

VALLEY CENTRAL SCHOOL DISTRICT

*INDEPENDENT INTERNAL AUDIT REPORT
AGREED-UPON PROCEDURES
RISK ASSESSMENT UPDATE
YEAR ENDED JUNE 30, 2019*

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
RELATED TO INTERNAL CONTROLS

To the Board of Education of the
Valley Central School District
Central Administration – Education Center
944 State Route 17K
Montgomery, New York 12549

We have performed the procedures enumerated below, which were agreed to by the Board of Education of the Valley Central School District, on the internal controls of the District for the year ended June 30, 2019. The District's management is responsible for the internal controls. The sufficiency of these procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

PROCEDURE

During the engagement we interviewed various District employees and performed tests of transactions to enable us to make a determination whether or not the District had substantial changes in the accounting and reporting systems and to ensure our previous recommendations had been implemented. We then performed various tests of the internal controls to substantiate these controls were working as described. After our interviews and test of internal controls, we evaluated and determined the areas of high and low risk.

Previous Findings	Current Status	Weakness in Internal Control	Recommendations
Extraclassroom Activity Funds			
Previously, receipts for the Middle School Store did not include student signatures.	No activity from School Store was noted in current year activity. See next finding	The Extraclassroom Activity Funds are to teach the students how to properly run a business. The students are to be involved in all of the business functions of the Extraclassroom Activity.	We recommend the District make sure the students are involved in this activity or close the fund. Another option is the School Store could be run through the General Fund.
In the prior year, we noted the Middle School Store had not been turning in funds received from sales to be deposited by the Central Treasurer.	No activity from the Middle School Store was noted during the current year. The Central Treasurer indicated that the Advisor for the School Store noted, "not open for sales a lot this year but she has about \$50 to be deposited." We reviewed the summary sheets from the advisor and noted the store was open during September, October and December 2018. The Advisor gave the Central Treasurer \$45 in January 2019 after they discussed the activity.	Undeposited funds are susceptible to theft or loss.	All funds collected and received by the Extraclassroom Activity Funds should be counted and recorded by the Student Treasurer of the Activity and turned in to the Central Treasurer of the Building for deposit in a timely manner.
We noted in all buildings the clubs are still not preparing profit and loss statements for each fundraiser.	No profit and loss statements present for applicable samples.	The New York State Department of Education's Pamphlet II - The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds states that all clubs should be using profit and loss statements for all fundraising activities.	We recommend the District encourage the clubs to use the profit and loss statements as required.

Previous Findings	Current Status	Weakness in Internal Control	Recommendations
Extraclassroom Activity Funds (continued)			
<p>Elementary buildings have Extraclassroom Activity Funds accounts with little to no student involvement.</p>	<p>We noted there is still little to no student involvement in the elementary Extraclassroom Activity Funds.</p>	<p>The Extraclassroom Activity Funds are to teach the students how to properly run a business. The students are supposed to handle and approve all the business functions.</p>	<p>We noted each of the Elementary buildings has a Student Council or Student Government which could be utilized to help meet some of the student involvement requirements. We recommend reviewing with the Central Treasurers of each building the NYS Requirements are and what District forms the buildings should be using.</p>
<p>Elementary Buildings: Little to no support and/or no payment orders with student approvals for disbursements</p>	<p>We noted there was better support at East Coldenham, but not the other buildings. We noted there still were no student approvals present on the payment orders for disbursements or the deposit orders for receipts.</p>	<p>The Extraclassroom Activity Funds are to teach the students how to properly run a business. The students are supposed to handle and approve all the business functions.</p>	<p>We noted each of the Elementary buildings has a Student Council or Student Government which could be utilized to help meet some of the student involvement requirements. Payment order forms should include a space for student approval signatures</p>

