



AMITYVILLE UNION FREE SCHOOL DISTRICT

150 Park Avenue, Amityville, New York, 11701

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EXTERNAL AUDIT CORRECTIVE ACTION PLAN

JUNE 30, 2019

Prior Year's Comments

Extraclassroom Activity Funds

The extraclassroom activity funds are the depository of student money. The primary purpose of these activities is to provide a learning experience to students. The New York State Education Department publishes guidelines titled Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds; these guidelines recommend procedures for organizing extraclassroom activities, controlling receipts and disbursements, as well as recording and reporting transactions. The District has procedures and internal controls in place for cash disbursements, recording cash receipts, and monthly bank reconciliations for the extraclassroom activity funds bank accounts.

We noted the following update relating to the prior year's findings:

- 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.

Current Status: We noted that the senior class did not implement inventory controls or procedures for tracking sales at the concession stand yet.

District Response, January 2020: A new Central Treasurer was put in place at the high school who is providing greater oversight and continual training to make sure that sales logs to support the cash collected and inventory counts of items are maintained for resale at the concession stand. Nawrocki and Smith, the district internal auditors, conducted mandatory training at the beginning of the 2019 -2020 school year. Continual

updates are provided to the Interim Assistant Superintendent for Finance and Operations for additional oversight and compliance to the audit findings.

- Some clubs did not have any financial activity during the 2017-18 fiscal year, which may be an indication that those clubs are inactive.

Current Status: In fiscal 2018-19 we noted that twelve high school clubs and four middle school clubs 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 2020: High School and Middle School administration will evaluate the financially inactive clubs with no financial activity. Those that are running but do not have any fundraising activities will be identified. Those that are no longer running will be identified and removed from the list of Extraclassroom Activity Funds.

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

Current Status: We again noted instances within our current year's audit sample of invoices where sales tax was not charged for some purchases.

District Response, January 2020: Those instances of invoices where sales tax was not charged for some purchases that were identified in this external audit will be traced to the specific extraclassroom activity funds so additional training and oversight can be provided. The Central Treasurer will review all invoices to identify those that should have sales tax and monitor to make sure that sales tax is charged for the identified purchases.

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

Current Status: In process. We noted that the District began communicating profit-and-loss statement accounting with the newly appointed central treasurer towards the end of 2018-19.

District Response, January 2020: The newly appointed Central Treasurer provides profit-and-loss statements to all extraclassroom activity funds.

- 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: Corrected. During our current year audit, we noted that the club advisor had instituted new procedures regarding the concession sales and that all concessions sales were performed by a student representative with supervision by a District employee. We consider this comment closed.

- 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.

Current Status: During the current audit, we sampled disbursement transactions throughout the year and noted one instance where the vendor invoice or approved payment order could not be located.

District Response, January 2020: The Central Treasurer, with oversight from the Interim Assistant Superintendent for Finance and Operations, will closely monitor disbursement transactions to ensure that payments are not made with our appropriate invoices or approved payment orders.

- 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.

Current Status: During our current year audit, we sampled disbursements throughout the year and did not note items purchased being shipped directly to a faculty advisor's residence. We consider this comment closed.

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

- We noted instances within our audit sample of the high school and middle school extraclassroom disbursements and receipts where the payment order or deposit form did not have a student officer's signature to indicate student involvement.

District Response, January 2020: The Central Treasurer, with oversight from the Interim Assistant Superintendent for Finance and Operations, will closely monitor all forms requiring signatures to ensure that all required signatures are in place.

- We noted instances within our audit sample of the high school cash receipts where copies of the deposit slips for bank deposits for various club accounts were not maintained.

District Response, January 2020: The Central Treasurer, with oversight from the Interim Assistant Superintendent for Finance and Operations, provides copies of bank deposit slips to faculty advisors as part of the monthly financial statements. Extraclassroom Activity Funds will be audited throughout the year to ensure that necessary documents are on file.

- We noted that the District has in the past requested the internal auditors to review extraclassroom requirements and procedures with faculty advisors at the start of the school year. We recommend that the District consider providing instructions and training annually to personnel involved in extraclassroom activities, and continue to monitor the extraclassroom activities, including periodically reviewing or auditing the clubs' accounting records to ensure their activities are in compliance with SED guidelines.

District Response, January 2020: The Interim Assistant Superintendent for Finance and Operations has instituted mandatory training by the district internal auditors for all faculty advisors and building administrators at the beginning of the school year. Requests for fundraising will not be approved until the advisor has

participated in mandatory training. The Central Treasurer provides additional support to the advisors where necessary.

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 timely effort to collect any delinquent balances was not being made, resulted in the District writing off those receivables as being uncollectible.

Current Status: Based on guidance from the New York State Child Nutrition Program Administration, the District has moved all unpaid charged meals balances as of June 30, 2019 from the school food service fund to the general fund for follow up collection procedures to be in compliance with New York State Education Law §908. We consider this comment closed.

Segregation of Duties/User Permissions

The District uses the nVision financial accounting software application, 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 the individual's job title and responsibilities. This permits the District to strengthen internal controls by segregating duties within the financial accounting system.

