

Glen Cove City School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures
December 18, 2019

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Education and Audit Committee
Glen Cove City School District
Glen Cove, New York

We have performed the procedures described in the following pages, which were agreed to by the Glen Cove City School District (District), on food service and capital assets accounting for the period July 1, 2018 through September 30, 2019.

The District's management is responsible for administering these functions.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the District's food service and capital assets accounting. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than the specified parties.

Cullen & Danowski, LLP

December 18, 2019

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures
For the Period Ended September 30, 2019

Introduction:

This report is categorized by function (i.e., food service and capital assets accounting), and there are five sections under each function consisting of:

- Background information
- Summary of the engagement
- Procedures performed during our detailed testwork
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan:

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan (CAP), approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the CAP along with the respective Internal Audit Report via the NYSED Portal.

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2019

FOOD SERVICE

Background:

Good business practice requires that the District establish adequate controls over receipts, deposits and inventory at the locations providing food service. These controls should ensure the completeness and accuracy of cash receipts; the safeguarding of funds collected and inventory; the timeliness of depositing funds into the bank; the retention of proper documentation supporting the receipts and deposits; and the performance of physical inventories of the food service goods, commodities, stock and equipment.

The District operates an in-house food service program as opposed to contracting with a food service provider. The food service program offers breakfast and lunch at the High School (HS) and Middle School (MS), and offers lunch at the 4 Elementary Schools (ES). The Food Service Director is responsible for managing the operations at the District and is active in the industry, including membership in the Long Island School Nutrition Directors Association (LISNDA), which consists of directors from other districts and BOCES with in-house food service programs. The District utilizes a point-of-sale (POS) system called NUTRIKIDS that is used at many other districts. We note that the food service program maintains 6 POS terminals for breakfast (i.e., 1 at the HS, 1 at the MS and 1 at each ES) and 10 POS terminals for lunch (i.e., 3 at the HS, 3 at the MS and 1 at each ES).

The food service program has been approved by the state for the Community Eligibility Provision (CEP) program that provides free meals for all students in the ESs. The CEP is effective starting in this 2019-20 school year and although the District provides free meals for these students, the food service program is still required to account for those sales within the POS systems based on free, reduced price or paid sales depending on the status of each student. In addition, the students meeting the eligibility requirements for reduced price status are no longer required to pay \$0.25 for their meals, as the state is now reimbursing the school districts for 100% of those sales.

Summary:

We note that the Food Service Director and the Business Office understand the need to have proper controls in place. Our procedures included observations at each school to review the procedures followed by the cashiers and other food service workers. This included visual inspections and walkthroughs of the closing process at the end of the lunch period. Based on our procedures, we found opportunities to strengthen internal controls and enhance operational improvements as outlined in the findings and recommendations sections below.

Procedures:

Our procedures related to food service, as per the engagement letter dated July 1, 2019, were as follows:

- Review Board policies and District procedures in detail related to the food service function.
- Interview personnel responsible for food service activities regarding policies, procedures and systems in effect and identify the strengths, weaknesses and key controls.
- Review food service activities during the period as follows:
 - Randomly select 25 daily receipts from each school during the period and ensure that the respective deposits were posted to the bank account accurately and timely.
 - Select 1 full week of receipts during the period and ensure that the receipts agree to the deposits.

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- Select 1 month and ensure that the number of meals per the school lunch records agree with the figures reported to the state.
- Perform a visual inspection of the cashier activities for approximately 1 hour during lunch operations that includes the counting of funds and the closing procedures.
- Review the process for reconciling and reporting revenue to determine if actual sales and prepayments (i.e., funds applied to student accounts) are accounted for properly and accurately.
- Review a selection of purchase orders (PO) for 3 of the largest food service program vendors during the period and examine 4 invoices from each related to those POs to determine if policies and procedures of the District have been followed.
- Select an additional 25 disbursements of the school lunch program to determine if policies and procedures of the District have been followed.
- Select a recent payroll and compare amounts paid to 10 employees to the supporting documentation.
- Select 15 students with free or reduced lunch status and review supporting documentation for the determination regarding eligibility.
- Select 2 months during the period and trace submittal for state and federal meal reimbursements to the sales records.
- Review the Food Service Department budget for 2019-20 and compare to the 2018-19 budget and the 2018-19 actual expenditures. Obtain explanation for unusual variances.