Previous Findings	Current Status	Weakness in Internal Control	Recommendations
Extraclassroom Activity Funds (continued)			
<p>Elementary Buildings: Little to no support and/or deposit orders with student approvals for receipts</p> <p>The buildings are using different forms, if any, then those used by the High School & Middle School Extraclassroom Activity Funds.</p>	<p>No change. Only support is the deposit slips per receipts sampled.</p> <p>We also noted there was little to no support for the cash receipts for the Middle School & High School also.</p> <p>The Elementary buildings appear to use different forms, if any, and are not set up for student approval signatures.</p>	<p>The Extraclassroom Activity Funds are to teach the students how to properly run a business. Without good support you are not able to determine if all funds collected were deposited.</p>	<p>Deposit order and deposit summary forms should include a space for student approval signatures.</p>
<p>We previously, noted the High School SGA:CC Account had expenditures such as counseling office supplies; principal office water and special needs transportation for a student.</p>	<p>We noted the High School SGA:CC Account had expenditures such as principal office water, a water cooler, classroom materials - window coverings & a Psycho Education Series on two dates.</p>	<p>The Extraclassroom Activity Funds are to teach the students how to properly run a business. The students are supposed to handle and approve all the business functions. The District should review these expenditures and determine if these expenditures should be coming from student funds.</p>	<p>The District should review the Activity and ensure it is a student club/activity and no other expenditures are run through this account.</p>
<p>We noted two cash disbursements with little to no support.</p>	<p>We found no exceptions.</p>	<p>There should be proper supporting documentation with proper approvals for all expenditures.</p>	<p>The Central Treasurer should make sure all required documentation and approvals are present for all Extraclassroom Activity disbursements.</p>

Previous Findings	Current Status	Weakness in Internal Control	Recommendations
Extraclassroom Activity Funds (continued)			
Approved fundraiser request forms were not present with the Central Treasurers for fundraising cash receipts.	The approved fundraiser request forms are in the building Principal's office.	District requires approved Fundraiser request forms for all fundraisers. Fundraising activity could occur and funds not be deposited if the Central Treasurer does not know a fundraising activity has been approved.	Copies of approved fundraiser request forms should be provided to the Central Treasurers in each building so they know to watch for the deposits.
Procurement			
Payroll certification of prevailing wage and/or sole proprietor exemption letter from a vendor was not present.	Payroll certifications and/or sole proprietor exemption letter not present for two of eight applicable samples.	NYS Dept. of Labor Article 8 requires the District to obtain payroll certifications to ensure that all employees working on District projects are paid prevailing wages. Sole proprietors who perform the work themselves are exempt from the prevailing wage requirement but must provide a letter certifying such.	The District should designate a person to make sure certified payrolls and/or sole proprietor exemption letters are provided by the vendors for all applicable expenditures.

Previous Findings	Current Status	Weakness in Internal Control	Recommendations
Cash Disbursements			
We noted a cash disbursement to a vendor with numerous purchases where the purchase orders were dated after the purchase (within a couple of days) and appears to have been paid late.	We again noted a cash disbursement to a vendor where the purchase order was dated after the purchase or service.	A purchase could be made without approval. Board policy requires an approved purchase order before purchase.	Approved purchase orders should be prepared prior to purchase or service. Notations should be made on the supporting documentation for any exception to the control.
Credit Card/Charge Account Testing			
We noted a cash disbursement for the credit card with numerous invoices/charges dated from January - June 2017 which were not paid until September 22, 2017.	We noted a credit card payment for invoices/charges dated from December 2017 through June 2018 not paid until August 16, 2018. This was the same vendor as prior year.	Payments were not made timely. Late payments could incur late fees for the District.	Payments should be made timely. District should document any reason for a delayed payment.
District Policies			
District does not appear to have a Fund Balance Policy, a Reserve Policy or a Debt Policy.	District has adopted the required policies.	District was missing required policies.	The District adopted on January 8, 2018.

