



PELHAM UNION FREE SCHOOL DISTRICT

**Corrective Action Plan
Related to
Risk Assessment Update Report
April 23, 2019**

Current Year Observations and Recommendations

The District was pleased to learn that no new findings were identified during the auditor's review.

Status of Prior Year Observations and Recommendations-Open Items

Middle School Extraclassroom Activities

Findings/Recommendations

Confirmation of Balances

During the 2016-17 school year, the Middle School (MS) Central Treasurer stopped the formal process of confirming balances with the student advisors at year end. This is an important process to help the Central Treasurer ensure that each club had the proper balance allocated to it. We recommended that the Central Treasurer formally confirm and reconcile year end balances with each of the individual clubs.

Risk Assessment Update March 2019

The Middle School Central Treasurer plans to formally confirm balances with the Drama Club and the General Organization Club at the end of the current school year.

District Response

As part of the follow-up measures from the Agreed-Upon-Procedures examination of the Extraclassroom Activities Funds (report dated January 28, 2019), the Business Office has met with the HS and MS principals, extraclassroom advisors and central treasurers to reinforce measures necessary to implement this recommendation.

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

Risk Assessment Update April 2018

This has not been implemented. In our review of deposits, we noted several deposits not made on a timely basis. We have been informed that the Central Treasurer was experiencing difficulty in coordinating with the Student Treasurer to count the funds on a timely basis. The Central Treasurer will consider having another student officer count the money with them when the Student Treasurer is unavailable.

Risk Assessment Update March 2019

The Middle School continues to work on this initiative. During the Risk Assessment, we reviewed a few deposits and noted that there were still delays in depositing the funds with the Central Treasurer. This will be addressed at a meeting to be held at the beginning of the school year with the advisors, Central Treasurer, Principal and a member from the Business Office. The meeting will address required deposit and expenditure procedures for Extraclassroom advisors, as well as the findings from the agreed-upon procedures (AUP) report issued by Cullen & Danowski earlier this year.

District Response

The Business Office has met with the HS and MS principals, extraclassroom advisors and central treasurers to reinforce measures necessary to implement this recommendation.

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 2014-2018

The District implemented procedures to have these increases reviewed and approved by the purchasing agent. However, final written regulations had not been issued.

Risk Assessment Update March 2019

It is our understanding that the purchasing regulations will be addressed for the 2019-20 school year.

District Response

This guideline will be formally incorporated in the purchasing regulations currently under review. The Business Office staff brings any significant overages to the attention of the Purchasing Agent. Currently, approval for any such overage is formally documented, either by notation on the purchase order or by memorandum.

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:

- 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 were 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.

Risk Assessment Update – April 2018

There is a new Facilities Director who is carefully monitoring the procedures related to purchasing. However, as noted above, the District has not issued detailed regulations related to purchasing activities.

Risk Assessment Update March 2019

We understand that the purchasing regulations will be addressed for the 2019-20 school year.

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:

- There was 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 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.
- 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 was 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 was not included in the draft procurement regulations.

Risk Assessment Update April 2018

The new Director of Facilities would help ensure that bid checklists are prepared and filed with each bid package.

Risk Assessment Update March 2019

No new bids were prepared during the 2018-19 school year; all bids were rolled over at the start of the year. The Secretary to the Facilities Director maintains an Excel spreadsheet by bid with the bid rate and the increased rate for each year. A copy of the spreadsheet is attached to the PO for the Secretary to utilize when reviewing the invoice. The spreadsheet is not placed in the bid file and is not attached to each invoice. The Secretary to the Facilities Director in conjunction with the Facilities Director will use the threshold amount of \$5,000 to request and review third party material charges to ensure that the mark-up percentage is in agreement with the bid. A bid checklist still should be created and implemented.

District Response

- **Purchasing Policy:** All recommendations will be formally incorporated in the purchasing regulations currently under review.
- **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.

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 – April 2017

The policy requiring annual physical inventories still needed to be reviewed.

Risk Assessment Update April 2018

The District had not yet addressed this issue. Policy #5620 *Inventories and Recording of Fixed Assets* requires inventories be done on an annual basis. The District was not in compliance with the current policy and should either change the policy or take measures to comply.

Risk Assessment Update March 2019

This has not been addressed. We expect that the Board Policy will be updated during the 2019-20 school year. The District did not conduct a physical inventory this year.

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. District administration has brought this matter to the attention of the Board of Education’s Policy Committee.

INFORMATION TECHNOLOGY (IT)

(From the AUP report related to IT dated March 24, 2017)

Timely Notification of Separations

We recommended that the District develop a system to notify the IT Department when a staff member or a student separates from the District to ensure that all individuals who no longer need access to the District's network had been removed or disabled.

Risk Assessment Update April 2018

The District had a new Director of IT. They were aware of this issue and had been considering options to automate this process.

Risk Assessment Update March 2019

We were told that this has improved over the years. The IT staff is satisfied that they are getting the information on a timely basis. We will keep this open and review next year.

District Response

The Business Office is working with the Director of Technology to address this finding.

PAYROLL

(Recommendations from the AUP Report dated February 19, 2018)

Board of Education Policy

The District would develop a policy related to the processing of payroll, which would specify the items that required Board approval prior to payment, the individual responsible for certifying the payroll, etc.

Risk Assessment Update March 2019

The District is working on drafting the Payroll Board policy.

District Response

The Business Office will work with the Board's Policy Committee to create this policy.

Increase Use of Appointment Functionality

All stipends for items such as coaching, extraclassroom club advisors, etc. should be entered into FM as separate appointments with an attached pay schedule. The District should review this item when moving to nVision this spring.

Risk Assessment Update March 2019

This will be reviewed in the 2019-20 school year to determine if the change should be made.

District Response

The District converted to NVision in April 2018 and has evaluated this recommendation. For those stipends that lend themselves to an encumbrance, the District has created separate appointments. In many cases, such as coaching and co-curricular activities, the appointments vary by individual position to a degree that makes creating a salary schedule impractical; thus, the District will continue with its current practice. All stipend payments are carefully reviewed and agreed to Board of Education agendas before payment.

Confirm Proper Budget Codes

Develop procedures for Business Office personnel to confirm with an administrator from each building/department that all employees working in that building/department had been charged to the correct budget code on an annual basis.

Risk Assessment Update March 2019

This year the Treasurer established budget codes by location, which resulted in a detailed review being performed of the employees working in each building/department. The District will evaluate whether to send out a listing of employees to the various administrators on an annual basis, to confirm the employees working in the departments and schools.

District Response

The Business Office will continue confirming budgeting coding at the start of the school year and plans to implement a procedure to confirm codes with building administrators mid-year as well to confirm coding and identify any building assignment changes occurring during the course of the year.