

AUDIT COMMITTEE INTERVIEW WITH OSC AUDITOR

According to state comptroller DiNapoli, the purpose of school audits is to help deter fraud, expose fraud where it exists, and point out best practices in districts that are well run.

A state comptroller's audit team conducted an audit of the Blind Brook School District's internal controls over purchasing for the period 7/1/07 to 9/4/08. The audit team was present on Blind Brook property from 9/4/08 to 12/10/08, a period of more than three months. Their audit consisted of a review and analysis of much more than just internal controls over purchasing. They also examined all school board policies pertaining to business operations, board meeting minutes, employment contracts, financial reports including the annual external audit report and financial statement as well as all internal audit reports, claims audit procedures, time and pay sheets, and the use of the district's financial management software. The auditors interviewed many district employees and applied methods and procedures typical of those used in a forensic audit.

The final report issued by the comptroller's regional office summarizing their findings concludes with one recommendation: **review and revise the board procurement policy to ensure it is in compliance with General Municipal Law**. The district's response contained in Appendix A of the report outlines those actions already in place to address this recommendation and the district's position with respect to matters highlighted therein.

At the end of the audit an exit conference was held with the District's audit committee. The following questions were asked of the OSC field auditor-in-charge and he responded with either a yes or no answer.

1. During the course of your examination of the Blind Brook-Rye UFSD did you uncover any instance of fraud?
No
2. During the course of your examination of the Blind Brook-Rye UFSD did you uncover any instance of malfeasance?
No
3. During the course of your examination of the Blind Brook-Rye UFSD were you able to ascertain that the school district is in compliance with the five-point plan?
Yes
4. During the course of your examination of the Blind Brook-Rye UFSD was the business office appropriately staffed?
Yes
5. During the course of your examination of the Blind Brook-Rye UFSD did you observe that appropriate internal controls were in place?
Yes
6. During the course of your examination of the Blind Brook-Rye UFSD were business duties appropriately segregated?
Yes
7. During the course of your examination of the Blind Brook-Rye UFSD did you notice any red flags that you want to tell us about?
No
8. Do you believe that taxpayer resources are appropriately safeguarded at Blind Brook?
Yes
9. Does the business office employ any best practices of noteworthiness?
Yes
10. Does the Blind Brook-Rye UFSD Board of Education set the appropriate leadership tone?
Yes

This audit report provides evidence to the Board of Education of the Blind Brook-Rye School District that its school business office operates in accordance with board policies and regulations in a professional manner and commends all employees throughout its school system for their commitment to due diligence and interest in fiscal prudence.

Date: May 12, 2009
Unit Name: Blind Brook-Rye Union Free School District
Audit Report Title: Internal Controls over Purchasing
Audit Report Number: 2008M-267

This corrective action plan (CAP) addresses the findings of the above audit issued by the Office of the State Comptroller (OSC). There is one recommendation in the report and it relates to the Blind Brook-Rye Board of Education procurement policy.

Audit Recommendation 1:

The Board should review and revise the District's procurement policy to ensure it is in compliance with GML, and the purchasing agent should ensure that the District complies with the procurement policy. The policy should include guidance on:

- Competitive bidding, including identifying bidding thresholds, addressing aggregate purchases, and specifying documentation requirements to justify purchases, such as sole source purchases, that are exempt from competitive bidding;
- Professional services, including detailed guidance on the use of RFPs; and
- Competitive quotes, including detailed guidance on obtaining multiple written and verbal quotations when competitive bidding is not required.

Before addressing this recommendation I wish to provide a perspective on the matter of school board policies. The Blind Brook school community understands that policies are developed to provide a framework from which the successful, consistent, and efficient operation of our schools is realized. It is commonly understood that policies are the means by which a school board leads and governs its school district. By contrast, administrative regulations differ from policies in that they are generally more detailed directives developed to implement the board's policies. Policies give overall direction and goals for the district, whereas regulations give specific orders and procedures to be followed to move in that direction and attain those goals. Blind Brook school administrators and other employees, while cognizant of all board policies, normally use regulations as a frame of reference to guide them in the practices of fulfilling their duties.

Implementation Plan of Action:

The OSC field auditor-in-charge was informed by the district's Business Official that while all business/non-instructional board policies had been recently reviewed and re-adopted by the Blind Brook-Rye Board of Education on October 20, 2008, the district was waiting to receive a set of draft administrative regulations from Erie 1 BOCES that would provide a detailed set of operating procedures. Two weeks after the audit concluded the District received these regulations and the specific purchasing regulations were reviewed, revised, and eventually adopted by the Board of Education on February 23, 2009. The purchasing regulations are:

5410R.1 Procurement Guidelines
5410R.2 Competitive Purchasing of Goods and Guidelines
5410R.3 Criteria for Awarding Contracts to the Lowest Responsible Bidder

Each of these regulations, in conjunction with procurement policy #5410, addresses the concerns contained in the OSC report. The adoption and implementation of these regulations provides the basis for the District's corrective action plan relative to the one recommendation.

Implementation Date:

February 23, 2009 - the date that the purchasing regulations were adopted by the Board of Education.

Person Responsible for Implementation:

Jonathan Ross
Assistant Superintendent for Finance and Facilities and Purchasing Agent

Sincerely,

William J. Stark
Superintendent of Schools