

POUGHKEEPSIE CITY SCHOOL DISTRICT

MANAGEMENT LETTER

JUNE 30, 2018



Sickler, Torchia
 Allen & Churchill, CPA's, PC
 Your Partner When It Counts

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October 9, 2018

Poughkeepsie City School District
 Poughkeepsie, New York

In planning and performing our audit of the basic financial statements of the Poughkeepsie City School District (the "District") for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Poughkeepsie City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the District's internal control in our report dated October 9, 2018. This letter does not affect our report dated October 9, 2018 on the basic financial statements of Poughkeepsie City School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sickler, Torchia, Allen & Churchill, CPAs, P.C.
 Hudson, New York

MEMORANDUM

CURRENT YEAR MEMORANDUM ITEMS

Purchase Order Procedure:

During our control testing procedures applied to expenditures, we noted 9 instances in which Purchase Orders did not predate the invoice date. Education Law established by the State of New York State indicates that School Districts are required to use a purchase order system. Although the purchase order system is in place, it is not being executed properly. We had also found 6 instances in which there was no Purchase Order established. This was generally the case with expenses related to utilities or items with a monthly occurrence. Additionally, since these expenditures did not have a Purchase Order, there was no approval from the purchasing agent.

Payroll Control and Compliance:

During our control testing procedures applied to payroll, we noted the substitute teacher pay rates were never documented as being approved by the Board of Education in the meeting minutes. We also noted 2 instances in which there was no W-4 form on file and 2 instances in which the I-9 form on file did not have section 2 completed.

Summer Food Program Budget:

During our testing of Accounts Payable, we noted that the District has been budgeting for expenses related to the Summer Food Program for the fiscal year preceding the year in which the expenses were incurred. Since the District's year end is June 30, and the Summer program does not begin until after July 1, expenses should be budgeted for in the year in which the District expects to incur the expense. For the current year, expenses incurred in July were being recorded as fiscal year 2018 accounts payables.

Outstanding Items on Cash Reconciliation:

During our review of the bank reconciliations done by the District, we noted transfers being recorded as outstanding items. Upon further review, we identified that the transfers did not take place until the end of the following month. Had they actually been outstanding, they would have cleared towards the beginning of the month. These transfers were actually not outstanding as of the end of the month, and instead the District was using this as a budgeting method. These items are not actually outstanding, and should not be recorded as such.

Trust and Agency Liquidity:

During our testing of the Trust and Agency account (T&A), we noted that the amount in Athletic Deposit Liability is greater than the amount of cash in the bank. If the Athletic programs were to need their money for expenses, there would not be enough cash in the bank account to cover them. While other T&A balances reflect moneys receivable, monitoring is required to insure these balances get collected.

Accounts Payable:

During our testing of Accounts Payables, we noted that the method being used by the District to record Accounts Payable is not consistent. Some are being recorded based on the open Purchase Order amount, some are being recorded based on estimates, and some are being recorded based on invoices received subsequent to the end of the fiscal year. This inconsistent manor has the potential to lead to material misstatements in the aggregate.

Budget:

During our review of the Budget, we noted that the District had made expense budget transfers that resulted in an unintended increase to the total budget. The process of recording the transfers should be reviewed to insure they are in balance.

PRIOR YEAR MEMORANDUM ITEMS

Medicaid Billing:

During prior year testing and inquiry of District staff, we noted that Medicaid revenues decreased from approximately \$483,000 to \$224,000 for the years ended June 30, 2016 and 2017, respectively. Upon further inquiry, we noted that the District had only billed for 5 months of Medicaid services during 2017.

It was recommend that the District investigate what billings are outstanding and submit the billings for payment. Additionally, the District should compare these billings to prior periods and budgetary expectations on a monthly basis and investigate any variances.

Status as of 6/30/2018:

During current year procedures we noted the District billing was comparable to budgetary expectations. However, documentation demonstrating how omitted 2017 billing was resolved is not supported in that less was billed/collected in 2018 when compared to 2017. We will continue to monitor.

Billing for Health Services:

During prior year testing and inquiry of District staff, we noted that health services had not been billed for 2017 or 2016 and uncollected 2015 billings with questions from the billed districts have not been resolved and thus remain unpaid.

