

OTHER INTERNAL CONTROL MATTERS

October 4, 2017

To the Board of Education
Poughkeepsie City School District
Poughkeepsie, New York

Dear Board Members:

We have completed our audit of the financial statements of Poughkeepsie City School District as of June 30, 2017, and have issued our report thereon, dated October 4, 2017.

In planning and performing our audit of the financial statements of Poughkeepsie City School District for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Poughkeepsie City School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The financial statements and required reports include all required communications regarding internal control. During our audit, we became aware of other matters that are not necessary to be reported in the required reports, however, we are presenting them here for your consideration:

We believe that part of our responsibility as your auditors is to bring to your attention to our observations and suggestions which may assist you in the development and continued growth of the District. The following matters came to our attention during our recent audit and we offer them to you for your consideration.

Medicaid Billing

During our 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.

We 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.

Billing for Health Services

During our 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.

We 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.

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.

Repeat comments from the prior year

Extraclassroom Receipts

During our audit, we 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 at June 30, 2016

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

Status at June 30, 2017

We noted similar issues during the 2016 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 a revenue reconciliation. We recommend that the District address this issue 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.

We 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 current 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.

Based upon the ongoing findings in the extraclassroom activities, we highly recommend that the District consider conducting a training for all of its student officers and faculty advisors. We can assist, if needed.

We would like to acknowledge the cooperation and the professional conduct of the business office personnel and thank all of the School District personnel for the courtesy received during the course of our audit. Should you have any questions regarding the matters presented, we shall be pleased to discuss them at your convenience.

Very truly yours,

BONADIO & CO., LLP