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**PELHAM UNION FREE SCHOOL DISTRICT**

**Corrective Action Plan  
Related to  
Risk Assessment Update Report  
April 17, 2017**

**Current Year Observations and Recommendations**

**None Noted**

**Status of Prior Year Observations and Recommendations**

**Security Access**

**Findings/Recommendations**

During the time of our review in 2015, the District was implementing a card access system. As part of this implementation, procedures needed to be established to immediately remove access for employees separating from the District.

We recommended that the District develop procedures (in conjunction with procedures to notify the Information Technology (IT) Department of staff changes) to help ensure that access to the buildings is available only to appropriate people.

**Risk Assessment Update - April 2016**

We understood that a formal procedure had been developed and was in the process of being implemented.

**Risk Assessment Update April 2017**

While a formal process has not been developed; there appears to be adequate communication between Business Office and IT staff to remove access on a timely basis.

**District Response**

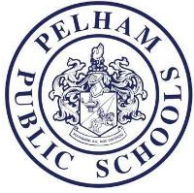
**The Business Office will work with the Director of Technology to establish a process to address this finding in 2017-18.**

**High School Extraclassroom Activities**

**Findings/Recommendations**

**Timeliness of Middle School Extraclassroom Deposits**

During our review in 2016, we noted that a deposit for ticket sales for the Middle School (MS) Drama Club production with cash collections totaling over \$4,000 was held for over a month, prior to depositing. The dates of the event were January 20th and 21st; however, the deposit was not made until March 4th. There was a note on the Deposit Form indicating that the faculty advisor contacted the Central Treasurer on February 24th to make the deposit; however, the student treasurer was unavailable to count the money that day.



We recommended that deposits be made within 3 days of receipt.

*Risk Assessment Update April 2017*

This has not been implemented. In our review of deposits, we noted several not made on a timely basis.

**High School Extraclassroom Activities**

While the basic structure of the extraclassroom clubs does appear to be in agreement with the state requirements, there were a couple of items worth noting:

**Club Treasurer Review of Deposits**

The student treasurers for the clubs did not sign-off on the Deposit Forms indicating they were in agreement with the deposit amount.

*Risk Assessment Update – April 2014*

The Deposit Form was to be updated to include a space for the student treasurer of the club to sign-off on the deposits.

*Risk Assessment Update – April 2015*

This had not been implemented.

*Risk Assessment Update - April 2016*

The Deposit Form had been updated to include a space for the student treasurer of the club to sign-off on the deposits. Our review of some deposits and disbursements for the year found that if the club had a student treasurer the Forms were signed. However, there were some clubs that should have had student treasurers but did not (Band and, Chorus). The District should consider accounting for these activities in the Expendable Trust accounts.

*Risk Assessment Update April 2017*

At the end of fiscal year 2016, the District began accounting for several activities in the Expendable Trust accounts. We noted that some of the remaining clubs still did not have an elected student treasurer, including the Student Government Club, Class of 2017 and Yearbook Club. Our review of receipts and disbursements noted that the Receipts and Disbursement Forms for these clubs did not have a student treasurer's signature. The Central Treasurer indicated that she would work with the faculty advisors to make sure that all clubs elected a student treasurer who will be involved in the deposit and disbursement process for the 2017-18 school year.

**Details supporting deposits**

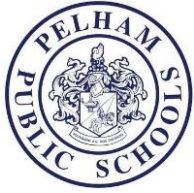
The Deposit Form does not contain a space large enough to record an adequate description for deposits. Descriptions for the deposits were not detailed to determine if the deposit was complete. In addition, the Form does not contain a space for the student treasurer to sign off-on the deposit.

*Risk Assessment Update – April 2014*

The new Deposit Form was to be implemented during the end of the 2013-14 school year. Additionally, procedures for the club advisors were to be drafted to accompany this Form.

*Risk Assessment Update – April 2015*

This had not been implemented. We understood this would be addressed in the 2015-16 school year.



*Risk Assessment Update - April 2016*

A new deposit form was implemented during the 2015-16 school year. Our review of a sample of Deposit Forms found that the descriptions were better; however, there were still instances where no description of the accounting for the deposit was recorded. The Central Treasurer indicated that she would work on obtaining better deposit descriptions in the 2016-17 school year.

*Risk Assessment Update April 2017*

Our review of a sample of Deposit Forms found that the descriptions improved for some clubs; however, there were still instances where no description of the accounting for the deposit was recorded or the description was not detailed, (i.e., yearbook sales, drama ticket sales, bracelet sales). The Central Treasurer indicated that she would work with the faculty advisors to improve deposit descriptions in the 2017-18 school year.

