

**To:** Audit Committee  
**Date:** September 23, 2020  
**Re:** Wheatland-Chili Central School District

## **Corrective Action Plan – 2019-20 262001**

District Response to External Auditors' Internal Control Related Matters issued by Raymond F. Wager, CPA, P.C.:

### *Prior Year Deficiency Pending Corrective Action:*

#### School Lunch Fund –

During the year, the School Lunch fund had an operating gain of \$2,614. This resulted in a deficit unassigned fund balance of \$19,415 at June 30, 2020.

#### **1. Audit Recommendation:**

We recommend the Administration continue to monitor the School Lunch operations to improve the overall financial stability of the program.

#### **2. Implementation Plan of Action(s):**

This year the District ended up with an operating gain; however, the overall fund balance remains in a deficit. The District will continue to reduce the deficit in the unassigned fund balance by carrying on with the plan that was successful in the 2018-19 & 2019-20 school year.

#### **3. Implementation Date:**

The implementation will occur for the duration of the 2020-21 school year.

#### **4. Person Responsible for Implementation:**

The District Treasurer and the Food Service Director are responsible for the implementation.

### Continuing Education Receipts-

Our examination of the cash collection procedures for continuing education revealed that, while we were able to find receipts for all amounts collected in our sample, three out of five deposits examined were deposited untimely, with receipts being held up to two months prior to being deposited.

#### **1. Audit Recommendation:**

In an effort to safeguard cash receipts, we recommend that every effort continue to be made to deposit receipts on a timely basis. In addition, the District should review their accounting software to determine if the cash receipts module could be utilized by the Continuing Education Program to enhance program controls.

#### **2. Implementation Plan of Action(s):**

The District will make every effort to deposit cash in a timely manner. The District discussed this with the School Secretary last year, and had another discussion with her this year regarding the importance of timely deposits and using prenumbered receipts. In addition, the District is working on an online payment option for continuing education that will be up and running in the 2020-21 school year. The results of implementing this option should be a reduction of the cash receipts processed in district.

#### **3. Implementation Date:**

The implementation will occur for the duration of the 2020-21 school year.

#### **4. Person Responsible for Implementation:**

The District Treasurer and the School Secretary are responsible for the implementation.

### Current Year Deficiencies in Internal Control:

#### Payroll-

Due to a change in payroll personnel this year, payroll change reports did not appear to be reviewed. In addition, we noted that while the Business Official is reviewing all payrolls before they are processed, the payroll registers do not appear to be officially certified.

#### **1. Audit Recommendation:**

We recommend that payroll change reports be reviewed periodically, and that all payrolls be formally certified prior to being processed.

**2. Implementation Plan of Action(s):**

With the change in personnel, we were unaware that the payroll was sent to the Superintendent for certification. Immediately following the note, we have begun forwarding all payrolls to the Superintendent's office for review and certification. This will not be an issue moving forward. In addition, the School Business Official will begin reviewing payroll change reports on a quarterly basis.

**3. Implementation Date:**

The implementation will occur for the duration of the 2020-21 school year.

**4. Person Responsible for Implementation:**

The Personnel Clerk, Superintendent, and School Business Official are responsible for the implementation.

Unassigned Fund Balance-

Due to uncertainties related to COVID and state aid for the upcoming fiscal year, the District has elected to retain fund balance above the 4% of next year's budget permitted by the State.

**1. Audit Recommendation:**

No recommendation for this item was given.

**2. Implementation Plan of Action(s):**

The District recommended to the Board of Education that it should exceed the 4% maximum allowed in the unassigned fund balance account in 2019-20 school year, and the Board took action to support the recommendation. The strategy is that if need be, the Board would have the ability to appropriate unassigned fund balance without the restrictions that are attached to appropriating reserves. In such uncertain times, it will be to their discretion to use these funds to help supplant a reduction in state aid in the 2020-21 school year, ultimately to protect jobs and programs within the District.

**3. Implementation Date:**

The implementation will occur for the duration of the 2020-21 school year.

**4. Person Responsible for Implementation:**

N/A. If necessary, the Superintendent, Board of Education, and School Business Official are responsible for this implementation.

## Other Items:

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

### 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 Districts' IT personnel routinely assess cyber risk as part of their normal operating procedures.

#### **1. Audit Recommendation:**

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.

#### **2. Implementation Plan of Action(s):**

In part of the execution of Education Law 2-d, Districts are required to appoint a Data Protection Officer. Local School Districts have teamed up with the BOCES to participate in regional meetings focused on Cyber Risk Management. At these meetings they will collaborate to develop plans that minimize risk and protect the District's data against potential threats. Wheatland-Chili's Data Protection Officer was approved by the Board of Education on November 18, 2019.

#### **3. Implementation Date:**

The implementation will occur for the duration of the 2020-21 school year.

#### **4. Person responsible for Implementation:**

The Data Protection Officer and the Leadership Team are responsible for the implementation.

### 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 reach federal program compliance requirements.

#### **1. Audit Recommendation:**

We recommend the Business Office work with the Program Coordinators to enhance their correct procedures into a procedure manual that is consistent with the federal compliance requirements for their respective program.

**2. Implementation Plan of Action(s):**

Currently NYSASBO is developing a formal compliance manual documenting best practice in Federal Program procedures. It was recommended by our External Auditor that we use this for guidance when it becomes available. The Business Office, alongside the Program Coordinator, will use this document as guidance to develop written procedures for our Federal Programs.

**3. Implementation Date:**

The implementation will begin to occur once the formal compliance manual becomes available.

**4. Person responsible for Implementation:**

The District Treasurer and Program Coordinators are responsible for this implementation.

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

**1. Audit Recommendation:**

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.

**2. Implementation Plan of Action(s):**

The District has been in discussions with the auditors about the GASB 84 requirements. Originally the implementation was going to take place during the 2020-21 school year, however due to COVID-19 the implementation was delayed and the district will continue discussions with the auditors in the 2020-21 year, so that we are in compliance with the new reporting standards required in the future.

**3. Implementation Date:**

The implementation will occur during the 2021-22 school year.

**4. Person responsible for Implementation:**

The District Treasurer and Business Official are responsible for this implementation.