PELHAM UNION FREE SCHOOL DISTRICT
Corrective Action Plan Related to
COMMUNICATION OF INTERNAL CONTROLS OVER FINANCIAL REPORTING
June 30, 2024

In the course of planning and performing their audit of the financial statements of the Pelham Union Free School District as of and for the year ended June 30, 2024, PKF O'Connor Davies our external auditor, made the following observations about the internal controls and operations, none of which was considered a material weakness. The District's action plan in response to each deficiency is noted.

SPECIAL EDUCATION DATA COLLECTION, ANALYSIS & REPORTING (SEDCAR) SYSTEM

FINDING

The School District receives federal aid for its students who require special education services. The School District files information relating to this program in New York State's SEDCAR system. As part of the compliance audit procedures, we selected 7 purchase orders associated with the special education program. We noted that 3 of the claims selected for testing were supported by purchase orders dated subsequent to the invoice date from the vendor.

Recommendation

In order to ensure that sufficient budgetary authorization is available to pay vendor invoices, a purchase order should be authorized and approved prior to the School District receiving the goods or services.

Action Plan

The School District administration works with the various District departments to communicate best purchasing practices, emphasizing the importance of encumbering funds prior to vendor commitment, i.e. avoiding confirming purchase orders. In the case of the Special Education Department, there was significant clerical turnover in the department in 2023-24 which appears to have contributed to this issue. The vacant clerical position was filled in May 2024.

Implementation Date

Done.

Person(s) Responsible

Jim Hricay, Assistant Superintendent for Business
Traci Holtz, Assistant Superintendent for Pupil Personnel Services

EXTRACLASSROOM ACTIVITIES

FINDING: Timeliness of Deposits

We noted that one of the deposits we selected for audit from the Middle School was not deposited in a timely manner.

Recommendation

We recommend the extraclassroom activity treasurers deposit cash within three business days, or 72 hours, of receipt. This practice will firmly strengthen the internal control process over cash receipts and greatly lessen the likelihood that cash could be lost or stolen before being deposited in the bank.

Action Plan
The District will reiterate this requirement with the Middle School Treasurers to reinforce the need to comply with this requirement. In some rare cases, this practice is impractical due to student and teacher scheduling coordination and school schedule.

Implementation Date
October 2024

Person(s) Responsible
Jim Hricay, Assistant Superintendent for Business
Brian Battersby & Jennifer Kitay, MS Extracurricular Activity Treasurers

FINDING: Old Outstanding Checks Over 1 Year Old
We noted several outstanding checks over one year old in both the middle and high school extraclassroom accounts. Tracking outstanding checks in an important control procedure that ensures all outgoing checks are accounted for.

Recommendation
We recommend the School District follow up on these outstanding checks to either re-issue them or write them off if they are no longer valid.

Action Plan
This finding will be shared with the Middle & High School Treasurers and District administration will follow up on implementation.

Implementation Date
Fall, 2024.

Person(s) Responsible
Jim Hricay, Assistant Superintendent for Business
Liane Livigni, HS Student Association Treasurer
Brian Battersby & Jennifer Kitay, MS Extracurricular Activity Treasurers

FINDING: **Inactive Clubs**
We noted that thirteen clubs at the High School, with aggregate ending balances of approximately $3,400, had no financial activity during the current year. State Education Department regulations provide that the funds of a discontinued activity shall automatically revert to the account of the general student organization or to the student council and shall be expended in accordance with that organization's constitution.

Recommendation
We recommend the School District check the validity of clubs with no activity during the year and consider closing any, as necessary. If the clubs have ceased operations, the balances should be transferred to the general student organization or to the student council, per State Education Department guidelines.

Action Plan
This finding will be shared with the High School Advisor and Treasurer and District administration will follow up on implementation. The High School principal and the Central Treasurer review club activity at year end. Typically, a few clubs are closed annually with any remaining fund balances transferred to the general Student Association in accordance with Board of Education policy. Certain clubs remain operationally active while having no financial activity. In such cases, the club fund balance can carryforward without change to ensuing years.

Implementation Date
Fall, 2024.

Person(s) Responsible
Jim Hricay, Assistant Superintendent for Business
Liane Livigni, HS Student Association Treasurer

FINDING: **Permanent Fund**
The Permanent Fund is used to account for assets that are legally restricted to the extent that only earnings, and not principal, may be used for grantor approved purposes. In prior years, the School District was the recipient of several donations in which the grantors stipulated that the School District hold the corpus (principal) in interest bearing accounts and use the annual interest earnings for the benefit of students. The total corpus held by the School District totals approximately $592,000 at June 30, 2024. We noted, however, that interest earnings on these funds during the current year totaled only $8,268 for an average of less than 1.5%.

Recommendation
Given that the School District earned significantly greater returns on the rest of its cash and investment portfolio, we suggest the School District consider reallocating the resources in its Permanent Fund to higher interest bearing accounts. This would benefit the students who would be recipients of these grants.

Action Plan
The District will implement this recommendation immediately by investing the princpal proceeds in a higher interest bearing investment which complies with the District's investment policy.

Implementation Date
Fall, 2024.

Person(s) Responsible
Jackie Vigil, District Treasurer