



**By Email and Hand Delivery**

Marjorie Landa  
Deputy Comptroller  
Bureau of Audit  
The City of New York Office of the Comptroller  
1 Centre Street  
New York, NY 10007-2341

June 7, 2016

**Re: Audit Report on the Bedford Stuyvesant New Beginnings Charter School - MJ15-094A**

Dear Deputy Comptroller Landa:

On behalf of Bedford Stuyvesant New Beginnings Charter School (“BSNBCS”), I am thankful to you and your staff for the effort and diligence you exercised in completing the above-referenced audit. We take great pride in the stellar education we have provided to our students since we opened our doors in 2010, especially as we prepare to graduate our first class this month. Your audit has been helpful to us in identifying important areas of focus as we continue to grow and improve our school in order to best serve our students and our community.

At the same time, we are compelled to point out some aspects of the report and recommendations with which we disagree. In line with convention, we have attached detailed responses to each of the audit report’s recommendations. Our responses are divided into three categories:

- Recommendations with which we agree;
- Recommendations with which we agree in principle, but are unnecessary in light of current practice; and
- Recommendations with which we disagree.

In addition, we have two overarching general responses to the report.

First, many of the report’s recommendations and purported issues of concern focus on policies and practices under BSNBCS’s prior administration, which BSNBCS has since addressed. Following the end of the audit scope of June 30, 2014, and prior to the commencement of your audit in November 2014, the school had undergone a number of changes, many of them in line with the recommendations that are suggested in your audit report. Indeed, on numerous occasions over the course of the audit process, your staff commended the school’s administration and trustees on the improvements that we made to the school in recent years. Relying on statements that your audit report would take into account the current state of the school in addition to the school’s condition during the audit period, we responded to your requests for information that fell outside of the temporal scope of your audit.



We are therefore disappointed that your report does not acknowledge with greater particularity the positive changes at BSNBCS since the audit scope. We see this omission as a missed opportunity to portray the current state of our school accurately, particularly after such a lengthy, 19-month audit.

Second, when describing instances in which certain recommended documentation was missing, the report too frequently—and unjustifiably—takes an accusatory tone and suggests malfeasance. As we discussed over the course of the audit, many of the missing documents were the result of the school’s change in administration, as well as its evolving document management system. There is no evidence whatsoever that any school documents were intentionally misplaced or destroyed. We would therefore request that you edit the audit report to note explicitly that there is no indication of wrongdoing in connection with any missing documents.

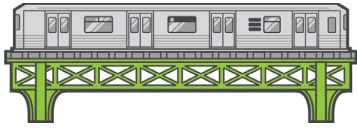
BSNBCS appreciates the feedback and recommendations offered by the draft audit report. As noted, the school previously identified and addressed many of the issues raised in the report.

Please feel free to contact me at [jsciame@bsnbcs.org](mailto:jsciame@bsnbcs.org) if you have any questions about our response.

Sincerely,

A handwritten signature in black ink that reads "Joseph Sciamé".

Joseph Sciamé  
Chair, BSNBCS Board of Trustees



ATTACHMENT

**BSNBCS's Responses to the Comptroller's Recommendations**

**We Agree with the Following Recommendations**

**Recommendation 7:** BSNBCS should formally document its new cash receipts policy and procedures, circulate them to the school staff, and train responsible personnel in them.

**Response:** The BSNBCS staff currently follows the new policy and have received this information via a staff memo and associated in-house training. We will add the policy to the school's financial handbook, as an additional way to disseminate the information.

**Recommendation 12:** BSNBCS should ensure that it continues to maintain the minimum required balance of no less than \$70,000 in its escrow account in accordance with its charter agreement.

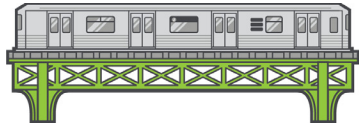
**Response:** This is the school's current practice. The school's escrow account has not fallen below \$70,000 since 2013.

**Recommendation 16:** BSNBCS Board [sic] should ensure that it schedules and holds at least the minimum number of 10 regular meetings during the school year to keep abreast of all pertinent matter facing the school.

**Response:** This is our current practice. The board held at least ten meetings each year since the 2014-15 school year.

**Recommendation 17:** BSNBCS should ensure that it obtains a copy of its complete annual report for each of FYs 2011 through 2015 and, for all years going forward, post those reports to its website, as required.

