



PELHAM UNION FREE SCHOOL DISTRICT
Corrective Action Plan Related to
COMMUNICATION OF INTERNAL CONTROL MATTERS IDENTIFIED IN THE AUDIT
TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT
June 30, 2016

In the course of performing their audit of the financial statements of the Pelham Union Free School District as of and for the year ended June 30, 2016, O'Connor Davies, LLP, our external auditor, made the following observations about the internal controls and operations, none of which were considered material weaknesses. The District's action plan in response to each deficiency is noted.

SEGREGATION OF DUTIES

Finding

During the preliminary audit testing, it was noted that the Senior Accounts Payable Clerk has the ability to process payments to vendors in addition to having the ability to edit the school district's master vendor list.

Recommendation

We recommend that the school district takes care to review its segregation of duties framework and ensure that the duties of each employee are truly segregated.

Action Plan

The district has reassigned responsibility for changes to the master vendor list from the Senior Accounts Payable Clerk to another business office employee, the Staff Assistant-Finance & Administration. Further, the district treasurer has recently begun reviewing a vendor change edit report each month.

EXTRACLASSROOM ACTIVITIES

Finding: Lack of Segregation of Duties

We noted that the duties of the treasurers of both the High School and Middle School Extraclassroom activity funds are not adequately segregated. The responsibilities of the Middle School central treasurer include receiving monies, making bank deposits, preparing bank reconciliations and maintaining books and records. The responsibilities of the High School advisor include receiving monies, making bank deposits, and maintaining books and records.

Recommendation

We suggest that the duties of the treasurers be distributed among various personnel where practicable. Additionally, we recommend that a determination of the status of the clubs with no financial activity be made to determine the proper disposition of funds. If the club is determined to be no longer active, the funds should be transferred to the general student organization to be used in accordance with their guidelines.

Action Plan

The District appoints a High School and Middle School faculty member, with a stipend, to act in the capacity of the Extraclassroom Activity Funds treasurer and oversee the sets of books maintained for the High School and Middle School Activity Funds. The Business Office has a number of controls in place to review the activity of the funds, including requiring the District Treasurer to review and manually sign all Middle School Extraclassroom fund disbursements. The District continues to explore the feasibility of incorporating a student business club into the process (in the capacity of a claims auditor) to add additional controls and to ensure security and appropriateness of student funds transactions with no additional management/stipend costs to the District.

Inactive clubs are identified at the end of each fiscal year and the associated funds for these clubs are transferred to the general student organization. This process is completed on an annual basis.



PELHAM UNION FREE SCHOOL DISTRICT
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TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT (Continued)
June 30, 2016

Finding: Cash Receipts

During testing, the auditor noted deposits were not made on a timely basis for one of the ten selections made for Extraclassroom. The lack of timely deposits increases the risk of misplacement, and misappropriation, which can lead to negative impacts on the financial reporting process.

Recommendation

We suggest that procedures be implemented to deposit cash receipts daily; this ensures all deposits are made timely.

Action Plan

The district has brought this finding to the attention of the Extraclassroom Fund treasurer. Every effort is made to ensure that deposits are made in a timely manner. In the instance noted, the Extraclassroom treasurer noted that the deposit was delayed by a week due to unusual academic demands during that time.

CASH

Finding

Per review of cash, auditor noted three separate accounts which had outstanding checks over one year old. Account A200 has outstanding checks totaling \$6,683, account C200 has outstanding checks totaling \$426, and account TE200 has outstanding checks totaling \$1,443.

Recommendation

We recommend that the district look into these outstanding checks and determine whether they need to be reissued or written off in the respective funds.

Action Plan

During the school year, the District actively investigated outstanding checks in excess of one year and resolved many such items. The items noted are still pending resolution and will be either reissued or written off in accordance with the auditor's recommendation.

SCHOOL LUNCH FUND

Finding

Excessive Fund Balance: The School Lunch Fund is used to account for revenues and expenditures in connection with the School District's food service program. New York State Education Regulations suggests that assigned fund balance in the School Lunch Fund be no more than three months' worth of operating average expenditures. The average three month expenditure for the School District is approximately \$200,000 and the District has a total assigned fund balance of \$338,995 at June 30, 2016, which is in excess of the average amount recommended by New York State.

Recommendation

We recommend utilizing the excess portion of the fund balance in the upcoming fiscal year to comply with New York State recommendations.

Action Plan

During summer 2016, the district spent approximately \$94,000 on repainting of the cafeteria and new kitchen equipment. The district will continue to evaluate the food service operations and find other areas of needed improvements in order to reduce the fund balance to the recommended levels.