



OTSELIC VALLEY CENTRAL SCHOOL

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March 1, 2018

Corrective Action Plan District Financial Report

MATERIAL NONCOMPLIANCE

Compliance with Laws and Regulations

Fund Balance Limitation

Finding:

The School District is allowed, under New York State Real Property Tax Law (Code §1318), to retain up to 4% of the succeeding year's budget in unassigned fund balance. At June 30, 2017, the unassigned fund balance was \$527,008 in excess of the allowable amount. At June 30, 2016, the unassigned fund balance was \$523,965 in excess of the allowable amount.

Recommendation:

We recommend current fund balance reserve accounts be reviewed to determine appropriate levels from both a short-term and long-term planning perspective. As part of the budget development and monitoring processes, we recommend School District management estimate the amount of unassigned fund balance anticipated at year end in order to determine amounts which can be transferred to reserve accounts, assigned to appropriated fund balance, or used to reduce the tax levy in accordance with New York State Real Property Tax Law.

Management Response:

The School District plans to purchase one vehicle as well as implementing paving and fencing projects.

Corrective Action:

It is the action of the district is to establish a five year financial forecast for long term planning, including a reserve plan, to provide more accurate forecasts/projections for budget planning. Review of current fund balance reserve accounts will be completed biannually to support the five year plans. The district will further review additional reserve options that may further assist the district in their long term planning. The district will review the general fund balance on a quarterly basis to determine amounts anticipated at the end of the year for determining amounts to fund reserves.

Compliance date: 05.01.2018

OTHER MATTERS

During our audit, we also became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, which provide opportunities for strengthening internal controls and operating efficiency:

Current Findings

Administrative Expenditures

Findings:

During our current year audit, administrative disbursements, mainly Superintendent expenses, did not follow School District policy. During a disbursement test of applicable expenses, we noted a lack of separation of duties, as the Superintendent also acts as the purchasing agent and can approve his own purchases. A blanket purchase order is used for a variety of Superintendent Expenditures including meals, mileage, travel and conferences. A personal credit card is used for many purchases, although purchase orders could be used for such expenditures as memberships and conferences. Sales tax was paid for items that should have been tax exempt. Additionally, explanations were not provided for meal expenditures, including the purpose of meal and why the attendees needed food and/or refreshments to conduct School District business. As stated in Board Policy 5323 "meals of public officers and employees generally should not be reimbursed or paid by the municipal entity unless the officer or employee is traveling outside his/her regular work area on official business for an extended period of time, or where events prevent them from taking off during mealtime for food consumption because of a pressing need to complete business." Business breakfasts, lunches, and dinners do not appear to qualify for reimbursement. Travel conference request forms were also not submitted as required by School District policy.

Recommendation:

We recommend one or two Board of Education members approve Superintendent Expenditures and that specific purchase orders be used as appropriate. The use of personal credit cards should be limited. In addition, we recommend all required forms be completed, including the travel conference request form, and sufficient meal documentation be provided.

Corrective Action:

The action of the district is to have a district credit card in place for vendors that do not accept purchase orders. Purchase orders are to be established for specific supplies, conferences or events. Encumbrances, when necessary, will be established. All meals submitted by school personnel will include who, when the meeting occurred, and where the meeting occurred.

Compliance date: 03.01.2018

Use of School Vehicle

Finding:

Per the Superintendent contract, a school vehicle should be used for meetings and conferences whenever possible.

Recommendation:

We recommend the use of a school vehicle whenever possible.

Management Reponse:

The availability of a school vehicle is extremely limited during the school day due to:

1. One vehicle is utilized as a Driver Education Car
2. The only other vehicle is available only during limited times due to its use as a student transport vehicle.

Corrective Action:

It is the action of the district to establish vehicle log out sheets for each school vehicle. School personnel will sign out an available vehicle whenever possible during non-instructional regular work days.

Compliance date: 03.01.2018

Recurring Findings

Purchasing Policy - Quotes

Finding:

During our current and prior year examination of the cash disbursements cycle, no quote requirements were specified in the School District purchasing policy.

Recommendation:

We continue to recommend the Board review the purchasing policy and determine what dollar threshold requires quotes, how many quotes should be solicited, and specify when written or verbal quotes are required.

Corrective Action:

It is the action of the district to establish purchasing policies with the required thresholds for requiring quotes in accordance with New York State Education Law and General Municipal Law, the number of quotes required, and when written or verbal quotes are required.

Compliance date: 04.01.2018

Claims Auditor Reports/Purchase Orders

Finding:

During our current and prior year review of Claims Auditor's reports, we noted several instances where requisitions and/or purchase orders were created after the purchase, service, or invoice date. To a lesser degree, instances of incorrect dollar amounts, invoice numbers, account codes, vendors and/or remittance addresses were noted by the Claims Auditor and corrected.

Recommendation:

Corrective Action:

It is the action of the district to review purchase orders before final approval for accuracy of vendor information. The district will also ensure that reasonable assurance be given regarding purchases not being made before purchase orders have final approval. This will be completed through online requisitioning. The board of education will have an agenda item to review the claim auditor report and its findings monthly to continue looking for ways to improve on the claims audit process. Suggestions and recommendations will be discussed with claims auditing at BOCES to determine best practices.

Compliance date: 06.30.2018

Sincerely,

A handwritten signature in black ink, appearing to read "Grayson Stevens". The signature is written in a cursive style with a large initial "G".

Grayson Stevens
Interim Superintendent of Schools