



AMITYVILLE UNION FREE SCHOOL DISTRICT

150 Park Avenue, Amityville, New York, 11701

Sydney Freifelder

Interim Assistant Superintendent for Finance and Operations

Telephone: (631) 565-6015

sfreifelder@amityvilleufsd.org

EXTERNAL AUDIT CORRECTIVE ACTION PLAN

JUNE 30, 2018

Prior Year's Comments

Extraclassroom Activity Funds

The concession stand at the high school, which was run by the senior class students with oversight from adult chaperones, did not maintain a sales log to support the cash collected and did not maintain an inventory count of items held for resale at the concession stand. In addition, no sales tax was collected or remitted to the state for sales of taxable items.

Current Status: During the current year we noted that taxable sales were being communicated to the central treasurer and that the senior club advisor was formulating procedures to track sales and inventory at the concession stand.

District Response, January 2019: The District has held and will continue to hold training sessions as well as interim procedural evaluations to insure that the appropriate procedures to track sales and inventory at the concession stand are followed.

Some clubs did not have any financial activity during the year, which may be an indication that those clubs are inactive.

Current Status: Unchanged. In fiscal 2017 -18 we again noted that eleven high school clubs and one middle school club had no financial activity during the year. These clubs may be inactive, or they are active but simply did not have any fundraising or spending for the year.

District Response, January 2019: The district will work with the Internal Auditors to identify clubs that need to be deactivated. This will involve training for our Middle and High School club advisors, central treasurers and building administrators.

We noted in our sampled transactions that various purchases made within the high school and middle school clubs did not have sales tax applied to the invoices.

Current Status: Unchanged. We again noted instances within our current year's audit sample of invoices where sales tax was not charged on the invoice.

District Response, January 2019: The district will work with the Internal Auditors to provide ongoing training for our club advisors and central treasurers. Evaluations of the extraclassroom funds will be ongoing to insure that the correct procedures are implemented.

We noted that profit and loss statements were not prepared by middle school clubs for their fundraising activities.

Current Status: Unchanged

District Response, January 2019: The district will work with the Internal Auditors to provide ongoing training for our club advisors and central treasurers. Evaluations of the extraclassroom funds will be ongoing to insure that the correct procedures are implemented.

We noted an instance where concession sales for a club in the high school were conducted by a relative of the club's advisor instead of a club representative or a District employee.

Current Status: During our current year audit, we noted this situation was still occurring. We discussed with the high school athletic director who indicated that the process would be altered during the 2018-19 school year to have concessions run by students and overseen by a District employee.

District Response, January 2019: The district has spoken with the high school administration as well as the central treasurer to remind them of who can conduct sales. The district will work with the Internal Auditors to conduct ongoing evaluations of sales at the concession stand.

Club Charters were not being maintained by the district.

Current Status: During our audit in the current year we noted that club charters are being maintained by the central treasurers. We consider this comment closed.

In addition, we noted the following during our current year audit:

We noted an instance within our audit sample of the high school extraclassroom disbursements that was not supported with a vendor invoice or authorized approvals for disbursement.

We noted instances within our audit sample of the middle school extraclassroom activity clubs where items purchased by the clubs were shipped directly to the advisor's residence instead of the school.

We recommend that the District continue to monitor the extraclassroom activities and provide training to ensure their activities are in compliance with SED guidelines. The SED guidelines address many areas including maintaining profit and loss accounting for fundraisers; collecting and remitting sales tax; and closing clubs that are inactive and have no financial activity.

District Response, January 2019: The district will work with our Internal Auditors to insure that these issues are rectified and will schedule ongoing training for student and faculty advisors and the central treasurer. The district will also evaluate the effectiveness of the training throughout the year.

Charge Policy for Student Meals

The Board adopts policies to govern the procedures for various areas within the District. One of these policies addresses students charging meals. The Board policy outlines limits to charging meals and procedures to be followed if a student consistently does not have funds to purchase lunch and has not been approved to receive free or reduced priced meals.

During our prior audits, we noted that students were allowed to charge meals beyond the specified limits in the policy and that the timely effort to collect any delinquent balances was not being made. This resulted in the District writing off those receivables as being uncollectible.

Current Status: In process. We noted that the District had begun collection efforts in accordance with the District's charged meal policy. However, as of June 30, 2018, the District still has approximately \$25,000 in uncollected balances.

We recommend that the school lunch director continue to ensure that the staff follow the Board policy limits on student charged meals and that procedures be implemented to collect past due balances from students with deficit accounts in a timely manner.

District Response, January 2019 The district has been working with the school lunch director to go over the negative balances. Monthly letters are sent to families. The school social workers are meeting with the families to see if they are able to apply for free or reduced lunch.

Segregation of Duties/User Permissions

The District uses the nVision financial accounting software package, which is the updated version of the Finance Manager software, to maintain their accounting records. The software allows the District to establish permissions for each user based on each individual's job description. This permits the District to strengthen internal controls by segregating duties electronically.

