



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

STEVEN J. HANCOX
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

January 14, 2010

Warren A. Meierdiercks, Superintendent
Members of the Board of Education
Sewanhaka Central High School District
77 Landau Ave.
Floral Park, NY 11001

Report Number: 2007M-198-F

Dear Mr. Meierdiercks 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 Sewanhaka Central High School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report, dated October 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 Sewanhaka Central High School 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 progress in implementing our recommendations. Of the eight audit recommendations, four recommendations were fully implemented and four recommendations were partially implemented.

Recommendation 1 – Professional Service Contracts

District officials should ensure that District personnel use the request for proposal (RFP) process or other forms of competitive vendor selection, as required by the procurement policy, to procure professional services for the District.

Status of Corrective Action: Partially implemented

Observations/Findings: While District officials solicited competition for only one of five professional services reviewed for the 2007-08 fiscal year, the District took steps to implement an RFP process in accordance with the District's purchasing policy during the 2008-09 fiscal year. During 2007-08, District officials only solicited competition for one

of four services that we reviewed. However, during 2008-09, District officials procured insurance services and the services of the accountant/Treasurer by soliciting competition, and obtained advertising services under a BOCES¹ contract. During both fiscal years, District officials procured the services of a security firm and special education provider without soliciting any competition.

By following procurement policies and procedures, District officials can better ensure that goods and services that are purchased are of the best quality at the most economical price.

Recommendation 2 – Written Contracts

District officials should enter into written contracts with all service providers, clearly describing the services to be provided and the basis for compensation.

Status of Corrective Action: Partially implemented

Observations/Findings: Of the five service providers we reviewed, four providers had written contracts. One provider was appointed by Board resolution and but there was no corresponding written contract covering the provision of the services.

Recommendation 3 – Board Approval

The Board should approve all contracts for professional services.

Status of Corrective Action: Partially implemented

Observations/Findings: We reviewed five professional service contracts and found four of the five services were Board approved. The fifth service provider, an advertising agency, was paid a total of \$40,283 for 2007-08 school year without retaining Board approval. For the 2008-09 fiscal year, the District obtained advertising services under a BOCES contract, which was Board approved.

Recommendation 4 – Comprehensive Computer Security Policy

District officials should develop and the Board should adopt a comprehensive computer security policy addressing the proper use of computer resources, complexity requirements for secure passwords, system managers' duties and restrictions in accessing computer applications, user access to network resources and applications, Internet use by District employees, remote access to computer resources, emergency procedures, and off-site storage of backup data.

Status of Corrective Action: Fully implemented

Observations/Findings: The District officials developed a comprehensive computer security policy which was adopted by the Board in October 2009.

¹ General Municipal Law allows the District to participate in a BOCES contract that was awarded after requesting public bids.

Recommendation 5 – Disaster Recovery Plan

The District should develop a disaster recovery plan and implement policies and procedures to strengthen internal controls for off-site computer data storage and disaster recovery.

Status of Corrective Action: Fully implemented

Observations/Findings: The District has developed a disaster recovery plan and implemented policies and procedures to strengthen internal controls for off-site computer data storage. The policy was adopted by the Board in October 2009.

Recommendation 6 – Server Room Security

The server room should be located in a secured location and protected from environmental hazards such as climate, fire, and water.

Status of Corrective Action: Partially implemented

Observations/Findings: We examined the server room and found that although most of the security concerns were addressed by the District, there are still unresolved issues. The District has locked the server room and equipped it with a fire extinguisher and air conditioner. Although the District has taken steps to mitigate the risk of water damage by installing water sensors in the server room, the servers are still located in close proximity to water pipes.

Recommendation 7 – Financial Software Administrator

The duties of the financial software administrator and the senior accountant, who is also responsible for accounting functions, should be segregated.

Status of Corrective Action: Fully implemented

Observations/Findings: The Director of Technology is now the financial software administrator and network administrator. We reviewed the senior accountant's user permissions and found she does not have administrative rights in the financial software.

Recommendation 8 – Disposition of Land and Building

District officials and the Board should ensure that financial transactions related to disposition of capital assets are accounted for and reported on the District's financial statements.

Status of Corrective Action: Fully implemented

Observations/Findings: In May 2009, the Board adopted a fixed asset policy regarding the capitalization, control and the disposition of all capital assets. According to the Assistant Superintendent for Finance and Operations, the District now monitors the disposition of capital assets and adjusts its financial statements for disposed assets in a timely manner. We reviewed the District's financial statements for June 30, 2007, and

found the values of land and buildings had been adjusted to reflect the disposition of the capital assets.

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 the Hauppauge Regional Office, at (631) 952-6534.

Sincerely,

Steven J. Hancox
Deputy Comptroller
Division of Local Government
and School Accountability

cc: Ms. Maureen Kenney/Assistant Supt. for Finance and Operations
Ms. Joanne Cunningham, District Clerk