

MEDINA CENTRAL SCHOOL DISTRICT

NEW YORK

***COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT***

For Year Ended June 30, 2020

MENGEL METZGER BARR & CO. LLP

RAYMOND F. WAGER, CPA, P.C. DIVISION

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RAYMOND F. WAGER, CPA, P.C. DIVISION

October 6, 2020

To the Board of Education
Medina Central School District, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina Central School District, New York as of and for the year ended June 30, 2020 in accordance with auditing standards generally accepted in the United States of America, we considered the Medina Central School District, New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Financial Overview:

Fiscal Condition – Spend Down of Fund Balance and Reserves –

As you are aware, the General Fund Balance and Reserves have been reduced as follows.

<u>General Fund -</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues	\$ 34,988,276	\$ 34,635,631	\$ 34,153,580
Expenses	(36,536,543)	(35,507,976)	(35,343,034)
Transfers-in from Debt Service Fund	-	-	1,281,179
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,548,267)</u>	<u>\$ (872,345)</u>	<u>\$ 91,725</u>

The District appropriated \$2,156,250 from unreserved fund balance and \$2,781,517 from four reserves to support the 2020-21 budget.

We recommend the District continue to closely monitor the 2020-21 revenue and appropriation budget in an effort to limit the spend down of fund balance and reserves, as well as implementing a long range plan to reduce use of reserves and fund balance to support future operating budgets.

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Prior Year Deficiencies Pending Corrective Action:

Disbursements –

We recommend that purchase orders be used for all purchases, and that confirming orders be used in line with the District's policies. During our testing of disbursements, we noted two instances where a purchase order was not used and three instances in which a confirming order was issued.

The District should make a continued effort to strengthen internal accounting controls over cash disbursements by continuing to support expenditures with properly approved purchase orders. In addition, the use of confirming orders should be limited to only emergency purchases.

Bidding/Quoting –

As part of our examination, we reviewed various transactions involving multiple purchases from vendors. We noted two instances where purchases over the bid threshold did not appear to be competitively bid. In addition, we noted two instances over the quote threshold where only one quote was obtained. We were informed these were sole source vendors, however, there was no sole source letter or other document to support this. The District also purchased lighting off of a purchasing cooperative, however, the cooperative was not able to provide all the necessary bidding documents to ensure they were in compliance with NYS bid law.

We recommend these items be reviewed and the appropriate corrective action be implemented.

Current Year Deficiencies in Internal Control:

Budget Amendments –

During the year, the budget was amended \$50,000 for a SAM grant and \$50,000 for the use of the Employee Benefit Accrued Liability Reserve. However, we were unable to examine board resolutions approving these budget amendments, or the use of the Employee Benefit Accrued Liability Reserve.

We recommend all budget amendments and appropriations from reserves be supported with a Board approved resolution.

Other Items:

The following items are not considered to be deficiencies in internal control; however, we consider them other items which we would like to communicate to you as follows:

School Lunch Fund –

As indicated in the financial statement, the School Lunch Fund had an operating loss of \$55,637 which reduced the fund balance at June 30, 2020 to \$46,004.

We recommend the District continue to monitor the School Lunch Program and develop cost containment and revenue enhancement measures to assist in maintaining the financial stability of the program.

(Other Items) (Continued)

Cyber Risk Management –

The AICPA Center for Audit Quality recently issued a cyber security risk management document discussing cyber threats that face both public and private entities. The District's IT personnel routinely assesses cyber risk as part of their normal operating procedures. We recommend the District continue to document their cyber risk assessment process in writing which should include the risk assessment process, the frequency of the risk assessment, how findings are to be communicated to the appropriate level of management, and how the process will be monitored.

Federal Programs–

As a result of recent federal program changes, the District documents various Federal Program procedures through written questionnaires prepared by the Program Coordinators and the Business Office. Recent guidance from the New York State Education Department suggests Federal recipients should enhance their written documentation into a written procedural manual that is more detailed and specific to each federal program compliance requirement.

GASB Statement No. 84 –

During this next fiscal year the District will be required to implement GASB Statement No. 84 which will modify the financial reporting for the Agency Funds.

This will require a review of the various accounts currently reported in the Agency Funds along with the extraclassroom activity policy and procedures in order to determine where to report the District's extraclassroom activity funds, scholarships, and other Agency activity.

Prior Year Recommendation:

We are pleased to report the following prior year recommendation has been implemented to our satisfaction:

1. The District's server has been moved to a different location.

This communication is intended solely for the information and use of management, the Board, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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We wish to express our appreciation to the business office staff for all the courtesies extended to us during the course of our examination.

Rochester, New York
October 6, 2020

Mengel, Metzger, Barw & Co. LLP