ST. MARY'S

SMSD

SCHOOL FOR THE DEAF

July 22, 2009

Mr. Brian Mason
Audit Manager
New York State Office of the Comptroller
110 State Street, 11th Floor
Albany, New York 12236

Dear Mr. Mason:

We received your Final Audit Report dated May 6, 2008. In accordance with that Final Audit Report, St. Mary's School for the Deaf ("SMSD") hereby advises the Office of the State Comptroller ("OSC") what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefore.

Recommendation 1:

Comply with SED's guidance of competitive procurement of goods and services, and public works projects. Prepare written specifications for these projects.

Action: Notwithstanding the inapplicability to SMSD of New York State legal provisions and State Education Department ("SED") requirements for competitive procurement, the SMSD Board developed and implemented a Purchasing Policy that closely tracks the General Municipal Law and SED requirements for competitive procurement practices with respect to the purchase of goods and services, as well as for capital projects. SMSD has used written specifications for projects and purchases since the OSC audit, even before the development and implementation of the Purchasing Policy mentioned above.

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Recommendation 2:

Ensure the School's counsel reviews all contracts over $10,000.

Action: The Purchasing Policy mentioned above requires SMSD legal counsel to review all contracts over $10,000, and this has in fact been done since the OSC audit.

Recommendation 3:

Ensure the Board adopts a resolution prior to entering into leases.

Action: This requirement relates to a legal provision that does not apply to SMSD. Nevertheless, the Purchasing Policy mentioned above requires documentation of any analysis showing that leasing would be in the best interest of the School, and if the monetary thresholds in the Purchasing Policy are met, competitive bidding will be utilized and Board approval obtained. In any event, SMSD has not entered into any leases since the OSC audit.

Recommendation 4:

Comply with School procedures when procuring goods and services not subject to formal competitive bidding.

Action: SMSD's new Purchasing Policy provides requirements and procedures for procuring goods and services not subject to formal competitive bidding. Since the development and implementation of the Purchasing Policy, the School has followed the established procedures.

Recommendation 5:

Disclose all less-than-arm's length transactions to SED.

Action: In the past, SMSD has disclosed less-than-arm's lengths transactions to SED, and this was noted in the OSC's audit reports. Since 2006, SMSD's Conflict of Interest Policy has gone beyond what is required by New York law and prohibited less-than-arm's length transactions, whether disclosed or not.

Recommendation 6:

Require the Board to monitor the School's compliance with policies and procedures.

Action: The SMSD Board of Trustees monitors the School's compliance with policies and procedures. The Board has been advised of its oversight responsibilities and has taken an active role in the revision and oversight of the School's policies and procedures since the OSC audit. A special committee of the Board has been reviewing and revising the Board's bylaws and policies/procedures, which are then in turn adopted by the entire Board. Established committees of the Board (e.g., Executive, Personnel, and Finance) are also involved in oversight of School compliance with policies and procedures.

Recommendation 7:

Develop criteria defining major purchases and create dollar thresholds for what should be reviewed by the committee. Once the threshold is established have the Board document all reviews.

Action: As noted above, SMSD developed and implemented a Purchasing Policy that, among other things, developed criteria defining major purchase and created dollar thresholds for what should be reviewed by the Board or a committee thereof. These thresholds track the thresholds contained in the General Municipal Law, notwithstanding the inapplicability of the law's requirements to SMSD.

Recommendation 8:

Repay the $30,395 in State funds used for fundraising purposes and ensure State funds are not used for fundraising activities in the future.

Action: SMSD continues to disagree that all of the $30,395 at issue had any relation to fundraising. However, as stated in Comment 7 of the OSC Final Audit Report: "Our report does not address the timing or details of any process the School should follow to refund monies to SED for ineligible costs that were reported to and reimbursed by SED. The School should resolve this matter with SED officials." SMSD continues to discuss this matter with SED officials with responsibility for the reimbursement of funds expended by Education Law 4201 schools. While no final resolution of the matter has been requested by SED or agreed upon by SMSD at this time, engaging in the ongoing process complies with the OSC recommendation and comment.

Sincerely,

Timothy M. Kelly

Timothy M. Kelly
Superintendent