

Sachem Central School District at Holbrook

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Superintendent of Schools

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Commissioner Richard Mills
New York State Education Department
Office of Audit Services
89 Washington Avenue, Room 524EB
Albany, NY 12234

Dear Commissioner Richard Mills:

We are in receipt of the RS Abrams and Company June 30, 2006 Audit of Financial Statements of the Sachem Central School District. I would like to draw your attention to the closing paragraph. "RS Abrams and Company would like to acknowledge the courtesy and assistance extended to us by the personnel of the district and also compliments the business office on their excellent financial operations during our audit". We are proud of this achievement. However, they did bring to our attention some minor opportunities for strengthening internal controls and operating efficiencies.

CASH MANAGEMENT

Investigating Old Outstanding Checks

The number of outstanding checks over one year old in our operating accounts is minimal. We have an on-going procedure in place where we attempt to contact the payee of uncashed checks. This is further complicated for bank accounts for which we utilize a third party administrator. We will continue to monitor this and make any necessary entries.

Collateral

One elementary school activity account was collateralized at 100%. This was uncovered during the district's testing of all collateral. The bank was notified that our policy mandates collateralization at 105%.

Treasurer's Report

We will continue to attach to the monthly Treasurer's Report the JJ Stanis and Company (3rd Party Administrator) Dental bank account reconciliation. These balances will also be reflected in our Trust and Agency balance account.

PURCHASING AND EXPENDITURES

Cancel Invoices and Supporting Documentation

The Internal Claims Auditor, Cerini and Associates shall be responsible for indicating that the invoices are paid and shall be signing approval on the invoices.

Confirming Purchase Orders

We will modify our purchasing policy which will allow for emergency and other justifiable confirming purchase orders.

Travel and Conference Expenditures

- (a) We will ensure when staff members attend a conference, they produce the proper documentation before reimbursement.
- (b) We will make every attempt to attain original receipts. In some instances, originals are not available, for example Long Island Railroad Tickets where originals are needed to hand to the conductor and only photocopies are available.
- (c) We will create a Travel/Conference code in the 2006-2007 school year budget.

FEDERAL GRANTS

Employee vs. Independent Contractor

We will ensure that we comply with all regulations to resolve this matter.

Bidding and Quotation Compliance

The External Auditor indicated we changed practices for purchasing paperback books.

Salaries

During the 2006-2007 school year the employees are now coded directly to the Special Aid Fund. It should be noted that the Special Aid Fund doesn't have enough funds to cover payroll, therefore, the General Fund loans money to Special Aid.

COMPUTER CONTROLS

Computer Controls Policy

The Board of Education will approve the existing Computer Control Policy.

Vendor Names

Our Pentamation Software System does not allow the user to secure a vendor name. However, the Internal Auditor, Callaghan Nawrocki LLP will be reviewing the vendor audit trail report quarterly.

Computer System Access

The computer system cannot be more restrictive for the Technology Director. Due to the nature of his position, he must have access to the accounting and payroll software. We will monitor his access.

Passwords

Passwords are stored on a file in a locked drive currently in the computer system. We will store the passwords on portable media which will be locked. We will provide security and additional log-on or one word protocol and only select employees will have access.

Vendor File Maintenance

Annually, we review our vendor file database for any additions. We have previously instituted the filing and submission of W-9's from our vendors which are mandated prior to issuance of any payment.

EXTRA CLASSROOM ACCOUNTS

Our Internal Auditors will review the extra classroom accounts quarterly to ensure they are complying with the rules and regulations of the New York State Education Department. We will continue training of the extra classroom treasurers to improve procedures for the accounts they maintain.

PAYROLL

Payroll Check Distribution

The Internal Auditors jointly with the External Auditors shall continue to perform an annual district-wide payroll distribution. We will have an administrator certify the bi-weekly payroll distribution in each location.

FISCAL ACCOUNTABILITY LEGISLATION

School Board Training

We will remind the school board members of the requirement to attend the six hour “Fiscal Accountability Workshop”.

FUND BALANCE MANAGEMENT

Workers’ Compensation Reserve

We are engaged with Actuarial Solutions Inc. to perform an actuarial study of the Workers’ Compensation Reserve.

NEW DEVELOPMENTS AFFECTING SCHOOL DISTRICTS

The Sachem School Board has appointed:

Audit Sub-Committee
Independent Auditor through RFP process
Claims Auditor through RFP process
Internal Auditors through RFP process

GASB UPDATE

Other Post Employment Benefits

We have engaged the services of Actuarial Solutions Inc. to perform this actuarial function.

We recognize that the external audit process plays an important role in the system of “checks and balances”. We accept that the comments of RS Abrams and Company, serves to strengthen our internal controls. This will further enhance the communities’ confidence in the Sachem Central School District’s financial stewardship.

If in the event you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Bruce H. Singer
Assistant Superintendent
for Business

BHS:clp

Cc: Charles J. Murphy, Ed.D.

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