



MONROE-WOODBURY

CENTRAL SCHOOL DISTRICT

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Superintendent of Schools

2018 - 2019 Corrective Action Plan Management Letter – External Audit

Finding: 1

During our review of fixed assets, we noted that the District tagged and tracked computers, but other fixed assets, such as buildings and grounds equipment, were not tagged and tracked properly.

Recommendation:

We recommend that the District tag all fixed assets and monitor them throughout the year. This will help to ensure that all additions and dispositions are recorded and accounted for properly.

District Response:

The District is aware of the need for a new fixed asset procedure. The District currently works with the New York State Insurance Reciprocal (NYSIR) for fixed asset reporting and to determine insurance values of district property. NYSIR contracts with the consulting firm, CBIZ, for capital asset reporting and property insurance reporting and valuation. The district works with CBIZ annually to update the fixed assets purchased through the general ledger in all operating funds, so asset values are being captured. However, the district does not currently have a procedure in place to tag assets other than technology. The districts' inventory is also outdated and includes many assets that should no longer be carried in the inventory.

NYSIR provides a complete asset inventory and revaluation for the district at no cost every seven years. The district has contracted with CBIZ to do the inventory and revaluation in the 2019-2020 fiscal year. During the revaluation process, district personnel will accompany CBIZ in order to collect knowledge related to the districts assets and the best practices applied to inventory management from the experts at CBIZ. At that time, CBIZ will also be retagging all of the districts assets. After collecting a broad knowledge of current district challenges a new procedure will be drafted and adopted for the tagging newly acquired assets.

Finding: 2

During our review of the goods and services provided by the School Lunch Fund that were billed to the General Fund, we noted that in many instances, billing for these items was not submitted to the business office in a timely manner. We also noted that when these invoices were paid by the General Fund, they were paid on claim forms as purchase orders had not been issued prior to the goods and services being rendered.

Recommendation:

We recommend that all goods and services provided to the General Fund by the School Lunch be authorized by the purchasing agent on a purchase order prior the good or services being rendered. We also recommend that billing for these services be submitted in a timely manner to facilitate more accurate financial reporting throughout the year.

District Response:

The district is aware of the current issue with school lunch fund catering and the supporting documentation issues. A plan (outlined below) has been implemented in the current school year.

- An order form has been developed by school lunch with standardized pricing. The form is posted under staff resources on the MWCSO website.
- The administrator ordering the food fills it out and obtains the appropriate approvals for the food to be supplied at the event.
- The building then enters a PO in Wincap with the order form attached.
- When the PO is approved it is provided to the school lunch fund with the attached order form thereby authorizing any food service deliveries.
- The SLF invoices at the end of every month. The invoices reference the PO# and can be sent directly to the accounts payable department for payment. This eliminates lost invoices and speeds up the payment process.

Finding: 3

As part of our audit procedures related to school lunch inventory, we selected a sample of the items held in inventory at different locations throughout the District for testing. We noted that in several instances, the number of items that we counted differed from the number of items reported by the District.

Recommendation:

We recommend that District employees responsible for counting school lunch inventory take additional care. This will help to ensure that the inventory is valued and reported accurately.

District Response:

The District acknowledges the reported discrepancies in inventory and has communicated to employees responsible for inventory management the importance of accurate and timely reporting. The last day of food service delivery was Wednesday, June 26, 2019. That only allowed for five business days to consolidate the USDA commodity food, purchased food, and paper inventories for seven buildings. We need an ample amount of time to properly prepare the inventory figures. Going forward, we will have the school site managers properly count and record the actual quantities on hand more periodically. We have provided the High School and Middle School site managers with portable Chromebooks to complete their work closer to the items.

Finding: 4

The School Lunch Fund ended the year with a fund balance of \$708,280. For the year ended June 30, 2019, revenues exceeded expenditures by \$245,424. If this trend continues in the upcoming school year, the School Lunch fund balance will exceed the average of three months School Lunch Fund expenditures. Federal regulations in 7CFR § 210.9 state, "The school food authority shall limit its net cash resources that does not exceed three months' average expenditures for its nonprofit school food service". Net fund balances exceeding three months' average expenditures for the school food authority's nonprofit school food service program require the District to submit a written plan of action to the Child Nutrition Program Administration outlining the District's plan to reduce the excess funds. Additional documentation and periodic updates may be requested to verify the reduction in the excess balance.

Recommendation:

We recommend that the District monitor the results of operations and fund balance of the School Lunch Fund to ensure that fund balance does not exceed the limits established by the federal regulations in 7CFR § 210.9. If fund balances do exceed this limit, we recommend that management develop a written plan of action for submission to the Child Nutrition Program Administration outlining the District's plan to reduce the excess funds.

District Response:

The District acknowledges the trend towards exceeding federal limits on net cash resources in the School Lunch Fund. While we were trending towards an excess balance, as of June 30, 2019, there was not an excess. At this time, the district expects expenditures to exceed revenues for the current school year 2019-2020, due to the district's cyber threat which has resulted in a decrease in revenues and increase in expenditures. In addition, we plan on purchasing modules for a new point of sale system. We will continue to plan for replacement and upgrade of necessary equipment and technology in order to continue to improve on the level of service to our students. The District will monitor the results of operations during the remainder of the current school year to assess whether additional measures will be needed to address the excessive fund balance.

Finding: 5

During our audit of fund balances and reserves, we noted that on October 23, 2018, the District's voters approved a resolution to use \$4,391,000 of capital reserve funds to help cover the cost of a capital project. The District properly recorded this funding as interfund revenue in the Capital Project Fund and interfund expenditures in the Capital Fund. However, we noted that on June 30, 2019, these funds were still held in the General Fund capital reserve.

Recommendation:

We recommend that the District transfer \$4,391,000 from the General Fund capital reserve to the Capital Fund. This will ensure that these funds are used for the Capital Project and that other funds are not diverted for such purpose.

District Response:

The District acknowledges the timing of this transfer was at fiscal year-end and could have been executed immediately following Board approval. The District has transferred the voter-approved

balance of capital reserve funds from the general fund capital reserve to the capital fund and will align the timing of Board approved transfers more closely in the future.

Finding: 6

As part of planning our audit and assessing audit risk, we requested the results of the internal audit procedures performed for the year ended June 30, 2019. Management informed us that no such audit was performed for the year.

Recommendation:

Pursuant to New York State law and regulations, every BOCES and school district must establish and maintain an internal audit function, except for those with fewer than eight teachers, less than \$5 million in general fund expenditures in the previous school year, or fewer than 1,500 enrolled students in the previous year. We recommend that the District maintain an internal audit function to be in compliance with New York State law.

District Response:

The District is aware of its previous noncompliance with NYS law and regulations regarding the internal audit function for the 2018-19 year. The District engaged an independent CPA firm to conduct internal audit procedures for the 2018-19 year and fieldwork for this audit was done in November 2019. Results of this risk assessment and internal audit have been provided to the District in draft and the District is developing a corrective action plan. The District will engage with an independent CPA firm to conduct internal audit procedures for the 2019-20 year with the intention of having fieldwork and report issuance in Spring of 2020.