

COMMISSIONERS

JOSEPH CANDELLA, CHAIRMAN

JACK ROSE, JR., SECRETARY

IRVING J. KAMINETSKY

HARRY BELTRANI

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PHILIP MISTERO, SUPERINTENDENT

GEORGE PAPPAS, ASSISTANT SUPERINTENDENT

SANITARY DISTRICT NO. 1
TOWN OF HEMPSTEAD
BAY BOULEVARD - P.O. BOX 342
LAWRENCE, NEW YORK 11559-0342

March 27, 2007

PLAN OF CORRECTIVE ACTION

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March 27, 2007

Mr. Frank J. Houston
Office of the State Comptroller
Division of Municipal Affairs
123 William Street
New York, New York 100038-3804

Re: Report 2005-S-69

Dear Mr. Houston:

PLAN OF CORRECTIVE ACTION

INTRODUCTION

The Board of Commissioners wishes to express its appreciation to the Office of the New York State Comptroller for the thoroughness of the audit and the opportunity to work in a cooperative effort with audit staff. We welcome the experience and the knowledge that the audit staff brought to our management team at Sanitary District #1. While we disagree with the characterizations of our motives in the Report and the comparisons made to districts which do not have the same superior service provided to our residents, we trust that you will find this Plan of Corrective Action acceptable as we strive to improve and maintain strong financial management over the costs of operating this sanitation district.

As we have noted in our response to the Preliminary Report dated October 23, 2006 and included in your Final Report as Appendix A, there is no justifiable comparison with other districts in Nassau County since the other districts are mere "collection" districts, while Sanitary District #1 is a much more complex operation with a recycling facility, rear door service and service to landscapers and gardeners. The other districts simply pick-up at curbside.

Finally, we find it reassuring that you have been able to account for all funds of the district during the audit period without the citation of any defalcation by anyone in the employ of the district, nor the report of any violation of law. These facts alone are significant;

nevertheless, we believe this plan of corrective action is essential to our continued success in managing district matters and in heightening the resolve of our staff to continue to improve.

Recommendation #1

Reduce the level of benefits provided to Board members to a level consistent with similar districts.

Plan of Action

As indicated in the District's response to the preliminary audit report, the Board adopted a Resolution on October 18, 2006, limiting Board members first elected after July, 2005 to a maximum of \$50,000 of life insurance. Since that time, the Board has revisited the life insurance issue and has determined that it will pass a resolution limiting Board member District premium payments to \$50,000. face value, allowing any Board member with present coverage exceeding such sum to continue coverage upon payment for the excess premium cost.

Recommendation # 2

Reduce the compensation and benefits provided to top management to a level consistent with similar districts.

Plan of Action

As indicated in the District's response to the Report, the compensation and benefits provided to top management personnel will be reduced as vacancies occur. At this juncture, a vacancy in the position of General Supervisor/Assistant Superintendent was recently filled at a salary of \$27,000, less than the retiree. For your information, the former occupant of this position served the District in various capacities for over forty (40) years before attaining the salary to which your office objected. Similar managerial changes in compensation have also occurred this month, due to retirements effecting cost savings of \$22,000 annually in managerial salaries. In addition, the District will pay life insurance premiums for such personnel to a maximum of \$50,000 policy face value. Other management and administrative personnel with existing 75,000 face value life insurance will be carried at that level until separation from service. For your information, the District Superintendent's salary has been frozen at the 2006 annual compensation level, despite the fact that his responsibilities are far greater than those in a "collection" district. With regard to your critique of the Treasurer's benefits, you should be advised that he has rejected fringe benefits effective January 1, 2007 of health insurance, life insurance, dental and optical coverage provided to all employees in an effort to assist in funding the salary for a second fiscal person which your office recommended. (See Recommendation # 4, infra.)

Recommendation # 3

Discontinue the practice of treating the current part-time attorney and accountant as employees and contract for these services as needed.