**Response:** This is our current practice. While the annual reports were always publicly available, the missing link on our website was remedied on the same day the issue was brought to our attention in 2015. The documents remain accessible via our website.



**We Agree with the Follow Recommendations in Principle, but They are Unnecessary in Light of Current Practice**

**Recommendation 1:** BSNBCS should ensure that when goods or services are to be purchased, it makes reasonable efforts to procure the goods or services at costs that is [sic] reasonable and customary. If the items being purchased cost more than \$10,000, BSNBCS should make reasonable efforts to obtain competitive bids from at least three providers, and document those efforts and the reasons for selecting the vendor ultimately chosen.

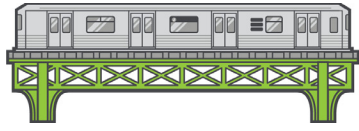
**Response:** While we agree with the principle of this recommendation, it is unnecessary because the school is currently in compliance. We are disappointed that your audit report failed to consider that BSNBCS followed its policies in this instance. Gabriel Associates was one of three contractors from whom the school solicited bids for the school's initial renovation work, according to the bids we shared with the audit team. Indeed, once the school determined that Gabriel Associates could perform the initial renovations and selected it as a preferred vendor prior to the school opening in 2010, we returned to the company to perform subsequent construction work on the school's building. The construction bids that we provided to your audit team—submitted by multiple vendors—constitute documentation that the school properly followed its policy.

**Recommendation 2:** The BSNBCS Board should ensure that all contracts, especially those for building construction and alterations, are in writing and signed and dated by the Head of School. Further, all such contracts should be approved by the Board and evidence of such approval should be maintained.

**Response:** We agree with the principle that contracts be signed by the school's Executive Director, however it is not necessary in light of the school's compliance with its current policy. The school enters over one hundred contracts annually, for items and services both large and small. The Board's role in the Charter School model is to govern, and it properly delegates daily tasks such as contract management to its Executive Director and School Management Team. According to our policies, all contracts are properly vetted and approved by the Executive Director. To our knowledge, no law or regulation requires Board approval of all contracts. Moreover, subjecting every contract to Board review and approval would be inefficient and hinder the school's ability to function, which runs counter to the spirit of the New York State Charter School Act.

**Recommendation 3:** BSNBCS should ensure that when it plans to undertake any alterations of its leased premises, that it submits to the landlord: (a) a statement of the work proposed to be done; (b) an estimate of the cost thereof; and (c) detailed plans and specifications. Also, it should ensure that it obtains the landlord's written consent prior to undertaking any changes other than normal or routine repairs and maintenance.

**Response:** BSNBCS has been in good standing with our landlord for the past six years. We intend to remain in good standing with our lease agreement and our landlord through the Diocese's current process regarding alterations. Per the school's lease, the school has



never been required to obtain written authorization from its landlord for any construction work undertaken. As we have repeatedly explained, and is further stated in the letters from Father Nolan and Father Astor, as well as the Roslyn Asset Corporation, the Diocese's agent for real estate issues, the school is in good standing with its lease. The landlord has been regularly informed of and received consent for the various renovation projects at the school, per their preferred reporting methodology of verbal permission. (See Appendix A)

**Recommendation 4:** BSNBCS should ensure that it obtains sufficiently detailed contracts or project plans that outline the scope of work, related cost estimates, the general location of work performed, and a timeline associated with each job/project to support the work that was reportedly performed.

**Response:** The school did obtain cost estimates and timelines for the various renovation projects undertaken between 2010 and 2014, sufficient to understand the scope of work, the costs and the work to be completed. Additionally, these projects were discussed in Board meetings and the school's unpaid, volunteer trustees personally inspected work as it was in progress and completed. As noted by our landlord and its agent in the attached letters, the school has done an excellent job restoring its facility. (See Appendix A) We will take this recommendation under advisement for any future construction projects the school undertakes.

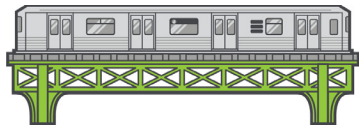
**Recommendation 6:** BSNBCS should ensure that it implements adequate cash controls, segregates the duties for handling, and properly accounts for cash payments collected from parents for afterschool programs, fundraising, and other school-related activities.

**Response:** The school has an appropriate and effective cash control policy. As documented during the audit, BSNBCS implemented a new cash control system prior to commencement of the audit, and expanded it subsequently prior to any recommendations being made, which addressed the concerns identified in the report in previous fiscal years. This recommendation appears to be based on the school's prior practice and does not consider current policy. We will continue to follow the school's current policy, which complies with the above recommendation.