Previous Findings	Current Status	Weakness in Internal Control	Recommendations
Transportation Fuel Use			
<p>Previously, we noted that the District receives a credit on the transportation statement to reimburse the District for the amount of fuel used by the outside transportation contractor. The District pays the fuel vendor directly for the fuel delivered to the outside contractor.</p> <p>The reimbursement is calculated using the total gallons of fuel purchased multiplied by a fixed dollar amount. The transportation company provides a spreadsheet of the gallons received from the fuel vendor multiplied by the fixed rate. The spreadsheet identifies the gallons received by the invoice number for each delivery.</p> <p>There is no documentation to indicate whether the total gallons noted on the credit reconciles with the gallons purchased by the District per their copy of the invoice.</p> <p>We did not note any discrepancies in the number of gallons credited during our field work testing.</p>	<p>The District had sent out an RFP for the Transportation services and signed a new contract with a new transportation contractor.</p> <p>The new contract indicates the District will purchase fuel and pay the transportation company's fuel based on live miles.</p> <p>The Interim Assistant Superintendent for Business is currently reviewing the District's reconciliation schedule and reconciliation procedures.</p>	<p>There is no way to identify an error in the number of gallons credited as opposed to the number of gallons purchased.</p>	<p>We previously recommended the District begin reconciling the actual number of gallons purchased from the fuel vendor to the agreed upon live miles to be provided to the transportation company, in order to determine if any credit will be due from the transportation company.</p> <p>We also recommended working with the outside transportation contractor to make sure there are controls in place to ensure the fuel is only used for District bus runs and not for other customers that may use the outside transportation contractor.</p> <p>Currently we recommend a second party review the reconciliation schedule.</p>

Current Year Findings	Weakness in Internal Control	Recommendations
Adjusting Journal Entries		
<p>We noted the Assistant Superintendent for Business approval of the Treasurer's adjusting journal entries have not been done in WinCap yet for this fiscal year. This is usually performed monthly.</p>	<p>Adjusting entries could be made to the financial records of the District without being detected.</p>	<p>Adjusting journal entries should be reviewed and approved monthly. Someone should review and approve those entered thus far this fiscal year. When occurring, this is a good mitigating control because the Treasurer who does the adjusting journal entries also does the bank statement reconciliations.</p>
Extraclassroom Activity Funds		
<p>We asked to observe the High School Extraclassroom Activities office safe to see if there were any cash receipts that had not been deposited. We found numerous cash receipts from clubs in safe had not been deposited. Deposits for at least 8 to 10 club activities present were in the safe and the one reviewed totaled over \$6,000.</p> <p>Currently there is no one assigned to the Extraclassroom Activity Fund Central Treasurer position at the High School. There has been a staff person directed by the building Principal to make these deposits but this staff person was on vacation at the time of testing.</p>	<p>Undeposited funds are susceptible to theft or loss.</p>	<p>All funds collected and received by the Extraclassroom Activity Funds should be counted and recorded by the Student Treasurer of the Activity and turned in to the Central Treasurer of the Building for deposit in a timely manner. If the Central Treasurer is not available the Deputy Treasurer should be used.</p>
<p>We were unable to review the cancelled check image for six disbursements. The financial institution only allows the District to view the checks for a limited period of time. After this time period, then the District must pay to receive a copy of the cancelled check image.</p>	<p>We were unable to determine that the checks were issued and cashed as documented in the ledger records.</p>	<p>The District should print or scan the cancelled check images for those checks that clear each month or request access for a longer period of time through the online banking system.</p>

RISK ASSESSMENT UPDATE

After completing our update of the initial risk assessment for the District, we have come to the conclusion and have rated the following categories as high, moderate or low risk.

	<u>Risk Assessment</u>
Governance and Control Environment	Low
Strategic Planning, Budget Development and Administration	Low
Assessing Financial Condition	Low
Financial Accounting and Reporting	Low
Auditing	Low
Cash Receipts and Revenue	Moderate
Cash Management and Investing	Low
Petty Cash	Low
Purchasing	Moderate
Accounts Payable and Cash Disbursements	Moderate
Payroll and Personnel	High
Travel and Conferences	Low
Facilities Maintenance	Moderate
Inventory Control	Low
Food Service	Low
Student Transportation	Moderate
Extraclassroom Activity Funds	High

We would like to take this opportunity to thank the staff for all of their assistance.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the internal controls. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than those specified parties.



Mongaup Valley, New York
May 9, 2019