

HAWTHORNE CEDAR KNOLLS UNION FREE SCHOOL DISTRICT
226 Linda Avenue, Hawthorne, New York 10532-3795

BOARD OF EDUCATION

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November 5, 2020

Scott Oling, CPA
PKF O'Connor Davies, LLP
500 Mamaroneck Avenue
Harrison, NY 10528

Dear Scott,

This letter serves to address the Control Deficiencies noted in the Audited Financials of Hawthorne Cedar Knolls UFSD for the year ended June 30, 2020. The district acknowledges the notated deficiencies and recommendations; a Corrective Action Plan, as defined below, will be implemented to avoid future deficiencies and reinforce transparency in financial activities.

Segregation of Duties –

An effective system of internal control provides for the segregation of duties among available personnel, so that no one employee controls all phases of a transaction without some independent verification by another employee. We again noted during our audit that the accounts payable clerk can add, modify, and delete vendors and vendor information. We also noted that the payroll clerk can add, modify and delete employee payroll information.

Recommendation –

Although difficult given the size of the business office, we nevertheless recommend that the School District consider delegating as many of these responsibilities to other employees in the accounting office to the extent practicable. This would provide an added layer of control over these transactions.

Corrective Action –

The District acknowledges the difficulties of the limited size of the business office due to a reduction in workforce in 2018 due to retirement and attrition. However, it should be noted that the accounts payable clerk does NOT have permissions to edit, modify and/or delete vendors from the district's financial system. Those duties are assigned to the tuition billing clerk to avoid a conflict of duties.

Moreover, the payroll clerk does have the ability to add, modify and delete employee payroll information but only after receiving the correct information from the Asst. Superintendent of Finance & Operations on a form referred to as "Top Sheet" (attached for reference). Review of payroll information is conducted by the Asst. Supt. of Finance & Operations and the tuition billing clerk on a bi-monthly basis as each payroll is processed.

Outstanding Checks –

During our audit of activity in the School District's Agency Fund, we noted that three checks totaling approximately \$1,100 (in the TA 200 and TA 204 bank accounts) have been outstanding for over a year.

Recommendation –

We recommend that the School District review all bank reconciliations annually for any checks that are outstanding for over a year and write-off said amounts and return the funds to the General Fund.

Corrective Action –

The business office staff was working remotely due to the COVID-19 pandemic from March 17, 2020 until June 1, 2020. In-person operations were conducted on a two-day remote and three-day in person schedule from June 1, 2020 through August 23, 2020. This created a backlog of work required for year-end closeout. Additionally, each bank reconciliation is reviewed on a monthly basis, the outstanding checks were simply an oversight. Upon the district discovering the stale checks in July 2020, they were immediately voided with funds returned to the General Fund. More thorough review of outstanding items will be conducted on a monthly basis in the future.

Agency Fund - 941s –

Employers are required to file Form 941, "Employer's Quarterly Tax Return", within thirty days after the end of each calendar quarter. Our review of these filings during the current fiscal year revealed that three of these filings were not done within this required timeline. We were not provided with explanations for two of the late filings. We were advised that the first quarter of 2020 filing was delayed due to the COVID-19 pandemic which prevented school District employees from being at the office from March to June 2020.

Recommendation –

To avoid IRS penalties and interest, we suggest procedures be modified to ensure the priority of the filing of this required form each quarter.

Corrective Action –

The district acknowledges the failure to file the 941 "Employer's Quarterly Tax Return" within the require thirty days after the end of each calendar quarter; however, each quarter contained an overpayment which would avoid any penalties and/or interest. The payroll clerk has been instructed to file the forms within the thirty day period; a twenty day internal deadline has been enacted and calendared to avoid this issue in the future.

Other Post-Employment Benefits Census Testing – Personnel Files -

Governmental Accounting Standards Board Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, requires the School District to submit certain census data to the actuaries in order to allow a calculation of the liability. As part of the annual audit, we are required to test a sample of the data submitted to the actuary to ensure the actuary had proper information in doing this calculation. During our testing of the census data, it was discovered that the personnel records for the five employees we selected could not be located.

Recommendation –

We recommend that the School District ensure that all personnel records are maintained on a current basis and are available for inspection as needed by outside, authorized personnel.

Corrective Action –

The District acknowledges that personnel records are in disarray. Previous personnel responsible for personnel records did not maintain the records in a current basis or efficient filing system. Personnel records for resignations, retirements and terminations are filed by “Termination Date” with other pertinent documents filed in separate binders; thus, the personnel records maintenance system needs a complete overhaul. Moreover, the District maintains two records storage rooms which historically have not been organized or maintained in an efficient, effective manner. The District will actively work to bring the personnel records current and inclusive of all required documents in one file and location.

Meals Provided at Board Meetings –

It was noted during the audit that meals were being provided to the members of the Board of Education paid for with School District funds. Although the amounts are de minimis on an annual basis, public funds are not allowed to be used for such purposes.

Recommendation –

We recommend that the School District review its policy with regard to providing meals at such meetings to determine its compliance with the law.

Corrective Action –

The District will cease providing meals for members of the Board of Education using School District funds unless the meal prepared is part of a curriculum based instructional activity.

Procurement Policy –

The School District procurement policy does not provide dollar thresholds for either obtaining quotations or requiring competitive bidding. Also, the purchasing policy has not been updated since 2007, and does not require the encumbering of funds to ensure their availability prior to initiation of a purchase order.

Recommendation –

Disbursement controls would be significantly improved if a written policy on competitive bidding is established, indicating the dollar level above which quotations, purchase orders, and competitive bids must be obtained, This policy should also recognize that instances will arrive where it may not be possible or appropriate to solicit competitive bids. In such situations, the policy would require that a waiver of the bidding process be substantiated and approved by management. The policy should be approved by the Board of Education, and updated periodically. To ensure funds are being appropriated properly, certain items should be required to be encumbered prior to initiation of a purchase order.

Corrective Action –

The Procurement Policy (Policy 5410) will be updated to specify the thresholds required for verbal and written quotations; however, the Policy does specify thresholds for requirements of competitive bidding of capital projects/services and professional services. All purchases currently require a requisition in the financial system encumbering funds prior to the issuance of a purchase order provided an emergency situation has not arisen requiring immediate procurement to avoid damage to property, health and safety. All staff responsible for procurement/purchasing of goods and services have been directed to use the Purchasing Procedures Form (attached for reference).

Any instances requiring a waiver of the bidding process would be substantiated and approved by the Board of Education.

The District appreciates the Auditors professionalism and shared knowledge in the support of financial transparency of activities conducted by the School District and the Business Office.

Best regards,



Ruth A. Luis
Asst. Supt. for Finance & Operations



Raymond Raefski
Interim Superintendent

attachments