Findings:

Review of Board policies and District procedures related to the food service function noted:

- The District has Board policies related to food service: *Policy #5660 – School Food Service Program (Lunch and Breakfast)/School District Nutrition Advisory Committee, Policy #5661 – District Wellness Policy and Policy #5662 – Meal Charge and Prohibition Against Meal Shaming Policy* that are comprehensive documents covering key aspects of the food service program.
- The Food Service Department follows the Board policies related to purchasing as part of the vendor selection and expenditure processes.
- The POS system is set up to prevent the cashiers from viewing the sales information during the closing process which is known as a “blind” close. This is a strong internal control because the cashiers are unaware of the amount of sales recorded in the POS system and the POS system prevents cashiers from posting any transactions once they enter the cash on-hand amount when closing out the POS terminal.
- The District utilizes a web-based online program to allow online payments that are automatically applied to student accounts in the POS system. This online program also gives the parents/guardians the ability to view account balances, track their student’s purchases, set-up low balance reminders and set-up automatic payments.

Interviews with personnel responsible for food service activities found:

- The District Courier picks up the bank bags from the food service staff at the school cafeterias and delivers the bags to the Business Office. In addition, there is a log used to document the transfer of the bank bags from the food service employee to the District Courier.

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- The District has students with negative account balances at the end of the school year. However, we found that there are no procedures to assess these balances to determine if there needs to be a transfer from the General Fund to the School Food Service Fund related to any negative amounts as necessary. Further review noted that the total of student accounts with negative balances at June 30, 2019 was a nominal amount of \$1,953.
- The food service program operated at a loss of \$86,060 for the 2018-19 year, which reduced the fund balance amount in the Food Service Fund from \$108,429 to \$22,369.
- The breakfast program at the HS is active related to the number of meals served during 2 hours of operations from 7:00 AM to 9:00 AM. However, the breakfast program at the other schools is much less active with only 15 minutes of operations from 7:45 AM to 8:00 AM at the MS and 8:45 AM to 9:00 AM at the ESs.

Review of the randomly selected 25 daily receipts from each school during the period noted:

- The selected receipts had been posted to the bank account accurately. However, we found that there was a delay related to the following deposits:
 - Receipts from April 17, 2019 were not deposited until April 29, 2019. Further review noted that the spring recess was from April 19, 2019 through April 26, 2019, so the funds should have been deposited at the bank on April 18, 2019.
 - Receipts from May 21, 2019 were not deposited until May 29, 2019. Further review noted that the Memorial Day holiday period was from May 23, 2019 through May 27, 2019, so the funds should have been deposited at the bank on May 22, 2019 or May 28, 2019.

Review of the selected 1 full week of receipts during the period found:

- There were no errors or exceptions as the selected week of receipts agreed to the bank deposit amounts.
- There was 1 instance where the deposit slip for March 25, 2019 was missing from the supporting documents maintained in the Business Office. However, the bank transaction receipt and the POS report amounts agreed to the deposit amount per the bank statement and food service records.

Review of the selected 1 month related to the number of meals noted:

- The number of meals per the food service records agreed with the filings by the District to the state.

Performance of the visual inspections of the cashier activities during lunch operations at the each school found:

- There is a blind count performed as part of the cashier closing out the POS for the day, which is a strong internal control.
- The closing procedures include a second employee performing a second count of the cashier's funds prior to submission to the HS, except for the Connolly ES and Landing ES.

Review of the process for reconciling and reporting revenue noted:

- The actual sales and prepayments (i.e., funds applied to student accounts) were accounted for properly and accurately.

