



**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, 2017**

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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, 2017, 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.

**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 If the club is determined to be no longer active, the funds should be transferred to the general student organization to be used in accordance with their guidelines.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.

**Finding: Cash Receipts**

During our testing, the auditor noted deposits were not made on a timely basis for two 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.



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**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 assigned fund balance of \$330,000 at June 30, 2017, 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**

The district is aware of the operating surplus and is working toward a number of initiatives to reduce its excess cash balance while improving the food service program throughout the district. A detailed spending plan was submitted to the Child Nutrition Program Administration (CNPA) in July 2017. 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 reconcile the accounts receivable and determine if the amounts are still receivable when they become older than one year.

**Action Plan**

The District tracks, and will continue to track, receivables from its Summer Handicapped Program by year. As of June 30, 2017, the District had amounts remaining in such receivables as follows: \$10,054 from 2012-13; \$17,226 from 2013-14; and \$24,312 from 2014-15. During 2016-17, the District collected funds on old receivables as follows: \$17,722 from 2012-13; \$0 from 2013-14; and \$3,213 from 2014-15. The payment stream is unpredictable and the District still believes that it may collect further funds from these past years. If a determination is made that receivables will not be collected, the District will write-off such funds in the year that such determination is made.