

## **RESPONSE TO JUNE 30, 2016 MANAGEMENT LETTER**

### **STATUS OF PRIOR YEAR COMMENTS**

#### **Bank Reconciliations**

The District maintains bank accounts at several financial institutions. Reconciliations of the District's bank accounts with the District's books are completed by the treasurer who is independent of the accounting functions. In addition, the bank reconciliations are reviewed by the supervisor of finance and accounting.

During our prior year audit, we noted that bank reconciliations were not being prepared and reviewed in a timely fashion for the District's general fund disbursement account and trust and agency payroll account.

*Current Status* – Corrected. All bank reconciliations are being prepared and reviewed in a timely manner. The bank reconciliation process has been updated as follows: (1) bank reconciliations are prepared by a senior account clerk in the Accounting Department; (2) bank reconciliations are reviewed and initialed by the District Treasurer; (3) bank reconciliations are approved and signed off on by the Assistant Superintendent for Business.

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

#### **Budget Transfer Review**

The District spends within a voter approved budget that includes numerous budgetary appropriation codes. School districts are limited to spending within the total budget, but are not limited to the original estimated amounts assigned to the individual appropriation codes. The State Education Department allows districts to make budgetary transfers among the individual appropriation codes throughout the year. These periodic budget transfers enhance the control over budget monitoring. The District historically has had procedures in place for an independent review of budget transfer reports to ensure only budget transfers approved, in accordance with the District's policy, have been entered into the accounting system.

During our prior year audit it was noted that budget transfer reports had not been printed and reviewed by someone independent of the budget transfer process.

*Current Status* – Corrected. The District has appointed an employee independent of the budget transfer process to perform a budget transfer review on a regular basis.

*Responsible Parties* – Senior Account Clerk, District Treasurer, Accountant

#### **Cash Receipt Recording and Reconciliations Subsequent to Year End**

Timeliness of recording of financial activity is an integral part of business office operations.

During our prior year audit, we noted that cash activity after year end was not being posted timely into Finance Manager.

*Current Status* – Corrected. The District has implemented procedures to ensure that all cash activity be posted in Finance Manager as soon as the activity takes place.

*Responsible Parties:* Senior Account Clerk, District Treasurer, Accountant

### **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 comment has been addressed and corrected by the District in the current year:

- Opening balances for all the clubs per the central treasurer's record at 07/01/15 agreed to the information provided for ending balances audited at 06/30/15.

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

- There were instances in which receipts and disbursements lacked supporting documentation.
- The clubs at each school did not reconcile the balance with the Central Treasurer at each school on a regular basis.
- There were clubs with no activity during the year.
- Student involvement was not evident in all transactions tested.

During our current year audit, we noted the following new comments:

- Sales tax was not paid on a sample of transactions tested.
- There were instances where the deposit ticket could not be located to support the bank deposit.

We recommend that the District address the above comments relating to the extraclassroom activity funds, and provide the appropriate training to ensure compliance with state guidelines.

*Management Response and Corrective Action Plan* – The District Treasurer will continue oversight of the Extraclassroom Activity Funds through continued implementation of the District’s current corrective action plan. Guidance will continue to be provided to the central treasurers and club advisors during documented monthly visits to the buildings. The New York State Education Department’s publication entitled *Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds* as well as New York State regulations for the collection and payment of sales tax will be provided as research documents. During the District Treasurer’s monthly visits to the buildings, processes and procedures will be discussed, accounting records will be reviewed for accuracy, the presence of student involvement will be confirmed and the validity of the club and the existence of club charters will be addressed. Central treasurers will be instructed to maintain all bank deposit tickets in order to provide support for all deposits.

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

### **School Lunch Income Verification**

The District’s school lunch 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:

- Based on household income information submitted, a student initially receiving free lunch should have been paying for lunch as the household income exceeded federal parameters for free lunch. The District did not update the student’s status in NutriKids from free to paid; therefore, allowing the child to continue to receive free meals for the entire school year. Based on our current year testing, all statuses that required change in the system based on the verification process were properly updated.
- According to New York State Child Nutrition guidelines the District must retain all documentation received from households selected for verification with program records for 3 years plus the current year. The District only kept notes stating what was examined and did not maintain the documentation received to support the income verification process. During our current year testing, all records were properly maintained to support the income verification process.
- Based on household income information submitted, one family had income that exceeded federal parameters and the two students from this household should have been paying for

lunch. It was later determined that these students were homeless children and the District obtained support in 2015/2016.

During our prior and current year audit, in our application verification testing, we noted the following comment which has not yet been resolved:

- During our current year audit, 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 file.

During our current year audit, in our income verification sample testing, we noted the following:

- 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.
- Not all applications selected for testing in our sample were reviewed and approved by the School Lunch Director.

We recommend that the District review its current procedures in connection with the verification process of free and reduced lunch applications and maintain evidence to support all conclusions and determinations in a student's file with respect to eligibility and income verification.

*Management Response and Corrective Action Plan* – The District was absent a dedicated Food Service Director since March of 2016. A permanent Food Service Director was appointed in September 2016. This individual will be responsible for developing internal procedures that are in compliance with USDA and NYSED regulations for all aspects of the income eligibility and verification process. The NYSED Child Nutrition web-site has provided excellent guidance and direction in this area.

*Responsible Parties* – Director of School Lunch

## **CURRENT YEAR COMMENTS**

### **School Lunch Inventory**

The District purchases food and also receives surplus food from the federal government for use in its School Lunch 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 the current year audit, we performed a sample inventory re-count and noted that there were inaccuracies in the District's reported inventory count for June 30, 2016. Upon review of

these differences, we concluded that they would not be material to the school lunch fund. Therefore, no adjustment to the school lunch inventory was deemed necessary.

We recommend that the District strengthen their internal controls for tracking and monitoring school lunch inventory and consider periodically reviewing the inventory throughout the year, as well as at year end. This will ensure that the inventory counts are properly monitored and accurately reflected in the general ledger throughout the year.

*Management Response and Corrective Action Plan* - The District was absent a dedicated Food Service Director since March of 2016. A permanent Food Service Director was appointed in September 2016. This individual has implemented new inventory procedures beginning with the September 2016 inventory. The unit costs for all inventoried items have been updated. School lunch staff have received instruction in proper inventory procedures, including product organization and the use of inventory count sheets.

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