**Recommendation 8:** BSNBCS should ensure that all payments over \$5,000 are signed by two authorized parties in accordance with its bylaws and policies and procedures.

**Response:** While we agree with the principle of this recommendation, it is unnecessary in light of the school's compliance with its current financial policies. Updated in 2014, our current financial policies require multiple signatures for checks over \$10,000. We selected this figure because this number represents a sector wide standard and more accurately reflects the needs of a large, growing school with revenues currently over \$10MM. The audit report provides no finding to suggest that this policy, adopted after the audit period, is unsound.

Moreover, this recommendation appears to be based on a misunderstanding of the school's fiscal policies. The report describes several payments as "lack[ing] two authorized



signatures,” including \$61,207.72 in employee health insurance payments and \$104,563.61 in employee 401K contributions. This analysis is incorrect, as these transactions do not fall under Article XI, Section C of the school’s financial policies because they are not “checks, drafts, promissory notes, orders for the payment of money, [or] other evidence of indebtedness” and therefore did not require multiple signatures to process. These transactions are controlled by BSNBCS’s payroll policy, as we have described in detail during the course of the audit.

**Recommendation 9:** BSNBCS should ensure that payments are not artificially broken up to avoid approval and oversight processes that apply to larger payments.

**Response:** This is the school’s current practice. School administration and trustees will continue to adhere to the approval and oversight processes outlined in the school’s current financial policies. We are disappointed by the audit report’s use of the phrase “artificially broken up” because it suggests wrongdoing without supporting evidence.

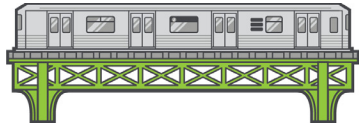
**Recommendation 10:** BSNBSC should ensure that no payments are made without a properly approved invoice and/or other supporting documentation.

**Response:** This is the school’s current practice. School administration and trustees will continue to adhere to the approval and oversight processes outlined in the school’s current financial policies. However, we disagree to the extent that the recommendation implies that the school previously made payments without invoices and/or supporting documentation.

**Recommendation 13:** BSNBCS Trustees should complete and submit by August 1 each year the financial disclosure forms going forward as required.

**Response:** We agree with this recommendation in principle, but it is unnecessary given that the school is already in compliance. Since 2010, BSNBCS trustees have completed all required paperwork and financial disclosure forms on an annual basis. BSNBCS remains confident that its trustees submitted all required disclosure forms for all years. When you alerted us in your preliminary audit report that several disclosures were not on file with NYSED, we refiled these forms, which underwent no revisions and confirmed that there were no conflicts of interest for any of the years in question.

The confusion here may stem from NYSED’s electronic filing system for disclosure reports. Unfortunately, during the audit period, NYSED did not provide a receipt of disclosure submission or a copy of completed submissions to the school or the trustees themselves. Additionally, we are aware instances in which NYSED accidentally and erroneously filed disclosure reports under the incorrect school. In fact, as you have previously noted, NYSED has accidentally misfiled at least one BSNBCS trustee’s disclosure form to an unrelated school.

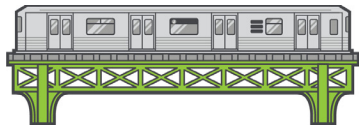


BEDFORD STUYVESANT  
**NEW BEGINNINGS**  
CHARTER SCHOOL

We are happy to report that NYSED's current submission process allows for an automatic PDF download of financial disclosure forms, which allows the school to have an independent record of the Trustee's disclosure submission, beyond those archived by NYSED.

**Recommendation 14:** BSNBCS should follow-up with each Trustee well in advance of the August 1 deadline each year to determine whether s/he filed the required financial disclosure information. If any BSNBCS Trustee has not filed the form, the school should on behalf of that Trustee, provide to NYSED the information required for each BSNBCS Trustee that has not filed the financial disclosure form with NYSED.

**Response:** While we agree with this recommendation in principle, it is unnecessary because it is the school's current practice. As a part of its regular practice, BSNBCS trustees will continue to submit their conflict of interest forms to NYSED. BSNBCS has no need to seek additional financial information from its trustees, as all previous annual disclosures have been submitted to NYSED and our Trustees do not currently (nor have they historically) had any reportable conflicts of interest for Board business.



