



PELHAM UNION FREE SCHOOL DISTRICT
Corrective Action Plan Related to
COMMUNICATION OF INTERNAL CONTROLS OVER FINANCIAL REPORTING
June 30, 2020

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, 2020, 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 mitigating controls in effect to offset the segregation of duties concerns noted. For instance, the District Treasurer signs all disbursements made by the Middle School Extra Classroom Fund (Fund) and reviews bank statements for 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.

FINDING: Inactive Clubs

During the course of the 2019-20 year, nine clubs had no activity: Class of 2021 (\$2,307), DIY-Do It Yourself Club (\$150), Environmental Science Club (\$2,331), Human Rights Club (\$140), Military History (\$1,072), PelMel-Newspaper Club (\$30), Science Research Club (\$856), Spanish Club (\$11), and the Italian Club (\$58).

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 High School principal and the Central Treasurer review club activity at year end. Typically, a few clubs are closed annually with any remaining fund balances transferred to the general Student Association in accordance with Board of Education policy. Certain clubs remain operationally active while having no financial activity. In such cases, the club fund balance can carryforward without change to ensuing years.

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 \$185,137 and the District has a total unassigned fund balance of approximately \$367,995 at June 30, 2020, which is in excess of \$182,818.

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 will coordinate with NYSED on developing and obtaining approval for a spending plan to meet the allowable limit.

CAPITAL PROJECTS FUND

FINDING: Bond Anticipation Notes

While performing the audit of the Capital Projects Fund, it was noted that the Bond Anticipation Notes ("BAN") issuance was not properly recorded within the Capital Projects Fund. The proceeds of BANs issued to finance construction of capital projects are not recognized as an "other funding source".

Recommendation

We suggest that any future BAN issuance be recorded as a liability in the Capital Fund and not as revenue.

Action Plan

The District will ensure that BAN transactions are properly recorded in the future.