purchasing policy and ensure that significant purchase contracts and public works contracts are awarded after solicitation of competitive proposals.

Status of Corrective Action: Fully Implemented

Observations/Findings: We judgmentally selected five vendors who received payments in excess of the bidding thresholds in the 2008-09 fiscal year. We found that the District awarded the contracts for each of these five vendors, paid a total of \$76,078, after publicly soliciting competitive bids.

Recommendation 14 – Claims Processing and Procurement: Procurement

The purchasing agent should verify that services procured from the State contract are, in fact, included in the State contract.

Status of Corrective Action: Partially Implemented

Observations/Findings: We selected five claims, consisting of ten invoices totaling \$88,388, for information technology related goods and services purchased from two vendors under New York State (State) contracts. We found that seven of the 10 invoices were for goods and services that were, in fact, included in the State contract. However, we also found that the purchase orders for three of the 10 invoices, totaling \$23,711, did not reference a State contract, which prevents the District from verifying whether the purchases were made through a valid state contract.

Recommendation 15 – Capital Assets

The Board should ensure that a complete physical inventory for all District assets is taken to establish a correct, current inventory record. Thereafter, acquisitions, dispositions and transfers of assets should be recorded, in accordance with the District's policy.

Status of Corrective Action: Partially Implemented

Observations/Findings: The District's capital asset policy requires that an annual inventory be taken and reconciled with the property records on file. District officials informed us that an outside vendor performed a physical inventory in September 2009 and provided a completed report in November 2009, which we reviewed. However, acquisitions and dispositions of assets are not being recorded timely. District staff indicated that the software program in which these records are maintained is not working. In December 2009, District officials indicated that the District has purchased a new asset management software program to maintain its inventory records, and that five employees have been trained in the use of this new software.

Recommendation 16 – Capital Assets

The Board should update its capital asset policy with procedures to ensure the timely and accurate reporting of all dispositions and transfers of fixed assets.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed the capital asset policy adopted July 3, 2008, the most recent policy available. Although the District's capital asset policy continues to require that acquisitions and disposals be recorded monthly, procedures have not been developed to assure that all dispositions and transfers of fixed assets are reported in a timely manner.

Recommendation 17 – Capital Assets

Physical inventories should be conducted annually, in accordance with the District's policy, and the results compared with the capital asset records. Any differences should be promptly investigated and resolved.

Status of Corrective Action: Partially implemented

Observations/Findings: The District has not had a complete physical inventory taken since 2006. District officials stated that they have purchased a new asset management software program and are in the process of updating the District's database for its fixed assets inventory. A complete physical inventory was performed by an outside

vendor in September 2009 and the District has designated an individual to be responsible for the maintenance of its inventory records.

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 Jeffrey 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. Mr. Kenney Aldrich, Assistant Superintendent for Business
Ms. Carmen Ouellette, District Clerk