**District Response**

**The District will convey the audit findings to the Extraclassroom Activity Fund advisors, treasurers and school administrators and work with them to ensure that the audit recommendations are adopted.**

**PURCHASING**

**(From AUP Report dated January 10, 2013)**

**Findings/Recommendations**

**Invoices Exceeding the Purchase Order**

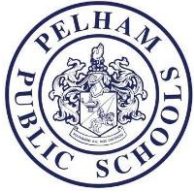
We recommended that procedures be documented as to what amount of increase to a purchase order (PO) warrants the Purchasing Agent's review, and procedures be in place to communicate the increase with the requisitioner and departmental approver.

*Risk Assessment Update – April 2013*

This had been partially implemented. A form had been implemented at the start of the school year, which required the department head to document the reason when the invoice date was prior to the PO date. This completed form was returned to the AP Clerk and a copy was sent to the Assistant Superintendent for Business. The form was completed by the AP Clerk and sent to the department head if the invoice amount exceeded the PO amount. No formal procedure had been documented as to what amount of increase to a PO warranted the Purchasing Agent's review and approval. This issue should be documented in the purchasing regulations.

*Risk Assessment Update – April 2014*

There had been no change in the procedure.



*Risk Assessment Update – April 2015*

No formal procedure had been documented for an amount of increase to a PO that warrants the Purchasing Agent's review and approval. The practice had been for the AP Clerk to increase POs for small amounts usually related to shipping charges. We were informed that there had not been any situation in which an existing PO was increased by a significant amount that would have warranted attention and review by the Purchasing Agent. We continued to recommend that a written regulation be developed related to processing payments in excess of the PO.

*Risk Assessment Update - April 2016*

This had not been implemented. However, during the year, there were a few instances where a PO from the Facilities Department needed to be increased. The Secretary to the Facilities Director obtained an approval from the Purchasing Agent prior to the PO being increased. The District was reviewing the purchasing policy and this issue would be addressed in the revised policy.

*Risk Assessment Update – April 2017*

This item is being addressed in the purchasing regulations, currently in draft form. The preliminary purchasing regulations require the Purchasing Agent to review all increases of \$250 over the original underlying purchase order amount.

**District Response**

**The Accounts Payable Clerk obtains approval from the Purchasing Agent when a PO is increased by \$250 over the original amount. This guideline will be incorporated in the revised purchasing policy currently under review.**

**INFORMATION TECHNOLOGY-ACCESS CHANGES**

**Findings/Recommendations**

**Access Changes**

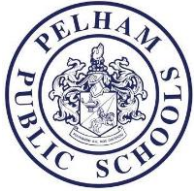
We recommended the District formalize a timely notification process for informing the Information Technology (IT) Department about new hires, terminations, and leaves of absence from the District so that the IT Department can add, change or remove security clearance to the respective systems.

*Risk Assessment Update – March 2011*

We were told that communications had improved significantly related to granting and removing access to and from the District network. However, formal procedures had not been implemented. We recommended that procedures be put into place to ensure access changes were processed on a timely basis after receipt of authorization from appropriate personnel.

*Risk Assessment Update – March 2012 – March 2015*

In 2012, the Director of Information Technology drafted a proposed procedure to address these issues, but it had not been implemented.



Risk Assessment Update - April 2016

We understood that a formal procedure had been developed and was in the process of being implemented.

Risk Assessment Update – April 2017

No formal procedure has been implemented.

**District Response**

**The Business Office will work with the Director of Technology to establish a process to address this finding in 2017-18.**

**CAPITAL ASSETS**

**(from the AUP report related to capital assets dated November 18, 2014)**

**Findings/Recommendations:**

**Board Policy**

The District policy requirement of an annual physical inventory should be reviewed. Consideration should be given to an annual inventory of a portion of the inventory, with a complete inventory done at some designated number of years.

Risk Assessment Update – April 2015

The policy requiring annual physical inventories needed to be reviewed.

Risk Assessment Update - April 2016

The policy requiring annual physical inventories still needed to be reviewed. The District was considering requiring a full physical inventory every three years instead of annually.

Risk Assessment Update – April 2017

The Board has not implemented a new policy.

**District Response**

**The District has not implemented physical asset inventories due to staffing limitations. However, the District's insurance company performs a full physical inventory once every five years. The Board policy matter has been brought to the attention of the Board of Education for modification.**

**FACILITIES**

**(from the AUP report related to facilities dated December 14, 2015)**

We recommended the District consider implementing the following items to strengthen the internal controls over the financial operations of the Facilities Department:

**Purchasing Policy Update**

We recommended that the District consider updating the purchasing policy to include the following:



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- Develop formal written policies and procedures governing the procurement of goods and services when competitive bidding is not required.
  - Develop procedures for threshold amounts required for Board approval for contracts for professional services. Also, procedures should be considered to ensure that all required documents related to the contracts (i.e., insurance documents) are maintained in one place.
  - Determine if language should be added to the purchasing policy regarding the threshold amount when a separate District bid needs to be prepared for a Facilities project; instead of using existing District time and material bids or Ed-Data bids.