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Review of the selected POs and invoices for 3 of the largest vendors and the selected additional 25 disbursements found:

- The selected expenditures followed the policies and procedures of the District that includes proper procurement processes, POs in place prior to receiving goods or services, obtained required sign-offs that goods or services were received and proper budget account codes were charged.

Selection of a recent payroll and compare amounts paid to 10 employees found:

- There were no exceptions noted as the selected payroll amounts agreed to supporting documentation.

Selection of 15 students with free or reduced lunch status noted:

- There was proper supporting documentation regarding the eligibility of the selected students based on direct certification (e., Medicaid, SNAP, etc.) or income criteria.

Selection of 2 months and trace submittal for state and federal meal reimbursements to the sales records found:

- There were no errors or exceptions as the state and federal meal reimbursements for the selected 2 months agreed to the sales records.

Review of the Food Service budget for 2019-20 and compare to the 2018-19 budget and the 2018-19 actual expenditures noted:

- There were no unusual variances between the budget and actual amounts.

Recommendations:

We recommend that the District consider implementing the following item to further improve internal controls and operational efficiencies related to food service:

1. Establish procedures to monitor the negative balances in the student accounts at year end and determine if the District needs to transfer any funds from the General Fund to the School Food Service Fund.
2. Perform an analysis of the food service program to determine a way to improve the financial results of the operations with the goal of at least being sustainable. We understand that this is the first year that the District is operating under the CEP at the ESs, therefore, the financial impact of providing free meals and receiving reimbursements within this type of program still needs to be determined. We also suggest that the District monitor the School Food Service Fund because potential future operating losses may require transfers from the General Fund if the fund balance becomes a negative amount.
3. Assess the breakfast operations at the District to determine if extending the hours at the MS and ESs may result in more meals being provided to the students at these schools during the breakfast period.
4. Develop procedures to strengthen the closing procedures by assigning a second employee at the Connolly ES and Landing ES the task of performing a second count of the cashier's funds prior to submission to the HS.
5. Establish procedures to improve the timeliness of deposits before the holidays or recesses by depositing the cash receipts on the day prior to the start of the holiday or recess periods.

GLEN COVE CITY SCHOOL DISTRICT
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For the Period Ended September 30, 2019

CAPITAL ASSETS ACCOUNTING

Background:

We performed a review of the District's procedures related to capital assets that included interviews, review of asset records, accounting for tag sequences and testwork related to asset purchases and disposals. The recording and management of the inventory of assets is a challenging area for all school districts. Good internal controls require processes to ensure that:

- All capital assets, inventory based on insurance thresholds and IT inventory (e.g., Chromebooks, iPads, laptops, hand held devices, etc.) acquired are identified.
- Capital assets and inventory, as required, are tagged with a sequentially numbered tag to assist with, and simplify, identification.
- Items are entered accurately into an asset and/or inventory database(s).
- Periodic physical inventories are performed to verify the accuracy of the items in the database(s).

Implementing procedures to ensure all of the above is challenging for school districts. We found that there are designated employees responsible for updating the capital assets and inventory databases, which are generally handled based on the classification of capital assets, insurance inventory and information technology (IT) inventory.

Summary:

We noted that the employees with responsibilities related to capital assets and inventory demonstrate a positive attitude towards improving procedures and are knowledgeable about the requirements related to these responsibilities. We found some opportunities to further improve operations as a result of our engagement. These items are described further in the findings and recommendations sections below. We recommend that the District consider implementing these recommendations to further strengthen internal controls and/or improve operational efficiencies.

Procedures:

Our procedures related to capital assets accounting, as per the engagement letter dated July 1, 2019, were as follows:

- Review Board policies and District procedures in detail related to the accounting for capital assets.
- Interview employees responsible for Asset Accounting and recordkeeping regarding policies, procedures and systems in effect and identify the strengths, weaknesses and key controls.
- Review asset records and account for tag sequences and review client reconciliation of purchases to asset additions in the detail records.
- Select 5 invoices for asset purchases during the period and trace entries into the detail asset listings.
- Review supporting documentation for 2 disposals of assets and trace to asset listings.

