

**Pelham Union Free School District**  
**Internal Audit Report on Detailed Testing**

April 10, 2023

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## INTERNAL AUDIT REPORT ON DETAILED TESTING

To the Board of Education and Audit Committee  
Pelham Union Free School District  
Pelham, New York

We have prepared this report as the result of our detailed testing as further described, which was agreed to by the Pelham Union Free School District (District), on certain purchasing, payroll and bank reconciliation activities for the period June 1, 2022 through October 31, 2022.

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

This engagement for detailed testing was performed in accordance with consulting 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 purchasing, payroll and bank reconciliation activities. 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*  
April 10, 2023

**PELHAM UNION FREE SCHOOL DISTRICT**  
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**Introduction:**

This report is categorized by function (i.e., purchasing, payroll and bank reconciliations) and there are sections under each function consisting of:

- Background information
- 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 this report via the NYSED portal system.

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**PURCHASING**

**Background:**

Purchasing is a highly specialized activity in school administration. It is a process that seeks to obtain maximum value from each educational dollar spent for equipment, supplies and contracted services. Prudent purchasing practices help upgrade the quality of programs as well as control cost. The District has a Purchasing Agent whose responsibilities include reviewing and approving purchase requests to ensure that all legal requirements are met and that goods and services are purchased only after a full review of the requisition, and at an appropriate cost. The Assistant Superintendent for Business serves as the Purchasing Agent and is assisted by a Senior Account Clerk whose responsibilities include reviewing purchase requisitions, posting bids in the newspaper, receiving, reviewing, tabulating and entering bid information into the nVision system and mailing out purchase orders (PO) to vendors.

Section 104-b of the General Municipal Law (GML) requires local governments to adopt written policies and procedures governing the procurement of goods and services when competitive bidding is not required. This statute also requires local government personnel to document certain purchase-related decisions. In addition to provisions to ensure compliance with the GML Section 104-b, the adopted policies and procedures should identify authorization limits, the use of requisitions and POs and the process to follow when purchasing goods and services.

The District uses nVision as its financial accounting system. nVision is a powerful, integrated financial system that is tailored to support New York state school systems. The Requisition module is fully integrated with the Accounting module in which purchase orders are created. The nVision system provides certain levels of user controls and certain processing controls, which substantially reduce the likelihood of error in the processing of purchase requisitions and/or POs. One of the key controls is that the system is set up to forward purchase requisitions along a pre-established hierarchy of employees for review and approval depending on the type of expenditure and the department requesting the purchase. Only after the appropriate employees have approved a purchase requisition, will the request be able to be processed and approved as a PO by the Purchasing Agent.

There are authorized District employees (requisitioners) who are responsible for acquiring the needed goods or services for the staff working in their respective building or department. The requisitioners are given appropriate access in nVision to enter purchase requests into the system. Such requests require proper approval by an administrator prior to submission to the Purchasing Agent for review and approval. In addition, the requisitioners are given access to only their specific budget codes based on the responsibility of their respective administrator.

The District has a comprehensive purchasing policy as well as other purchasing related policies:

- #5410 *Purchasing*
- #5411 *Contracting for Professional Services.*
- #5320 *Expenditures of District Funds*
- #5321 *Employee Use of Credit Cards*
- #5322 *Employee Use of Cellular Telephones*
- #5323 *Meals and Refreshments at District Events*
- #6161 *Conference/Travel Expense Reimbursement*

There are also detailed regulations 5410 R and 5411 R related to more detailed requirements for purchasing activities

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It is the responsibility of the Purchasing Agent to ensure these policies and procedures have been considered and adhered to for each purchase requisition.

This engagement was focused on determining that the purchase orders reviewed were issued in compliance with District policy and that the overall administration of the purchase was appropriately documented.

**Procedures:**

**Purchasing**

- Interview District staff and administrators regarding procedures in effect to document that purchase orders are properly supported and in compliance with District policy.
- Select 30 purchase orders and examine supporting documentation for completeness and compliance with District policy and procedures.
- When applicable, review contracts for completeness and authorization by the Board of Education.

