

**Huntington Union Free School District
Office of the Assistant Superintendent
Finance and Management Services**

MEMORANDUM

TO: James W. Polansky

FROM: Sam Gergis

RE: Management Letter Response and Corrective Action Plan

DATE: February 22, 2013

As per prior years, the district is in receipt of the management letter as authored by Cullen and Danowski, our external auditors. I have prepared the district response to their comments.

PRIOR YEAR COMMENTS

1. **Cash Receipts:** In prior years, the auditors have noted that cash is being collected at the school level. It is their recommendation again that this be centralized in the business office. Several years ago, we assigned the district treasurer additional non-treasurer responsibilities involving E- School and the registration/data collection process (50% of that position). The only way to effect the recommended change is to revert to a full-time treasurer. In lieu of this, I will re-emphasize with the building level clerical staff and Treasurer the proper procedures to account for cash collection.
2. **Journal Entries and Budget Transfers:** The auditors noted that the BOE did not approve a budget transfer properly and some budget transfer forms had no indication of an approval date.

The Business Office communicated all budget transfers and received approval by the Board of Education, with an approval date on the form. Furthermore, the Assistant Superintendent for Business approves and signs all journal entries as of October 2012.

3. **Personnel Activity Reports:** The auditors noted that the district must complete payroll certifications which support salaries and wages charged to federal awards in accordance with the requirements of Circular A-87.

The district will have fewer forms due to the completion of ARRA funding. The Business and Payroll offices will continue to remind department directors to monitor and complete these personnel forms. The district will not pay employees for their time unless they have completed the appropriate paperwork. Furthermore, the Assistant Superintendent for

Business and Assistant Superintendent for Curriculum certify the submitted payrolls for federal awards.

4. **Payroll Processing:** The auditors noted that the Payroll Department can add, change or delete personnel information in the payroll module and recommends that the Personnel Office conducts this function in Finance Manager.

As a mitigating control, the Personnel Office will sign off on any additions, changes or deletions and will submit that documentation to the Business Office for approval as well.

The auditors also recommended the return of non-distributed payroll checks to someone other than the payroll processor.

Building administrators are returning non-collected checks to the Business Office, where a Business Office staff member holds any checks in a safe until claimed.

The auditors also recommended the district address the issue of employee daily time and attendance records for all district employees.

The Payroll Office is diligent in paying employees based on accurate and complete records. I have emphasized the need for accurate attendance, payroll, sign-in and sign-out information to building and district-level staff for these purposes and will continue in such efforts.

5. **Internal Claims Auditor Reports:** The auditors recommend that the district continue their efforts toward reducing findings noted in the internal claims auditor reports.

The Business Office discusses all findings with our internal claims auditors (RS Abrams & Co.) and continues to address and implement changes based on their findings.

6. **Extraclassroom Activity Funds:** The auditor noted several comments about the management of this fund.

The Assistant Superintendent for Business held several training sessions in September 2012 at Huntington High School, Finley Middle School and Woodhull Intermediate. Furthermore, extraclassroom personnel received the recent *Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds* manual with specific examples and spreadsheet templates. The Business Office frequently reminds advisors and building leaders to make their deposits in timely fashions and not hold onto monies collected. The Business Office is discussing the issue of reimbursements to district employees with advisors, central treasurers and principals and is limiting these transactions. Furthermore, the Business Office will work with advisors toward the end of the year identifying financially inactive clubs and recommend their closure.

7. **School Lunch Fund:** The external auditors recommend that the Board of Education adopt a student-meal account policy.

With the implementation of the Nutrikids point of sale system, we now have the ability to do the reconciliation between Whitsons records and ours for the two secondary schools. The implementation of the POS system at the remaining schools will cost approximately \$20,000. The district is currently investigating an appropriate student-meal policy for implementation.

8. **Payroll Tax Returns:** The auditors noted that the district had not reconciled salary expenditures on a quarterly basis.

The district reconciles the Form 941 to the expenditure ledger on a quarterly basis, as noted on the current-year audit comments.

9. **Fixed Assets:** The auditors noted that the District did not communicate the capitalization threshold to the property control manager so that assets tagged for reporting purposes were under the threshold established in the District's capitalization policy.

The fixed asset system has two purposes. One is for the auditors so that they may value our assets for the financial statements. The District instructed CBIZ, the fixed assets company, to capitalize only those assets over \$1,000 in value, as noted in the current-year status. The other reason is to account for those items under \$1,000 such as computers, iPads, projectors, etc., to maintain insurance coverage under our Inland Marine policy. We will insure that the property control manager receives the copies of all purchase orders and asset tags where equipment is ordered. This includes the Special Aid Fund transactions coded to a supply code since the Federal threshold for equipment is much higher than the district's (\$5,000 vs. \$1,000).

10. **Reconciliation of Time Worked:** The auditors noted that there were a few instances where the overtime for some employees as indicated on the submitted spreadsheet was not reflective of the time worked as per their time cards.

The Business Office communicated proper timekeeping practices to the staff. Also, in March 2012, the District implemented a procedure whereby the accounting office reviews time cards to determine that the record is correct for payroll processing purposes.

CURRENT YEAR COMMENTS

1. **Bank Reconciliations:** The auditors noted that the preparer of bank reconciliations does not review, sign and date all reconciliations once prepared.

The District agrees with this recommendation and has discussed with the District Treasurer regarding this protocol. All bank reconciliations are reviewed, signed and dated appropriately.

- 2. Overtime:** The auditors noted that there were instances where overtime was approved after the hours were worked and one instance where overtime was not approved. We agree with the auditors findings and require written approval for any paid overtime. The payroll office has not paid overtime for any non-authorized hours. Furthermore, pre-approval is required for anticipated overtime, however there are some situations where overtime is needed and pre-approval is not possible. The Payroll office does receive approved overtime sheets, and the district will introduce a formal procedure that addresses both pre-approval and overtime hours worked without pre-approval.

3. Budgetary Transfers

The auditors noted that some budget transfer codes were overspent and budget transfers took place after this occurred, however the budget was not overspent.

We agree with the auditor's recommendations and the Business Office initiated a process this year within Finance Manager that permits overspending of non-accounting codes only. Additionally, the Business Office hired a new Assistant Business Manager who will assist in budget management and oversight. While some transfers will need to occur after a code is overspent, the district will look to minimize such occurrences.

- 4. Bank Transfers:** The auditors noted that the confirmation of wire transfers had not been returned to someone independent of the wire transfer process.

The District agrees with this finding and beginning in October 2012, the Assistant Superintendent for Business receives confirmation for all wires. Additionally, the Assistant Business Manager will receive such confirmations as well.

- 5. Financial Statement Preparation:** The auditors noted that the District's Business Office does not either prepare or exercise adequate control over the preparation of its annual financial statements, although the District does demonstrate an understanding of the financial statements. The auditors recommend the District review this issue and determine if an individual could exercise control over the preparation of its annual financial statements.

The District agrees with this recommendation and recently hired an Assistant Business Manager, who is also a CPA. The District should be able to have this comment removed next year.

Please present this to the Board of Education for their approval. Thank you.

Enc.