Plan of Action

The District's General Counsel and the Treasurer have been serving the district for thirty-four (34) years and twelve (12) years respectively as employees, which is the basis on which they were originally engaged. Numerous other municipal entities treat these positions similarly, which procedure is in keeping with the law. There was never a question raised in the Report as to need and the implication in the recommendation raising this issue is unjustified. In addition, the Treasurer's declination of fringe benefits virtually makes him equivalent to a contract provider, except for participation in the retirement system.

Recommendation # 4

Hire a full-time fiscal officer with the appropriate knowledge and training to oversee the District's fiscal operations on a day-to-day basis.

Plan of Action

The Audit recognizes that the District has "a small number of office staff" to perform fiscal oversight tasks and recommends hiring an employee to fill this requirement. The District will implement this recommendation and has already sought the Nassau County Civil Service list for the position of Senior Account Clerk with the intention of hiring either a full-time or part-time person with the knowledge and training to oversee the District's fiscal operations on a day-to-day basis and cross-check with the Treasurer.

Recommendation # 5

Maintain documentation in support of promotions and/or discretionary raises granted to non-union personnel.

Plan of Action

The Board of Commissioners always has sought evaluations of personnel when any action was undertaken with regard to promotions or discretionary raises. While these historical exchanges with top management were often in the form of a verbal report, the Board recognizes the need for written documentation. Accordingly, evaluation forms have been prepared and are now in use in the district. In addition, the Board has required an annual review and evaluation of all personnel which management expects to complete for this year in November, 2007.

Recommendation # 6

Comply with the CSC rules regarding submission of information related to promotions and pay scale changes.

Plan of Action

All promotions and pay scale changes are subject to the approval of the Civil Service Commission by law. The District always has strived to comply with this requirement and will continue to reinforce this goal with management.

Recommendation # 7

Discontinue funding insurance coverage for ineligible individuals.

Plan of Action

The Board of Commissioners has implemented a requirement for semi-annual verification of eligibility requirements for all present and former employees of the District. Every six (6) months the roll of covered individuals will be reviewed and re-verified before payment is made to the appropriate carrier. This will aid in preventing errors or mistakes, and employment of the new Senior Account Clerk will assist in this process. During the interim, the new General Supervisor will review the rolls with the clerk assigned to the task, and the Treasurer will report the findings to the Audit Committee at its next meeting.

Recommendation # 8

To the extent possible, recover the cost of erroneous insurance payments from the affected insurance companies and/or individuals, as appropriate.

Plan of Action

The District agrees with this recommendation fully and has already received either credits from the Health Insurance Program, or has entered a repayment agreement with one remaining former employee where premiums were erroneously paid. All documentation regarding this matter previously has been supplied to the Office of the Comptroller.

Recommendation # 9

Establish procedures to ensure fringe benefits are provided to only eligible individuals.

Plan of Action

Once again, the Board of Commissioners agrees completely with this recommendation and as noted in the plan of action pursuant to recommendation # 7, has implemented a temporary plan of remediation pending the employment of the Senior Account Clerk.

Recommendation # 10

Seek competition for all goods and services in excess of \$10,000.00.

Plan of Action

The District now has a policy of checking all purchases against all state contracts before a purchase is made. While the District maintains it has been in compliance with the requirements of the General Municipal Law, the Board of Commissioners concurs that items should be grouped for the purposes of determining whether the threshold for public bidding will be exceeded. Groups of items can then be advertised pursuant to a requirements contract based on past experience. If biennial bidding is employed (e.g. for truck parts of different types), this will ensure that the District is securing the lowest responsible bid. In this connection, the Board will seek to advertise in the local paper as well as trade journals if available, and a paper of general circulation to encourage maximum participation.

Recommendation # 11

Use State procurement contracts whenever available and economically feasible.

Plan of Action

See the District's Plan of Action # 10.

