
**Blind Brook-Rye Union Free School District
School Business Office
390 North Ridge Street
Rye Brook, New York 10573**

TO: Bill Stark

FROM: Jon Ross

RE: **INTERNAL AUDIT: Agreed Upon Procedures Report
Corrective Action Plan - Special Education Financial Operations**

DATE: 3/18/09

Per engagement letter with the Board-appointed internal auditors, Coughlin Foundotos, Cullen & Danowski, LLP (CFCD), they conducted an analysis of the District's internal controls and procedures for financial operation of its special education program for the period April 1, 2008 to October 31, 2008. The results of their study are contained in the enclosed report booklet.

I am pleased that the audit study went very well. Below is the corrective action plan details relative to the four recommendations listed in the report dated March 4, 2009.

Recommendation 1: *We recommend the Business Office review all potential liabilities at year end and accrue costs as required under Generally Accepted Accounting Principles.*

The auditors are highlighting the fact that occasionally there are outstanding liabilities at the end of a fiscal year as a result of pending special education stipulations. It is frequently difficult to determine the extent of liability and may even be unwise in instances where negotiations are still pending. While we understand the recommendation and what Generally Accepted Accounting Principles are, estimating these costs may be difficult therefore making it impossible to accrue them as recommended. Be this as it may, the business official and director of pupil services will meet to discuss outstanding liabilities in early June and make the necessary encumbrance(s) when the potential to do so exists. Note that these are not typical occurrences but during the testing period two instances did arise.

Recommendation 2: *We recommend that a standard spreadsheet be developed to accumulate costs and calculations for each individual (special education) student educated in the District. Each entry should be labeled so that the amounts can be verified by a reviewer.*

The director of pupil services will develop and/or use a standard spreadsheet to itemize and aggregate costs related to each student for which a STAC filing is made. This instrument will clearly list all costs submitted to the STAC unit and provide any back-up necessary to verify the legitimacy and accuracy of the claimed expense.

Recommendation 3: *As part of an internal control structure, all significant transactions should be reviewed by a second person. We recommend that once the STAC calculations are prepared, a qualified member of the Business Office should review the calculations for completeness and accuracy.*

Effective immediately, the school district treasurer will review all calculations made on STAC forms and the spreadsheets used to determine STAC costs. No STAC shall be submitted until the treasurer signs off that the calculations were reviewed and are accurate. In the instance(s) where the treasurer may not be available to make the necessary review(s) the business official shall serve as reviewer. In either case, the reviewer will sign the spreadsheet acknowledging that the review is complete.

Recommendation 4: *We recommend that the annual worksheet of salary and benefit costs be tested by recalculating several employees from different categories to ensure the calculations are accurate prior to these costs being in the STAC calculations.*

The salary and benefits calculations are made by the business official. Effective immediately the business official will ensure that the treasurer verifies the accuracy of these costs before they are used in establishing STAC calculations. In the business official's absence the treasurer shall make these calculations and the payroll clerk shall serve as the verifier. In either case, the reviewer will sign the spreadsheet acknowledging that the review is complete.

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If you have any questions please let me know. I will forward a copy of the report and this memo by mail to Peter Jensen and Alain Oberrotman, community members on the District's audit committee.

Enclosure

Copy to: Board of Education
Audit Committee Members
Eugene Wolotsky
Cathy Lynch