

October 11, 2017

Corrective Action Plan for Baldwinsville CSD in response to the June 30, 2017 External Audit

Prior year Deficiencies Pending Corrective Action:

Billing –

We noted that the billing and collection process for private school student tuition is prepared by the same individual.

We recommend the District continue to review this process in an effort to improve controls over billing and collection.

The billing and collection process for private school tuition is currently a Business Office group effort. The Purchasing Officer creates the invoices with input from the Treasurer and the Assistant Supt for Management Services (Asst. Supt). The Asst. Supt's secretary (also the Central Treasurer) logs in the payments against the book. The Treasurer makes the deposit. No one person currently controls the entire process. Beginning in 2017-18 we have asked the Claims Auditor to review the process. We also note that most of these private school tuition bills are done at the end of the school year. This results in the District Treasurer booking these as receivables. Any payment different from the bill would cause a red flag for the District Treasurer.

Confirming Orders –

We noted five instances where a selected purchase order appeared to have been created after the vendor invoice had been received.

We recommend the District review these items and insure that confirming orders should only be used for those purchases considered emergency in nature.

We have been working on this in the 2016-17 year with the department heads. The instances of a purchase occurring prior a purchase order being issued is less frequent than in the past given the increased awareness and the Claims Auditor scrutinizing the purchasing process. She issues letter reports to those folks responsible for violating our standard practice for each particular instance. Monthly reports from the Claims Auditor containing compliance status regarding this issue are sent to the Board of Education. We will continue to monitor this issue closely in 2017-18.

Segregation of Duties –

Our examination revealed that the Treasurer is also the System Administrator for the accounting software. In order to enhance segregation of duties over computer controls we recommend that someone independent of accounting duties be appointed the System Administrator.

Beginning in 2016-17, requests for changes/additions/deletions to accounting system access are now sent to the Asst. Supt. Upon review, he approves any of these changes and sends them onto the Treasurer. The Treasurer then sends the request onto the Regional Information Center (RIC) contact who will then execute the changes in the accounting system.

Claims Auditor –

The current Claims Auditor procedures do not include verifying the required approval was obtained for change orders.

We recommend the claims auditor procedures include compliance with change order approvals.

The Claims Auditor, as a part time person, does not have enough time to verify change orders and do her other work. We could ask the Internal Auditor to review these if needed. Another option would be asking our construction supervisors, LeChase Construction (LeChase), to verify change orders have been approved. They do have a State Aid Specialist in the Business Office every month. This may be a more economical way to achieve this. LeChase keeps elaborate spreadsheets including all capital project financial activity - including change orders. Reports from LeChase containing these spreadsheets are regularly sent to the Board of Education.

Payroll –

We noted the following during the course of our payroll examination:

1. Three instances where a selected employee's withholding form was unavailable for examination.
2. One instance where a selected employee's withholding form did not appear to agree with the withholdings on the payroll system.
3. Payroll registers were not certified during the 2016-17 year.

The District has worked on this issue for some time and has decided to ask our Internal Auditors to examine payroll this year - 2017-18. We do write over 1000 paychecks every two weeks and our employee mix does change constantly - given the nature of substitute employees. We will work to reduce the errors in withholding be it missing forms or incorrect data in the payroll system. The Asst. Supt. will sign the payroll registers going forward.

Accounting System Access Rights -

It appears the payroll clerk has access within the accounting system to adjust employee pay rates.

The District, on October 10, 2018, removed the ability to do this from the two Payroll Clerks' list of authorized actions within WinCap. If they need a rate changed they will go to the staff in Human Resources.

We recommend employee access rights to the accounting system be subject to an independent review on a periodic basis to ensure they are appropriate.

The Asst. Supt does look at this during the year however we acknowledge the review of accounting system access rights of everyone in the District should be done more frequently. In the first week of October 2017 the Business Office reviewed the accounting system access rights of everyone in the District and made a number of changes to reflect current staffing. Going forward when an employee with access leaves the District we will

remove their access rights to the accounting system. This access is normally limited to department heads, principals, secretarial staff and District Office staff.

Current Year Deficiencies in Internal Control:

Computer Controls –

Three individuals no longer employed by the District had active user access rights within the accounting system.

The Asst. Supt does look at this during the year however we acknowledge the review of accounting system access rights of everyone in the District should be done more frequently. The first week of October 2017 the Business Office reviewed the accounting system access rights of everyone in the District and made a number of changes to reflect current staffing. Going forward when an employee with access leaves the District we will remove their access rights to the accounting system. This access is normally limited to department heads, principals, secretarial staff and District Office staff.

Other Item:

The following item is not considered to be deficiency in internal control, however, we consider it another item which we would like to communicate to you as follows.

School Lunch Fund –

As indicated in the financial statements, the school lunch fund had an operating loss of \$64,445 at June 30, 2017. Additionally, the fund was not charged its share of workers' compensation expenditures which would have increased the operating loss. Therefore, we recommend the Administration continue to monitor school lunch operations to improve the overall financial stability of the program.

The District returned to the Federal Student Nutrition Program at Baker HS beginning Sept 5, 2017. We left the program a couple of years ago in reaction to the Healthy Hunger Free Kids Act. Our planned for increase in sales at Baker HS did not materialize. The first month's revenue data from the 2017-18 year indicate the annual deficit should be significantly reduced by the end of the school year. In 2018-19 the District will be replacing the high school kitchen including the serving lines. The current facility is circa 1960. The plan is to make the kitchen and serving lines more efficient and more appealing to the students. Hopefully these changes will make eating at our largest cafeteria operation a better experience for our customers.



James J. Rodems
Assistant Superintendent for Management Services
October 11, 2017