Recommendation # 12

Broaden advertising for contract opportunities by posting notices in trade publications and newspapers with a wide public circulation.

Plan of Action

See the District's Plan of Action # 10.

Recommendation # 13

Solicit competitive proposals for professional services, including insurance, legal and

engineering.

Plan of Action

As stated in the response to the preliminary audit report, the engagement of individuals and professional entities for legal and engineering services are exempt from statutory bidding requirements because they require special skill and training. Zack Assoc., Inc. v. Setauket Fire Dist., 12. A.D. 3d 439 (2nd Dept. 2004); Giustino v. County of Nassau, 306 A.D. 2nd 376 (2nd Dept. 2003). As a matter of fact, according to one case, it would be “an unreasonable and mischievous construction of the statute ... to apply it to services requiring professional skill...” Goodwin Kent Inc. v. Broom County 107 Misc. 2d 722, 435 N.Y.S. 2d 1011 (Broom Co., 1981). So too are insurance services Surdell v. City of Oswego, 91 Misc. 2d 1041 399 N.Y.S. 2d 173 (1977). Nonetheless, the Board of Commissioners, to demonstrate its desire for sound judgments regarding the insurance protection of public assets and the integrity of employee benefit packages, will authorize a request for proposals for the 07-08 insurance package to determine if there is a more beneficial and cost effective program available..

Recommendation # 14

Maintain records for each procurement that document the date and time that each bid is received, as well as the date, time and attendance of each bid opening.

Plan of Action

This recommendation has consistently been the practice of the District. As required under Section 103 (2) of the General Municipal Law, the Board of Commissioner’s designee “shall make a record of such bids ...” and present the same at the next regular or special meeting of the Board. The Board of Commissioner’s subscribes to this recommendation and its statutory duty fully and understands the necessity for a public agency to document its bid openings and awards. All such bid packages now will be organized chronologically and indexed by bid type and vendor. The new General Supervisor has been charged with this record maintenance responsibility.

Recommendation # 15

Evaluate the security vendor’s compliance with contract terms, as well as the overall need for security services.

Plan of Action

The experience of management with the security services provider is different than that reported by the audit staff. Multiple random checks have not revealed a lapse in security. Once again, however, the Board of Commissioners shares the auditors concern

for verification and has ordered a number of time-clock posts for installation on District property which can easily be checked to determine the date and time each site was visited. This data will also serve as a permanent record of adherence to contract terms since it will be capable of generating a computer printout of all site visits. The Board believes that protection of the assets of the District from fire, theft and vandalism mandates a prudent use of security after the close of business.

Recommendation # 16

Ensure independent financial audits are conducted on an annual basis, and include the 2004 and 2005 calendar years within the scope of future audits.

Plan of Action

There have been annual audits by an independent auditor for the entire history of the District. The 2004 and 2005 audits were recently completed by the firm R.S. Abrams & Co., LLP. The 2004 audit was delayed due to the presence on site of the Nassau County Comptroller's staff which was performing its own audit thereafter followed by the New York State Comptroller. Both of the Abrams' audits have been reviewed by the Board of Commissioners. The same firm has also been engaged for the 2006 audit which will be completed in the Spring. In addition, as stated in the response to the preliminary audit report, the District has empanelled an audit committee with the composition cited therein. This committee will meet quarterly and submit its report to the Commissioners after each meeting for appropriate action.

Recommendation # 17

Correct the previous quarterly tax filings to properly reflect taxable fringe benefits and uncollected employment taxes thereon.

Recommendation # 18

Correct and reissue Federal W-2 forms to properly account for the taxable fringe benefits of Board members and other staff.

Plan of Action for Recommendations # 17 & 18

These recommendations will be followed in accordance with applicable Federal and State laws and regulations.

Recommendation # 19

Recover salary overpayments identified in this report.

Plan of Action

The minor clerical errors made in salary for contract employees have been adjusted against accumulated leave and there are no recoveries required.

