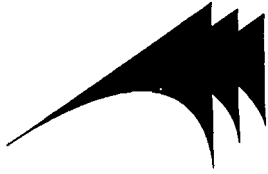


POUGHKEEPSIE CITY SCHOOL DISTRICT

MANAGEMENT LETTER

JUNE 30, 2019



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

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October 11, 2019

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, 2019, 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 11, 2019. This letter does not affect our report dated October 11, 2019 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, CPA's, P.C.
Hudson, New York

MEMORANDUM

CURRENT YEAR MEMORANDUM ITEMS

Extraclassroom Disbursements:

During our current year testing of disbursements for the extraclassroom programs, we noted 1 instance where the payment order was not properly authorized by the Student Officer and 1 instance where the payment order was not authorized by the advisor. 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.

We recommend that all disbursements be reviewed and approved by a student treasurer and advisor as soon as the liability is incurred.

Construction in Progress:

During our current year procedures, we noted the District is carrying a material balance of construction in progress in Capital Assets. The balance carried on the District's ledger is not in agreement with the construction in progress balance carried by the District's appointed third-party vendor. We recommend the District review and assess the value of the construction in progress.

PRIOR YEAR MEMORANDUM ITEMS

Purchase Order Procedure:

During our 2018 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 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.

Status as of 6/30/2019:

During our current year audit procedures, we noted instances in which 7 purchase orders did not predate the invoice date. We also found 2 instances in which there was no purchase order established. There was 1 instance where the purchase order was noted as missing, due to an abrupt relocation of the Business Office files. There was 1 instance where the Internal Claims Auditor did not approve the payment of purchase order. We will continue to monitor this area.

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.

Status as of 6/30/2019:

During our current year audit procedures, we noted 1 substitute retiree's pay rates were never documented as being approved by the Board of Education in the meeting minutes. We also noted 4 instances in which there was no W-4 form on file and 4 instances in which no I-9 form was located. We will continue to monitor this area.

Summer Food Program Budget:

During our 2018 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.

Status as of 6/30/2019:

During our current year audit procedures, 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 2019 accounts payables. We will continue monitor this area.

Outstanding Items on Cash Reconciliation:

During the 2018 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.

Status as of 6/30/2019:

During our current year audit procedures, we noted the reconciliations were not recording future transfers. **Accordingly, we consider this matter resolved.**

Trust and Agency Liquidity:

During the 2018 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 ensure these balances get collected.

Status as of 6/30/2019:

During our current year audit procedures, we noted the Athletic Program deposits were not in excess of the cash in the bank. **Accordingly, we consider this matter resolved.**

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.

Status as of 6/30/2019:

During our current year audit procedures, we noted that method used by the District to record Accounts Payable at year end is not consistent. In the General Fund, we noted 1 instance where accounts payable was not recorded. In the Special Aid Fund, we noted 5 instances where accounts payable not recorded. We will continue to monitor this area.

Budget:

During our 2018 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 ensure they are in balance.

Status as of 6/30/2019:

During our current year audit, we noted the revised budget revenues and expenditures remained in balance. **Accordingly, we consider this matter resolved.**

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 2018 audit 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.

Status as of 6/30/2019:

During current audit year procedures, we noted the District billing was comparable to budgetary expectations. The 2018 billing amount increased from the 2018 billing/collections. The District's billing for Medicaid has improved compared to the prior years. **Accordingly, we consider this matter resolved.**

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 had 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 2018 audit year procedures, we noted the District had collected 2016 and 2017 health service billing. The District had uncollected health services billing for 2014-15.

Status as of 6/30/2019:

During our current year procedures, we noted the District had collected 2014-15 and 2018 health service billing. **Accordingly, we consider this matter resolved.**

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 2018 audit year testing, we noted that the 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.

Status as of 6/30/2019:

During our current audit year testing we noted the District did not implement recommend 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:

Similar issues were noted during the 2016 audit year. We recommend that the District address this issue in the coming year.

Status as of June 30, 2017:

Similar issues were noted 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 recommended the District address this issue in the coming year.

Status as of June 30, 2018:

During our 2018 audit year, 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 in a timely manner. We deemed "timely manner" to be a week, based on conversations 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 Extraclassroom Treasurer. The advisor collected the money, paid the vendor with the collected money and reported only the difference to the Extraclassroom clerk. Processing transactions in this manner circumvents the control procedures set up for Extraclassroom. We recommended the District address these issues in the coming year.

Status as of June 30, 2019:

During our current audit year we noted similar issues as with the 2017 and 2018 audit years. Specifically, we noted 7 instances where there was no student and/or Advisor signature on the deposit form. We noted 11 instances in which there was no cash receipt form documentation available. The cash receipts from the months of July 2018 through January 2019 were not available for inspection, due to an abrupt relocation of the Business Office files. We noted 4 instances in which items are not being deposited within a timely manner. We deemed "timely manner" to be a week, based on conversations with the Treasurer, who noted someone from the District goes each week to the bank. We recommend the District address these issues in the coming year. We will continue to monitor this area.