Risk Assessment Update – April 2017

We have been informed that the District developed draft procurement regulations:

- There is wording in the draft procurement regulations to provide guidelines for procurement of goods and services when competitive bidding is not required. The procedures are being reviewed to determine the appropriate threshold amounts for obtaining quotes when the District makes purchases outside a state contract or an approved bid. There is wording in the draft procurement guidelines to address contracts for professional services. The draft regulations authorize the Purchasing Agent to enter into contracts for professional services up to and including \$600. Any contracts for professional services exceeding \$600 must be approved by the Board of Education. All documents related to the contracts are maintained in the originating department.
- Threshold amounts for when a separate District bid needs to be prepared for a Facilities project have not been addressed in the draft procedures.

**Purchasing and Invoice Approval**

We recommended that the District consider the following to strengthen controls over the purchasing and invoice approval process:

- We recommended that FM user permissions be changed to systematically route PO requisitions to the Facilities Director for approval, after the Facilities Secretary entered the requisition or required the Facilities Director to manually approve the PO requisitions. The process would then remain the same for the Purchasing Clerk to review and approve the requisition prior to the final approval by the Purchasing Agent. Additionally, we recommended that the Facilities Director review and approve all invoices for Facilities services and discontinue the use of a stamp approval. Additionally, when work was completed in the field, the individual overseeing the work would also sign-off indicating that the work was completed. In the cases where a third-party consultant reviewed the invoices the approval would be attached to the invoice.
- Ensure that the proper documentation for invoices was attached (i.e., detailed vendor quotes and/or pricing from state contracts or co-op bids were attached to be able to match to bid prices and prevailing wage documents, and contract or co-op bid numbers be included in the PO). Additionally, emergency situations would be documented in the body of the PO. We further recommended that these procedures be shared with the Claims Auditor to facilitate his review. The Claims Auditor would also report on any exceptions.



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*Risk Assessment Update – April 2017*

We have noted the following update with respect to controls over the purchasing and invoice approval process:

- The user permissions in FM have been changed to systematically route PO requisitions to the Facilities Director for approval. The Secretary to the Facilities Director enters all PO requisitions in FM; they are routed to the Facilities Director for approval, along with any hard copy back-up documentation to review. All invoices are reviewed and approved by the Facilities Director; the use of a stamp approval has been discontinued. When work is completed in the field, the Facilities Director either receives a verbal approval from the person overseeing the work or for large projects the Facilities Director will visit the site to check the completion. (This issue is now closed)
- The Department has begun to ensure that proper documentation is attached to invoices; however, in our review of the circular driveway work done in the summer of 2016 for \$71,868, we were not able to support the amount charged on the invoice to the bid utilized for the project.

**Bid Process**

We recommended the following to improve the bid process:

- A list of bids received would be documented for each bid opening and placed in each bid file.
- If a bid had labor and material mark-up components, a Bid Tabulation Form would be created and completed for each bid to ensure that the lowest bidder was selected. This Form would be reviewed and approved by the Assistant Superintendent for Business.
- For any bids that were renewed each year, an Excel spreadsheet would be prepared with the new rates for each vendor. This spreadsheet would be provided to the Claims Auditor to facilitate the review of invoices.
- The District would develop procedures documenting a threshold amount for the review of material invoices. The District would also consider updating bid language for items not originally included in the specific bids, including requirements for when material needs to be purchased, and a mark-up or mark-down percentage would be included in the bid specifications. Additionally, language would be added to the District bids to require vendors to provide third party invoices, where applicable, to be able to substantiate mark-up or mark-down percentages.

*Risk Assessment Update – April 2017*

We have noted the following update to the bid process:

- We note that there is no bid checklist prepared and attached in the bid file (i.e., listing of all bids sent out and received along with the date and time received, advertisement from



# PELHAM PUBLIC SCHOOLS

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- newspaper for bid, bid tabulation form, etc.). The bid checklist should be reviewed by the Assistant Superintendent for Business, prior to the bid being Board approved.
  - We note that a Bid Tabulation Form was created and is used for all bids that have a labor and material mark-up component to ensure that the lowest bidder is selected.
  - The Secretary to the Facilities Director maintains an Excel spreadsheet for all bids that are renewed with the new rates for each vendor. A copy of the new rates is placed in each bid file and attached to the invoice.
  - Language has been added to the District bids that, when requested, the vendors are required to provide third party invoices to substantiate supply and material costs subject to mark-up or mark-down percentages. The Facilities Department practice is to use a threshold amount of \$5,000 to review material charges. This is not included in the draft procurement regulations.

### **District Response**

- **Purchasing Policy:** The District intends to adopt the draft purchasing regulations by fiscal year end. All audit recommendations will be taken into consideration.
- **Purchasing & Invoice Approval:** The Facilities Department and Claims Auditor will be reminded to ensure that proper documentation is attached to invoices.
- **Bid Process:** The Facilities Department will be instructed to ensure that a properly completed bid checklist is maintained for all bids and that the Assistant Superintendent for Business reviews the completed checklist.