Recommendation # 20

Perform a comprehensive review of employee accrual records to identify inaccuracies and resolve resulting incorrect payments.

Plan of Action

The Board of Commissioners endorses this recommendation and is desirous of obtaining assurance as to the accuracy of accrual records. Initially, a review of employee accrual records has been undertaken by office staff under the supervision of the Superintendent and no additional errors have been found. Nevertheless, the independent auditor has been specifically asked to look at current accumulations and report any inconsistencies in his 2006 engagement. This resolution was passed at the February 21, 2007 meeting of the Board.

Recommendation # 21

Ensure the accuracy of vehicle information recorded on the District's computerized scale system.

Plan of Action

The Board of Commissioners agrees that re-certification of the original application information provided by contractors dumping at the District facility should be performed on a periodic basis to ensure accuracy. To this end, the General Foreman has been tasked to review all computerized data, re-weigh all patron vehicles semi-annually (empty) and cross-check computer weights and applications. Discrepancies are to be brought to the attention of the Superintendent and reported to the Board for appropriate action.

Recommendation # 22

Establish immediate accountability for all funds collected and ensure all receipts are deposited into the bank and recorded on the accounting records daily.

Plan of Action

The Board of Commissioners agrees that no-one person should have responsibility for fiscal oversight and management and that there should be an additional individual on staff to provide day-to-day verification of expenditures, accruals and cash receipts. Among

other things, this would effectively separate purchase authorization from check writing. As noted in the response to the preliminary audit, and acknowledged at the October conference with New York State auditors, all funds, in fact, have been accounted for and deposits are being made and recorded daily without exception. These practices will continue to be monitored and reported by the Superintendent to the Board monthly.

Recommendation # 23

Provide administrative staff with the training necessary to competently perform their assigned tasks.

Plan of Action

This recommendation has received the unanimous support of the Board of Commissioners, as it reinforces previous policies of the Board to encourage in-service training as much as possible. In addition, the Superintendent has been asked to determine the nature of training that may be necessary and submit a recommendation to the Board for possible engagement of an independent contractor to conduct specific and appropriate programs to remedy any perceived deficiencies. Moreover, as recommended by your office, (Recommendation # 28), NYSLRS has been contacted as well as your own office to seek additional training opportunities. In this connection, we are pleased to advise that arrangements are being made to send one person to the Basic Accounting School lectures offered by your office on April 10 – 12, 2007, and the General Supervisor/Assistant Superintendent and the Treasurer will attend the Advanced Accounting School seminars on September 25 – 27, 2007.

Recommendation # 24

Maintain a signed form for each employee who elects not to join the NYSLRS.

Recommendation # 25

For elected and appointed officials, determine the service credits to be reported based upon the number of hours actually worked.

Recommendation # 26

Maintain a record of activities for a period of one month for each elected/appointed position that accurately reflects the District activities. Periodically update this record.

Recommendation # 27

Where appropriate, file an adjustment with the NYSLRS to accurately reflect retirement

service credits earned for District employees. Contact the NYSLRS Report Control Unit for assistance in addressing this issue.

Plan of Action for Recommendation #'s 24 through 27)

As stated in the Response to the preliminary audit report, these recommendations now have been implemented and sample month information has been supplied to elected/appointed personnel who are not Tier 1 with the expectation that the sample months will be received by the end of March, 2007. The sample month data will be maintained in the personnel file for each such person and will be required annually. Adjustment forms have been transmitted as necessary.

Recommendation # 28

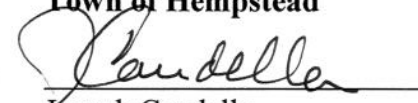
Seek additional training opportunities with the NYSLRS to assist in proper reporting procedures.

Plan of Action

See Plan of Action for Recommendation #23.

Very truly yours,
Sanitary District # 1
Town of Hempstead

By:



Joseph Candella
Chairman
Board of Commissioners