



ACTION PLAN

in response to

**COMMUNICATION OF INTERNAL CONTROL MATTERS IDENTIFIED IN THE AUDIT
TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT**

JUNE 30, 2014

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, 2014, 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.

Special Purpose Fund

Finding

The Special Purpose fund records the activity of the numerous bequests of which the District is the recipient. These bequests are used for scholarship awards to students or for various other purposes. Our audit disclosed one trust account which has remained financially inactive for the entire year.

Recommendation

We suggest that the School District analyze the balances and review the purpose of these bequests, so that a determination may be made as to the proper disposition of the funds. Should it be determined that these amounts are no longer required to be held in trust, a Board resolution should be approved transferring these funds to the General Fund.

Action Plan

Certain funds do not require a disbursement on an annual basis, thus they can appropriately remain inactive in the course of a given year. The District actively reviews the activity in these funds during the course of the year and is comfortable with their balances at this time.

Capital Fund

Finding

Retained percentages, representing amounts withheld from contractors for completed work pending satisfactory approval of their phase of a construction project, should be classified as expenditures and recorded on the books of account simultaneously with the payment to the contractor. Accordingly, retainage withheld from various contractors since this time has not been reflected within the books and records of the Capital Projects Fund.

Recommendation

We suggest that the District record these liabilities, so that those personnel charged with overseeing these projects could be provided with the most accurate cost information.

Action Plan

The District maintains accurate accounting records related to retainage payable outside of its financial accounting software and is aware of these liabilities. However, effective with the 2014-15 school year, the District will record retainage payable on its books of account.

Extraclassroom Activities

Findings

Extraclassroom activity funds are defined as funds raised other than by taxation in the name of a school student body. These funds are operated by and for the students and are an integral part of the educational program of the School District. As part of our audit, we have reviewed, evaluated and tested the Extraclassroom Activity Funds. The results of our tests disclosed the following weaknesses:

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.

Lack of Financial Activity

Our review indicated that several clubs within Pelham High School reflected no financial activity during the current fiscal year.

Deficit Balance

We noted one club within Pelham High School (Sock-n-Buskin) that had a negative ending cash balance at June 30, 2014.

Untimely Deposit

During our testing of cash receipts we noted three instances of cash being deposited more than three business days after the receipt of cash.

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 checks and balances 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 checks and balances and to ensure security and appropriateness of student funds transactions with no additional management/stipend costs to the District.

During 2013-14 several clubs were identified as no longer active and the associated funds for these clubs were transferred to the general student organization. The clubs will continue to be reviewed to determine if any further clubs are no longer functional and any remaining funds will be transferred to the general student organization.

The District determined that a final year end deposit for the club reflecting a negative cash balance at June 30, 2014 was made in July 2014, thus resolving the negative balance. The High School advisor was instructed to ensure that all year end deposits are made in a timely basis.

Regarding untimely deposit of Middle School funds, the Middle School central treasurer was instructed to make all deposits in a timely manner and to notify the Business Office if he anticipates any issues in making timely deposits.