During our prior audits, we had reviewed user permissions and noted that user permissions had been tailored in most of the software's modules in relation to the employee's daily tasks; however, we had noted that the principal account clerk in the Business Office had administrative functions within the accounting system to assign and alter user rights.

Current Status: During the current year audit we reviewed the user rights within nVision and noted that the administrative functions were still assigned to the principal account clerk in the Business Office.

We recommend that administrative functions of assigning and altering user access rights within the District's financial accounting software system be segregated from the principal account clerk

duties.

District Response, January 2019 The district will evaluate how to reassign these duties to insure that the business office can operate effectively. As in many school districts, the smallness of the staff impacts on how duties can be segregated.

Health Insurance Billings

Segregation of duties and supervisory review of periodic reconciliations performed by employees are both important elements of internal controls, providing checks and balances to minimize the risk of misstatements whether by error or misappropriation.

During our prior audit, we had noted that the account clerk responsible for billing retirees and former employees for their share of monthly health insurance premium also reconciled active and retiree health benefits to the health insurance billings, as well as balances recorded in the general ledger on a monthly basis. Although the account clerk worked with the principal account clerk at the District's Business Office when reconciling the general ledger balances, there was no indication on the reconciliation that it had been reviewed by management.

Current Status: Unchanged. Based on our review of the health insurance reconciliations during the current year, we noted no indication on the health insurance reconciliation of review or approval by District management.

We recommend that the health insurance billings reconciliations be reviewed by a supervisor and that the review be dated and documented with the reviewer's initials or signature.

District Response, January 2019: Moving forward, the Interim Assistant Superintendent will review the health insurance billing reconciliations on a monthly basis.

Expense Reimbursement Policy

The Board adopts policies to govern the procedures for various areas within the District. One of these policies addresses reimbursements for expenses which are legally authorized and incurred while traveling for school related activities.

During our prior year audit, we had noted that the Claims Auditor was denying lunch reimbursements for District employees who had day-long seminars outside of the District. Although Policy 6830 does not address the reimbursement of lunches at seminars and conferences, the District has historically reimbursed these expenditures to employees.

Current Status: During the current year, District management had discontinued the practice of lunch reimbursements for day-long seminars. We consider this comment closed.

Bank Reconciliations

At the end of every month, the District's bank accounts should be reconciled and any necessary adjustments should be made to the books. Reconciliation of cash accounts ensures that transactions have been properly recorded on the District's books. In addition, as part of a strong internal control process, the bank reconciliations should be reviewed and approved by management.

During our prior year audit, we had noted that cash accounts were being reconciled in a timely fashion, but we noted instances where there was no documented review and approval from the Assistant Superintendent for Business on the bank reconciliations.

Current Status: Improved. During the current year, we noted that the Assistant Superintendent for Business was approving the bank reconciliations. However, there were instances in which the date of the review was not documented.

We recommend that all bank reconciliations include the date in which the review and approval was performed by the Assistant Superintendent for Business.

District Response, January 2019: The Interim Assistant Superintendent for Business will continue to review the bank reconciliations in a timely fashion and insure that the date and signature will be used for documentation.

Capital Assets

The responsibility of safeguarding the District's investment in capital assets is important to sound fiscal management. The responsibilities can only be discharged through adequate capital asset accounting, and conducting periodic physical inventory of all assets.

During the prior year, we had noted that several projects listed as construction in progress on the inventory report were completed and placed in service. This resulted in an audit adjustment to reclassify approximately \$7,900,000 from construction in progress to building and improvements. In addition, an audit adjustment to record additional depreciation expense in the amount of \$168,000 was also needed.

Current Status: During the current year, we noted that the District had worked with the capital asset management company to update the inventory report for the prior year audit adjustments from construction in progress to buildings and improvements which also corrected the calculation of depreciation expense for the current year. However, based on our current year audit we identified a masonry project that was fully completed at June 30, 2018 and had to be reclassified from construction in progress to buildings and improvements as part of our audit adjustments in the amount of \$102,403.

We continue to recommend that the District implement procedures to identify completed capital projects and communicate the information to the capital asset management company so that the assets can be properly classified and depreciation expense properly calculated.

District Response, January 2019: The district is in the process of evaluating several software packages to streamline the tracking of capital projects. In this way we can be sure that the expenditures are charged to the correct account and updated in our asset management system.

CURRENT YEAR COMMENT

Unassigned Fund Balance -General Fund

New York State Real Property Tax Law §1318 limits a school district's general fund unassigned fund balance to an amount not greater than 4% of the upcoming year's budget.

As of June 30, 2018, the District's unassigned fund balance exceeded the 4% statutory limit.

We recommend that the District continue to monitor its unassigned fund balance to ensure compliance with Real Property Tax Law.

District Response, January 2019: The Interim Assistant Superintendent will monitor the appropriation status report and prepare fund balance projections in order to comply with Real Property Tax Law. The goal is to keep the unassigned fund balance to an amount not greater than 4% of the upcoming year's budget

Please let me know if you have any questions. Thank you.

Sincerely,

Sydney Freifelder

Cc: Amityville UFSD Board of Trustees
Dr. Mary T. Kelly