

BETHPAGE UNION FREE SCHOOL DISTRICT
Board of Education

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June 24, 2008

Attention: Mr. Jeffrey P. Leonard, CPA
Chief Examiner of Local Government and School Accountability
Office of the State Comptroller
New York State Office Building
Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Subject: State Comptroller's Audit Observations and Recommendations for Bethpage UFSD, Response from District

Dear Mr. Leonard,

The Board of Education for the Bethpage Union Free School District, along with the Superintendent of Schools, and the entire Bethpage community are deeply appreciative of the audit which was recently conducted by the Office of the State Comptroller. The audit team assigned conducted themselves in a highly professional manner and was extremely thorough in the review of the District's documents and records. The field work conducted and the audit report's observations and recommendations, as found in the subject audit report, have provided a most valuable service to the Bethpage community.

We are pleased with the overall results of the Comptroller's audit. Given the scope and magnitude of the audit, the areas of criticism are quite limited and easily addressed. It is especially heartening to note that no wrongdoing, fraud, waste and/or abuse was found or even suggested by the audit team. Having been part of and/or affiliated, in some capacity with the Bethpage School District for many years, it is reassuring, though not surprising at all, that this report bears out and validates the honesty and professionalism of our very hard working and diligent employees.

RESPONSE TO RECOMMENDATIONS:

While the Bethpage Union Free School District duly accepts the audit recommendations as delineated within the subject audit report and pledge to continue to take the necessary and needed actions to improve upon the District's internal controls and operations, we firmly believe that the following clarifications are in order:

Recommendation # 1

The School District concurs with the State Comptroller's recommendation that the utilization of the Request for Proposal (RFP) process is an appropriate way of comparing costs/fees in the pursuit of obtaining professional services. Indeed, the district has utilized the RFP for procuring a host of professional services. The District will continue to utilize this process, but more extensively in the future. We do note, however, the use of RFPs is not a requirement under General Municipal Law. GML 104-b states that "professional services" must be "procured in a manner so as to assume the prudent and economical use of public monies in the best interest of the taxpayers."

Nevertheless, please be aware that the Board of Education is currently completing a review of revisions to the District's procurement policies which address the procurement of professional services and the use of the RFP process. It is anticipated that the Board of Education will vote on the adoption of said revisions at the District's upcoming Re-Organization Meeting.

Recommendation # 2

The School District concurs with the State Comptroller's recommendation that the Board of Education should revise its existing Internal Claims Auditor Policy #1334 (Appointment and Duties of the Internal Claims Auditor) so as to more appropriately reflect the responsibilities of the Internal Audit Function and Claims Auditor position. Notwithstanding the above, it should be noted that at the District's Re-Organization Meeting held on July 11, 2006, the Board of Education abolished the Internal Claims Auditor position, created the position of Claims Auditor and appointed a duly qualified individual as Claims Auditor.

In addition, please be aware that the Board of Education is currently completing a review of a new policy regarding the Claims Auditor as well as a new policy regarding the Internal Audit Function. The updated policies (#1334-A Internal Auditor Function and #1334 Appointments and Duties of the Claims Auditor) include language that will address the observation and recommendation as outlined in the audit report. It is anticipated that the Board of Education will vote on the adoption of these policies at the District's upcoming Re-Organization Meeting.

Recommendation # 3

After soliciting proposals through a RFP process, effective July 11, 2006, the Board of Education appointed the accounting firm of Nawrocki, Smith, LLP, as the District's Internal Auditors. They, in fact, perform all the duties of an Internal Auditor, as required by law. The firm of Nawrocki, Smith, LLP report directly to the Board of Education, and as such, they are independent of both the Claims Auditor (who also reports directly to the Board) and any other District-related Business Office function. The Claims Auditor does not function as the District's Internal Auditor, nor does the Claims Auditor perform any other Business Office-related functions and/or activities. It is the responsibility of the Internal Auditors to audit bank statement reconciliations and monthly Treasurer Reports, as well as permission for privileges regarding access to the District's financial software. Any review performed by the Claims Auditor, in the aforementioned regard, is supplemental to the Internal Auditor's review and is performed at the expressed direction of the Board of Education.

We do not believe that conducting payroll verifications is beyond the Claims Auditor's responsibility. The Claims Auditor reviews all claims, including payroll, made against all of the District's funds. She is, in fact, certifying that an actual individual person has provided proof of identification and signed for receipt of the check. Therefore, we consider payroll verifications as a part and/or extension of the overall claims process. Nevertheless, the District's Internal Auditors have in the past conducted a risk review and report of the District's payroll process.

Recommendation # 4

The School District concurs with the State Comptroller's observation that a clerical error had allowed the use of the same sequential check numbers for both direct deposits and payroll checks during one particular and specific payroll cycle. However, it should be noted that the District's Business Office management became aware of the error immediately, and, in fact at that specific time, took necessary steps so as to contain and correct the one-time error made.

The Business Office management had considered various options when the error occurred and it was decided to allow the process to continue in as much as the error had no impact on the financials and/or the bank reconciliations. Immediately and subsequent to the occurrence, the Business Office's practices and procedures were changed to prevent this error from ever occurring again. At the time of the instant audit, the District Business Office staff fully discussed and explained to the Comptroller's auditors the specific circumstances relating to the clerical error and corrective measures were taken. Notwithstanding, we do agree that the additional step of maintaining a log may provide an additional measure whereby we might forestall an error of this type from recurring. We will, therefore, institute the recommended procedure immediately.

It is our intention that the District will file its corrective plan within 90 days, as requested.

In summary, the Board of Education on behalf of the residents and staff of the Bethpage Union Free School District wish to thank the office of the State Comptroller for their work and effort, given through the audit process, in safeguarding the taxpayer's funds. We again appreciate the depth of your review and duly accept the constructive comments and recommendations as put forth by the State Comptroller's audit team.

Again, we are most pleased that nothing within this audit has indicated any malfeasance, wrongdoing, waste, fraud, mismanagement and/or abuse is taking place. To the contrary, the District can point with pride and confidence that the District's staff and organization performs and operates only at the highest levels of professionalism, integrity and honesty.

Sincerely,

Michael J. Kelly
President
Board of Education

cc: Dr. Richard Marsh, Superintendent of Schools