**We Disagree with the Following Recommendations**

**Recommendation 5:** BSNBCS should obtain adequate documentation to support the invoices presented by Gabriel and determine if the payments made for the actual work done were appropriate, and take necessary action to recoup any overpayments.

**Response:** We have no reason to believe that any payments for the work performed on the school's building were improperly executed, and you have not identified any work that you suggest was not completed or was completed improperly. In fact, the work referenced in the audit report was completed more affordably than the initial budget estimate of \$1.9MM, referenced in the school's lease. As a result of the work performed by Gabriel Associates, the school is a safe and beautiful space for all our scholars. Any suggestion of gaps in the quality or substance of the work completed is purely speculative.

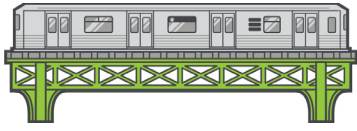
**Recommendation 11:** BSNBCS should follow up and determine whether supporting documentation exists for the balance of \$202,500 in supported payments identified in this report. BSNBCS should recoup those payment for which it is unable to verify that goods or services were provided.

**Response:** At the May 5, 2016 exit conference, we presented documentation to support these payments. We do not believe there is any need to seek additional documentation for these payments because we know the services were in fact provided. Regarding the \$150,000 in construction costs specifically, which were referenced in the corresponding finding of the audit report, the school's trustees and management actually assessed the school building's condition in August 2010, discussed projects with the contractors, witnessed work being done, and reviewed completed projects. We are satisfied that construction services were indeed provided and this information was appropriately reported to you.

**Recommendation 15:** The BSNBCS Board should take all appropriate action to ensure that each member completes and submits the required financial disclosure forms, including removal of the Board.

**Response:** BSNBCS remains confident that its trustees submitted all required disclosure forms for all years during the audit period. However, when your office notified us that several disclosures were not on file with NYSED, we refiled these forms, which confirmed that there were no conflicts of interest for any of the years in question. As noted in your report, we provided copies of the resubmitted forms at the May 5 exit conference. You have identified no concerns with these documents or any preciously undisclosed conflict. It remains unclear why the resubmitted financial disclosures are referenced via this recommendation as inadequate for purposes of this audit. Moreover, your suggestion that the school remove its volunteer trustees, upstanding community members, business and academic leaders, is entirely unhelpful in light of the facts.





**Recommendation 18:** BSNBCS should immediately locate the three missing permanent student records.

**Response:** The records identified by your audit team are not missing and this recommendation is premised on a misunderstanding of New York City Department of Education (“NYCDOE”) policy and BSNBCS’s responsibilities. The specific documents that you requested for four former students (one of whom was enrolled, but never attended) exist in the students’ permanent files, on file at their current schools. When the students transferred from BSNBCS, the students’ permanent files were also transferred to the NYCDOE so they could be sent to the students’ new schools. Your audit report correctly notes that the NYCDOE requires the “last school attended by the student [to be] responsible for maintaining the records of students” who leave or are discharged from the NYC public school system. However, this policy applies to a NYCDOE school discharging a student to a non-NYCDOE school (*e.g.*, to a charter school, private school, or a school outside of New York City). BSNBCS is not required to retain permanent records for students who transfer *into* NYCDOE schools. Rather, it is required to transfer these records to the NYCDOE, which is exactly what occurred.

**Recommendation 19:** BSNBCS should review its procedures and make any necessary changes to ensure that its student permanent files are appropriately tracked and maintained as required by the applicable rules.

**Response:** The audit report misinterprets the applicability of requirements for NYCDOE district schools and substituting those for the regulations in the school’s policies. As a matter of practice and policy, BSNBCS maintains all required student records in its file system for current students and provides the student’s permanent record for any transferred students, to their new school.

In response to the preliminary audit report’s statement that the auditors “were unable to verify that the students attended the school,” BSNBCS provided additional documentation of the three students who attended, including photographs of the students, in uniform, inside of the school, daily attendance records for the students and other evidence of attendance.

Per the regulations of the Charter Schools Act of 1998, a charter school operates independent of the regulations of the local school district, which in our case means that BSNBCS is not required to follow the Chancellor’s regulations or other NYCDOE policies. This fundamental element of the State law governing charter schools gives them more autonomy in exchange for more accountability. BSNBCS has correctly followed its policy in the maintenance of student records and its other accountability functions.