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Findings:

Review of Board policies and District procedures and interviews with employees related to the accounting for capital assets noted:

- The District has Board policies related to capital assets and inventories: *Policy #5250 – Sale and Disposal of School District Property*, *Policy #5610 – Inventories* and *Policy #5621 – Accounting of Fixed Assets*. We found that *Board Policy #5621* states that the threshold for capital assets is \$5,000 and *Board Regulation #5621* states that “the District will inventory and record fixed assets valued at \$1,000 or above”; however the District’s procedures is to use a threshold of \$500 for tracking, tagging and recording inventory for insurance purposes.
- The IT Department has improved the procedures related to IT inventory by moving the database from Excel files to a web-based program (SchoolDude Insights) that will facilitate the tracking, recording, monitoring and reporting of the IT inventory.
- There are standard procedures related to the disposal of capital assets that includes obtaining Board approval as required per the *Board Policy #5250 – Sale and Disposal of School District Property*. However, we found that the District is not using a standard form or electronic file to facilitate the management of capital assets related to disposals, movements or additions of these items. In addition, we note that there is a lack of formal processes related to tracking the movement of assets within the District.

Review of asset records and accounting for tag sequences and review of the client reconciliation of purchases to asset additions in the detail records found:

- The District performs the reconciliation of purchases based on the nVision financial system report listing all equipment related expenditures (i.e., 200 code report) annually after the fiscal year-end resulting in a sizable amount of work at one point in time. Also, assets are tagged annually at year-end rather than performing this activity during the year to reduce the workload during the fiscal closing timeframe. In addition, the asset tag numbers are entered into the spreadsheet for submission to CBIZ for the year end reports, but the tags related to the assets purchased during the 2018-19 fiscal year still need to be affixed to the items as of our fieldwork on November 20, 2019.
- The analysis of the CBIZ Updating Template spreadsheet that is prepared by the District for submission to CBIZ noted the following:
 - There was 1 item purchased during the 2017-18 year with a cost of \$1,295 that was listed on the disposals list as “cannot locate” when the District went to affix the tag during the 2018-19 year. This represents the risk associated with delaying the asset tagging procedure until after the fiscal year-end.
 - There were 6 items on the disposals list that were noted as “Asset was already tagged” without further explanation.
 - There was 1 item on the disposals list that was disposed on March 27, 2019, but the reason for disposal field was blank.
 - There was 1 item on the disposals list that was discarded when the asset at the MS was replaced by an asset in better condition from the HS; however, we were informed that the disposal was not Board approved as required.

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Selection of 5 invoices for asset purchases and tracing entries into the detail asset listings noted:

- The selected 5 purchases of capital assets were traced and agreed to the entries in the detailed asset listings. However, the timeliness related to tagging assets requires improvement as noted above.

Review of supporting documentation for 2 disposals of assets and tracing to asset listings found:

- There was proper documentation to support the selected 2 disposals that included Board minutes approving these transactions as required per *Board Policy #5250*.

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to capital assets:

1. Consider revising *Board Regulation #5621* to lower the threshold for recording fixed assets from \$1,000 to \$500 to align the amount with the District's procedures that uses a threshold of \$500 for tracking, tagging and recording inventory and fixed assets for insurance purposes.
2. Create a standard capital asset form or electronic file to facilitate the management of capital assets related to disposals, movements or additions of these items. We also recommend establishing formal procedures related to tracking the movement of capital assets including the use of this form or file.
3. Develop procedures to perform reconciliation of purchases based on the nVision financial system report listing all equipment related expenditures (i.e., 200 code report) periodically during the year and consider having the various departments assist with preparing the preliminary CBIZ schedule. Another option is to consider including the asset tagging process as part of the purchasing and receiving procedures resulting in the capital assets being tagged when the items are received by the District.
4. Establish procedures to review the CBIZ Updating Template in detail prior to submission to identify any unusual items or anomalies, as we identified during our review of these worksheets and noted in the findings section above. We suggest that the District consider having a second person perform this review after the employee who prepares the CBIZ Updating Template completes their initial review.