**Findings:**

- The District was able to support the method of purchasing for all selections and all were appropriate according to District policy, procedures and state law.
- For all purchases, the budget accounts codes were proper and the appropriate approvals were in place.
- The District has assigned specific staff to ensure supporting documentation for contracts is complete. One person manages the actual contract development and approval and the second staff member ensures all required insurance documentation is in place. During our testing we found that in all cases the District was able to provide complete documentation.

**Recommendations:**

None noted.

**PAYROLL WITHHOLDINGS**

**Background:**

As part of the payroll process, the District withholds various amounts from individual employees and then remits these funds to various third parties which includes the Internal Revenue Service, the State of New York, the state retirement systems, as well as other necessary withholdings. In order to ensure accuracy of these payments, it is important for the District to have procedures in place to properly account for the amounts withheld as well as to ensure timely accurate remittance to the appropriate third parties.

As noted above, the District utilizes nVision which is an integrated, robust product. The payroll module is designed to post transactions to the general ledger and the payroll module produces various reports which are used to support the payments to the third parties.

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The District utilizes summary reports from the payroll module to generate the documentation for payments to third parties.

The District has procedures in place to ensure that payments of amounts withheld are paid timely and accurately to the third parties.

**Procedures:**

**Payment of Payroll Withholdings**

- Review Board policies and District procedures related to the function of recording and paying payroll withholdings.
- Interview District staff and administrators regarding procedures for recording, paying, and reconciling accounts related to payroll withholdings.
- Select three payrolls during the period and perform the following:
  - Obtain General Ledger detail reports related to payroll withholdings.
  - For each type of withholding, ensure amounts withheld were paid to the appropriate third party on a timely basis.
- Observe certain payroll processing procedures onsite with the client for a payroll cycle occurring during the period of the engagement to document the existing processes related to payroll withholdings, particularly taxes. Identify any opportunities for improvement as a result of this review.
- Discuss findings with the District administration and develop recommendations to further improve the procedures related to the recording and payment of payroll withholdings.

**Findings:**

- During our testing we found all amounts withheld from employees for the payrolls tested were in fact paid to the appropriate third parties accurately and timely with appropriate signatures to indicate review and approval.
- We noted that the District uses both nVision generated reports as well as excel files to process payments. In all cases, the excel files matched the nVision reports and there were indications of detailed review of the accounting and payments.
- During our review we discussed potentially automating some of the information that is accumulated in the excel files by linking this to nVision. This might be more efficient and would eliminate manual data entry.

**Recommendations:**

None noted.

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**CASH ACTIVITIES**

**Background:**

The timely completion of bank reconciliations is an important procedure in any financial organization. The District has implemented procedures so that the bank reconciliations are prepared by one person and reviewed by the District Treasurer. The data from the bank reconciliations is used to prepare the Treasurer's Report that is provided monthly to the Board of Education.

**Procedures:**

**Cash Activities Review**

- Interview appropriate personnel regarding internal controls and procedures related to all types of cash transactions. Document the various systems and identify key internal control attributes for testing.
- Select 1 month for each cash account for testing and perform the following:
  - Obtain a detailed general ledger activity report for the period and trace all entries to supporting documentation or the financial sub-system that generated the entry. For entries that are not generated from the financial system, we will identify the person processing the entry and consider the internal control ramifications.
  - Audit the bank reconciliations for each account and trace reconciling items to the subsequent monthly bank statements or general ledger as appropriate.
- Compare balances in the Treasurer's Report for the 1 month selected to the general ledger and obtain explanations for any variance.

**Findings:**

- We noted no discrepancies related to the preparation of the bank reconciliation and preparation of the Treasurer's Report. All amounts tied to supporting documentation and the reconciliations were mathematically accurate.

**Recommendations:**

None noted.