It was recommend that the District investigate what billings are outstanding and submit the billings for payment. Additionally, the District should compare these billings to prior periods and budgetary expectations on a monthly basis and investigate any variances.

Status as of 6/30/2018:

During our current year procedures we noted the District has collected 2016 and 2017 health service billing. The District had note uncollected the health services billing for 2014-15. We will continue to monitor this area.

Employee Payroll Files:

During our tests of payroll transactions, we noted 33 instances from our sample of 40 transactions where the salary authorizations supporting the current payroll could not be located by District personnel.

We recommend that the District review its employee payroll files to ensure that they are complete and accurate and that support for all deductions and salary are on file.

Status as of 6/30/2018:

During our current year testing we noted Human Resource Department does not use salary authorization forms. The District uses a form "Data Sheet" for teachers bi-annually and paraprofessionals annually. The Forms are used to verify with employee any changes, such as credits or degree information changes the department has on file. Form does not include base salary that agrees to the applicable contract. We recommend the District implement the use of a salary authorization form or include base salary information on the "Data Sheet". We will continue to monitor this area.

Extraclassroom Receipts:

During prior year audit, it was noted that certain extraclassroom receipts were not supported by adequate documentation. The students and advisors should provide a reconciliation of actual and expected receipts from fundraisers.

The following are some suggestions:

- For events, pre-numbered tickets should be used and then reconciled to total sales.
- For the sale of items, an inventory should be kept of the items for sale and reconciled to receipts
- For the sale of items where the money is collected before the items are delivered, a list of all money collected and from whom, should be submitted with the receipt. That will make it clearer how much money was paid in the event of a refund.

The advisor and student should each sign the receipt verifying that the correct amount of money was submitted to the Treasurer.

Status as of June 30, 2016:

It was noted similar issues during the 2016 audit year. We recommend that the District address this issue in the coming year.

Status as of June 30, 2017:

It was noted similar issues during the 2017 audit year. Specifically, we noted 5 of our 25 selections had no bank deposit slip; 6 of our 25 selections had no student officer sign off and 3 of our 25 selections had no faculty advisor approval. None of the receipts were supported by revenue reconciliation. We recommend that the District address this issue in the coming year.

Status as of June 30, 2018:

During our current year audit we noted similar issues as with the 2017 audit year. Specifically, we noted 6 instances where there was no student and/or Advisor signature on the deposit form, and two instances in which there was no cash receipt form being used. We also noted that there were some deposits without the bank deposit slip from the bank. However, we were able to identify the deposits hitting the bank account by reviewing the bank statements. Additionally, we noted 6 instances in which items are not being deposited within a timely manner. We deemed "timely manner" to be a week, based on conversation with the Treasurer who noted someone from the District goes each week to the bank. There was also an isolated incident in which the faculty advisor only gave the net proceeds to the Extra Classroom Treasurer. The advisor collected the money, paid the vendor with the collected money and reported only the difference to the Extra Classroom clerk. Processing transactions in this manner circumvents the control procedures set up for Extraclassroom. We recommend that the District address these issues in the coming year.

Extraclassroom Disbursements:

During our testing of disbursements for the extraclassroom programs, we noted instances where supporting invoices for disbursements were not on file. Student activities are for the benefit of the students and are learning tools for them. These responsibilities include that each disbursement be supported by an invoice as proof of the expenditure.

It was recommend that all disbursements be reviewed and approved by a student treasurer as soon as the liability is incurred and that as part of their review, they ensure that there is a supporting invoice, so they may then be turned over to the Central Treasurer for payment from the extraclassroom account.

Status at June 30, 2016:

While supporting invoices were available for the sample selected in the 2016 fiscal year, we noted many invoices were not reviewed and approved the Central Treasurer. We recommend that the District address this issue in the coming year.

Status at June 30, 2017

We noted similar issues during the 2017 audit year. Specifically, we noted 3 of our 25 selections were missing support such as an invoice and 10 of the 25 selections lacked authorization from the student officer. We recommend that the District address this issue in the coming year.

Status as of June 30, 2018:

During our current year audit we noted the disbursements were properly supported and authorized. **Accordingly, we consider this matter resolved.**