

RESPONSE TO JUNE 30, 2017 MANAGEMENT LETTER**STATUS OF PRIOR YEAR COMMENTS****Extraclassroom Activity Funds**

The extraclassroom activity funds are the depository of student money. The New York State Education Department publishes the *Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds*. These guidelines recommend procedures for organizing these activities, controlling receipts and disbursements, as well as recording and reporting transactions.

During our previous audits, we noted the following comments that were addressed and corrected by the District in the current year:

- Cash receipts that were selected in our sample selection of thirty (30) were adequately supported with sufficient documentation.
- Deposit tickets in our sample selection of thirty (30) were obtained and they agreed to the deposit amount per the bank statement.

During our prior and current year audits, we noted the following comments have not yet been resolved by the District:

- There were two (2) instances in our sample selection of thirty (30) in which disbursements lacked supporting documentation.
- The clubs at the Middle School and the High School did not reconcile the balances with the Central Treasurer at each school on a regular basis.
- There were various clubs in the High School and Middle School that had no financial activity during the current year, and many of these clubs had no financial activity for at least two to three years.
- Student involvement was not evident in four (4) instances in our sample selection of thirty (30) cash receipts, and in one (1) instance in our sample selection of thirty (30) cash disbursements tested.
- We noted five (5) instances in which sales tax was not paid.
- There were eight (8) instances in our sample selection of thirty (30) cash receipts tested in which we noted that the deposits were not made in a timely fashion.

- Access to the school safe where cash is held before being deposited is not always restricted to the central treasurer.

We continue to recommend that the District address the above comments relating to the extraclassroom activity funds, and provide the appropriate training to ensure compliance with the New York State Educational guidelines. In addition, we suggest that the District monitor extraclassroom clubs with no financial activity and determine if these clubs are inactive and if the remaining funds should be transferred to another club.

Management Response and Corrective Action Plan – The District Treasurer will continue oversight of the Extraclassroom Activity Funds. Guidance will continue to be provided to the central treasurers and club advisors during documented quarterly visits to the buildings. During these visits, the following activities will occur: (1) review of proper processes and procedures as discussed in the New York State Education Department's publication entitled *Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds*; (2) review disbursements for supporting documentation; (3) ensure that cash balances are reconciled; (4) identify accounts that should be closed due to inactivity; (5) confirm student involvement in the clubs; (6) verify payment of sales tax; (7) ensure the existence of club charters and (8) review procedures for the safeguarding of cash prior to timely deposits.

Responsible Parties – Central Treasurers at the secondary schools, Club Advisors, District Treasurer

School Lunch Income Verification

The District's school food service program serves lunches to students and employees. Based on applications filed with the school, students may be eligible for free or reduced price lunches based on household size and income. Part of this process, as required by federal regulation, requires the District to verify household income of 3% of applications received.

During our prior year audit, we noted the following comments have been corrected by the District in the current year:

- We noted one instance where a student who was verified and eligible to receive reduced lunch was directly certified by New York State, however the District did not print the list and maintain it as evidence in the student's file. During our current year testing, we noted that the District has properly maintained a listing of students who are directly certified by New York State.
- The District performed the income verification process on the required number of students, however the result letters were not sent to the students' household to inform them of the verification results. During our current year audit, in our sample selected, results letters were properly sent to the students' household.

- Not all applications selected for testing in our sample were reviewed and approved by the School Food Service Director. During our current year audit and review of applications, evidence of approval by the School Food Service Director was present.

We now consider these comments closed.

School Food Service Program Inventory

The District purchases food and also receives surplus food from the federal government for use in its School Food Service program. Inventory count is performed at the school cafeterias monthly, and at year end. The account balance of the inventory at year end is calculated based on the inventory count and the appropriate unit costs for the items.

During our prior year audit, we performed a sample inventory re-count and noted that there were a number of inaccuracies in the District's reported inventory count. Upon review of these differences, we concluded that the amounts were not considered material to the school food service fund. Therefore, no adjustment to the inventory was made in the prior year.

During our current year audit follow-up, we noted that there were still discrepancies in our inventory re-count for both quantities and pricing, however, there were fewer instances than the prior year. The number of discrepancies decreased significantly from the prior year and the overall difference continued to be immaterial to the school food service program. Although these amounts or quantities were not material, we still recommend that the District strengthen their internal controls for tracking and monitoring school food service inventory.

Management Response and Corrective Action Plan - The School Lunch Director will continue to provide training to the staff with regards to product organization and appropriate food inventory controls. The School Lunch Director will continue to review the monthly and year-end inventory reports to ensure that pricing and quantities are accurate.

Responsible Parties – School Lunch Director, School Lunch Staff including Cooks and Assistant Cooks.

CURRENT YEAR COMMENTS

Bank Reconciliations and Escrow Bank Account

All District bank accounts should be included in the monthly treasurer's report. In addition, periodic review and reconciliation of financial records by someone independent of the processing and recording of the transactions is an effective internal control. Reconciliations prepared should also be reviewed by management to ensure that they were performed appropriately.

During our current year audit, we noted that although the District is tracking expenditures made from the escrow bank account related to the energy performance contract, it was noted that this escrow account was not included in the monthly treasurer's report.

We recommend that the District ensure that all bank accounts, including the energy performance escrow accounts, be reconciled, reviewed and approved on a timely basis, and be included on the monthly treasurer's report.

Management Response and Corrective Action Plan – The District has implemented the completion of monthly Energy Performance Contract bank reconciliations. These bank reconciliations will be completed by the Senior Account Clerk, reviewed by the District Treasurer and approved by the Assistant Superintendent for Business. The reconciliation has been included on the monthly treasurer's reports beginning in June 2017.

Responsible Parties – Senior Account Clerk, School District Treasurer, Assistant Superintendent for Business.

School Food Service Point of Sale (POS) System

An integral part of an internal control system for the School Food Service Program is to maintain proper controls over the collections of cash and recording of meals sold in the District's point of sale system.

During our current year audit, we noted that the District's point of sale summary report at the end of the fiscal year reflected cash collections in excess of the actual sales recorded in the POS system. Although the difference amounted to less than \$1,000 for the fiscal year, this could be a possible indicator that cash is being collected at the registers, but meals are not being entered into the POS system. The proper recording of meals is an important internal control since meals can be eligible for state and federal aid reimbursement.

We recommend that the District emphasize the importance of accurately inputting all meals and sales into the point of sale system with the cashiers at all schools and periodically review monthly POS reports to determine the nature of any differences.

Management Response and Corrective Action Plan – Cashier training was provided by Eastern Suffolk BOCES during the months of September and October 2017. This training was presented to the food service workers at Northport High School as the discrepancies involving cash collections regularly occurred at this location. Consequently, the focus in September was to all cashiers at Northport High School. The training was conducted in an effort to reduce any differences between cash collections and actual sales recorded in the Point of Sale (POS) System. In October, the focus shifted to the individual cashiers with discrepancies in their cash collections. Once these cashiers were identified, supplementary one-on-one training was provided to these cashiers by Eastern Suffolk BOCES. Additionally, the District Treasurer and School Lunch

Director have visited Northport High School to observe the cashiers during meal periods. Even though these observations have yielded positive results, cash collection numbers will continue to be reviewed frequently during the 2017-2018 fiscal year. The Senior Account Clerk, District Treasurer and School Lunch Director will review POS reports not only monthly, but also on a daily basis to help reduce inconsistencies and to immediately reconcile any differences.

Responsible Parties – School Lunch Program Staff, Senior Account Clerk, District Treasurer, School Lunch Director.