



PELHAM UNION FREE SCHOOL DISTRICT
Corrective Action Plan Related to
COMMUNICATION OF INTERNAL CONTROLS OVER FINANCIAL REPORTING
June 30, 2018

In the course of planning and performing their audit of the financial statements of the Pelham Union Free School District as of and for the year ended June 30, 2018, PKF O'Connor Davies 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.

EXTRACLASSROOM ACTIVITIES

Finding: Segregation of Duties

During the audit testing, it was noted that the Central Treasurer for the Middle School Extra Classroom Fund has the ability to collect cash, issue receipts, prepare bank deposit slips, make bank deposits, write checks, and prepare bank reconciliations.

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 some mitigating controls in effect such as having the District Treasurer sign all disbursements made by the Middle School Extra Classroom Fund and review bank statements of the Fund. The Central Treasurer has been instructed to provide adequate documentation on cash receipt records to evidence that all funds collected were deposited. In addition, the Central Treasurer has been asked to prepare year end statements for those clubs with financial activity and to obtain approval of those statements from club advisors. As part of their agreed-upon procedures detail testing to be performed in Fall 2018, the District's internal audit firm is auditing both the High School and Middle School extraclassroom funds. The District will await the results and recommendations of this work to implement further internal control measures.

Finding: Inactive Clubs

During the course of the 2017-18 year, six clubs had no activity: DIY-Do It Yourself Club, Human Rights, Military History, Peer Leadership, Robotics and the Social Political Activism Club.

Recommendation

We recommend that the School District evaluate whether these clubs should remain active clubs, or if their funds should be dissolved into another club.

Action Plan

The District will convey this finding to the appropriate building administrators and Central Treasurer and direct them to review whether these clubs remain active despite having no financial transactions during the year.

Finding: Cash Receipts

During our testing, the auditor noted deposits were not made timely 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 treasurers. Every effort is made to ensure that deposits are made in a timely manner.

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 \$230,000 and the District has a total unassigned fund balance of approximately \$420,000 at June 30, 2018, which is in excess of \$190,000.

Recommendation

We recommend that the School District develop a plan to utilize the excess fund balance of the School Lunch Fund to comply with the New York State Education Regulations.

Action Plan

The District is aware of the operating surplus and is working toward a number of initiatives such as purchasing new food service small wares, tables and cafeteria flooring to improve the food service program throughout the District. A detailed spending plan was recently resubmitted to the Child Nutrition Program Administration (CNPA) in Albany and the District awaits CNPA's response.

SPECIAL AID ACCOUNTS RECEIVABLE

Finding

Per review of the Special Aid accounts receivable it was noted that \$51,950 of the receivables for the Summer Handicapped Program were greater than one year old.

Recommendation

We recommend that the School District review the accounts receivable balance and determine if the receivable is still valid and then take appropriate action to resolve the outstanding balance.

Action Plan

Subsequent to the 2017-18 audit, the District reviewed outstanding summer school receivables. All receivables deemed uncollectible were written off in July 2018.