# **Appendix A**

DE ANDREIS HOUSE  
124 COTTON STREET  
PHILADELPHIA, PA 19127

June 1, 2016

Ms. Landa:

My name is Father Nolan, and I write to you to verify my professional relationship with Bedford Stuyvesant New Beginnings Charter School ("BSNBCS"), in my previous position as the Priest of St. John the Baptist Parish, located in Brooklyn, NY.

In my role as the Priest of St. John the Baptist Church, I worked closely with the educational leaders of our affiliated parochial school, located at 82 Lewis Avenue, also called St. John the Baptist School, until its closing in 2009 due to financial issues. Following the closing of our parochial school, BSNBCS signed a lease for the building.

The condition of the building was a major issue prior to BSNBCS opening. In those initial days, I worked with the BSNBCS' trustees and administration and witnessed the facility restoration, allowing it to open for students in the August 2010. In the years that followed, and until my departure from the parish in 2015, I visited the school frequently, and took note of the continued renovation. Major repairs allowed classes once again to be held, including on the upper floors, which were previously not used for classes due. Consistent with the understanding between the parish and the school, I received regular updates on the facilities work. I was proud to see the building, once the related site of St. John's College's Prep School, once again be filled with students.

Please let me know if you have any questions regarding St. John's the Baptist School or our Parish's relationship with BSNBCS. I can be reached at the address below.

Sincerely,



Father Emmet Nolan, CM  
Former Pastor of St. John the Baptist RC Parish  
Vincentian Theologate Director, Philadelphia, PA



# St John the Baptist Parish

## Parroquia de San Juan Bautista

Serving the Churches of Our Lady of Good Counsel and St. John the Baptist  
Sirviendo las Iglesias de Nuestra Señora de Buen Consejo y San Juan Bautista

June 1, 2016

Ms. Landa:

My name is Father Astor Rodriguez and I have been the Pastor at St. John The Baptist Roman Catholic Parish, located at 75 Lewis Avenue in Brooklyn, NY since 2015. I currently lead a dynamic faith community being formed in the Vincentian charism for the spreading of the gospel of Jesus Christ, especially among the poor and marginalized.

I regularly work with Bedford Stuyvesant New Beginning Charter School ("BSNBCS"), which leases the building at 82 Lewis Avenue from the Parish. I work with the school's Executive Director, Nicholas Tishuk, and the school's Board Chair, Joseph Sciame. We enjoy a positive and productive relationship and I am very proud to see the educational opportunities currently offered at the site of our previous parish school. It is remarkable that the building has been an educational center for the Bedford Stuyvesant community for over 90 years.

By virtue of the lease agreement between the Parish and the school, we have a financial relationship with BSNBCS. We are regularly in contact with the school's administration regarding monthly rent payments, facilities improvements, and other matters that affect our respective communities. BSNBCS is in good standing with its current lease, and its improvement of the school facility is a source of pride. We have several parishioners who attend the school, and we still hold events in the school on weekends and certain evenings. We have seen the improvements in the building and we look forward to maintaining a positive relationship with BSNBCS, its Trustees and administration.

I can be contacted at 718-455-6864 or the address below, should you have any questions regarding St. John the Baptist Parish and its relationship to BSNBCS.

Sincerely,

Father Astor Rodriguez  
Pastor, St. John the Baptist Church  
75 Lewis Avenue, Brooklyn, NY

Rocklyn Asset Corporation  
243 Prospect Park West  
Brooklyn, New York 11215

June 3, 2016

To Whom It May Concern:

My name is Coleen Ceriello, and I write on behalf of Rocklyn Asset Corporation, which manages the real estate affairs of the Roman Catholic Diocese of Brooklyn and its parish corporations. My office has a strong working relationship with Joseph Sciame, a founder and Chairman of the Board of Trustees for Bedford Stuyvesant New Beginnings (BSNBCS), whom I met in 2009. Rocklyn assisted the parish in locating BSNBCS at the former location of St. John the Baptist School, at 82 Lewis Avenue and was involved with the negotiation of the school's lease.

A key component of the school's moving to 82 Lewis Avenue in 2010 was the undertaking of repairs to the electrical, plumbing, and other building systems and any necessary carpentry work. In the past six years, the school has done a good job with this facility, including the aesthetics and function of the building and meeting its monthly rent obligations. To my knowledge, BSNBCS continues to have a strong relationship with the diocese and its landlord, the Parish of St. John the Baptist.

I am happy to discuss this matter further, should you need any additional information.

Sincerely,



Coleen A. Ceriello  
Executive Director  
Rocklyn Asset Corporation