During our prior audits, we 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: Subsequently addressed. During our current audit, we reviewed the nVision user permissions reports and noted that the principal account clerk still had user permissions for administrative functions. After we raised the issue, management contacted the software company and had the administrative functions permissions removed from the principal account clerk's user profile.

We recommend that the District periodically review user permissions within nVision to ensure proper segregation of duties is maintained. The District may consider utilizing the internal auditors to assist with the periodic reviews.

District Response, January 2020: The Interim Assistant Superintendent for Finance and Operations will request that the Internal Auditors, Nawrocki Smith, conduct periodic audits of nVision permissions. Monthly review of permissions within nVision as part of the audit cycle will be conducted by the Interim Assistant Superintendent for Finance and Operations.

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 premiums 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. We reviewed the health insurance reconciliations during the current audit and 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 2020: The Assistant Business Administrator will be reviewing the reconciliations of the general ledger balances and the monthly premium bills for active and retired employees. A report will be generated monthly confirming the reconciliation of the amounts.

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: Corrected. During the current year, we noted that the bank reconciliations had documented reviews and approvals. We consider this comment closed.

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 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 and also corrected the calculation of depreciation expense. However, a masonry project that was fully completed at June 30, 2018 had to be reclassified from construction in progress to buildings and improvements as part of our audit adjustments.

Current Status: During the current year, we noted that the prior year's audit adjustment was not communicated to the capital asset management company. In addition, we noted that the capital asset management reports had differences in reported balances compared to the financial statements.

We 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. In addition, the procedures should also include reconciling the capital asset inventory reports to the financial statements amounts.

District Response, January 2020: The Interim Assistant Superintendent for Finance and Operations and the Assistant Business Manager will develop procedures to notify the capital asset management company when capital projects are closed. In addition, balances on financial statements and capital management reports will be reconciled throughout the audit process.

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 general fund unassigned fund balance exceeded the 4% statutory limit.

Current Status: Corrected. As of June 30, 2019, the District's unassigned fund balance was at the 4% statutory limit and was in compliance with Real Property Tax Law §1318. We consider this comment closed.

CURRENT YEAR COMMENTS

Uniform Guidance - Federal Grants Compliance

The Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Title 2, Code of Federal Regulations - 2CFR Part 200 - commonly called "Uniform Guidance") is an authoritative set of rules and requirements for Federal awards that synthesizes and supersedes guidance from earlier OMB circulars. The reforms that comprise the Uniform Guidance aim to reduce the administrative burden on award recipients and, at the same time, guard against the risk of waste and misuse of Federal funds. Under the Uniform Guidance, to help ensure compliance with Federal statutes and regulations, Federal awards recipients must maintain effective

internal controls, which include having written policies and procedures, such as procurement policy that adheres to state and local laws as well as Federal statutes and regulations; procedures for documenting how costs are to be allocated to Federal awards, documenting actual time and effort for payroll costs charged to Federal awards; cash management procedures to minimize the time elapsed between the receipts and disbursements of Federal funds; subrecipient monitoring; and how to safeguard personally identifiable information.

During the current year's audit, we reviewed the District's policies and noted that the District's current procurement policy did not incorporate the Uniform Guidance procurement standards. We also noted that the District does not have written procedures related to the spending of federal awards as required by the Uniform Guidance. In addition, we reviewed District employee's payroll charged to federal grants and noted that the District did not prepare certification forms as a means to document employees' time and effort charged to federal awards in accordance with 2 CFR 200.430(i).

We noted that school districts had been awaiting guidance from the State Education Department. The New York State Association of School Business Officials (NYSASBO) recently completed and released a template for Uniform Guidance required policies and written procedures to school business officials members. We recommend that the District review the Uniform Guidance requirements and the NYSASBO template, and update the existing policies and written procedures, as well as implement procedures for documenting the time and effort of employees whose payroll expenditures are charged to Federal grants to comply with Uniform Guidance provisions.

District Response, January 2020: The district will review the Uniform Guidance requirements and the NYSASBO template and make recommendations to the Superintendent of Schools to update existing policies and written procedures. Procedures for documenting the time and effort of employees whose payroll expenditures are charged to Federal Grants will be implemented to comply with Uniform Guidance provisions.

Fund Balance - School Food Service Fund

Under Federal Regulation, 7CFR Part 210.14b, the District is to limit its net cash resources within the school food service fund to an amount that does not exceed three months average expenditures. If there are excessive cash resources available, the District must submit a plan for use of the funds to the State Education Department for approval and implementation.

For the year ended June 30, 2019, the school food service fund had an operating surplus of \$163,995, which included a \$112,525 transfer from the general fund to reimburse the school food service fund for outstanding student charged meals account balances at year end as required by State. As a result, the assigned fund balance in the school food service fund as of June 30, 2019 exceeded the allowable three months average expenditures by approximately \$101,000.

We recommend that the District continue to monitor the finances of the school food service program and develop a plan for the use of these funds in order to be in compliance with federal regulations.

District Response, January 2020: The Interim Assistant Superintendent for Finance and Operations has developed a plan for the use of the funds exceeding the allowable three month average expenditures. These funds will be used to update kitchen equipment and provide funds to increase food service areas in the high school cafeteria in anticipation of the arrival of the ninth grade.

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

Sincerely,

Sydney Freifelder

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