

POUGHKEEPSIE CITY SCHOOL DISTRICT

**REPORTS ON FEDERAL
COMPLIANCE AUDIT**

JUNE 30, 2018

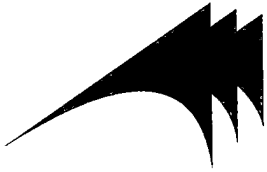
POUGHKEEPSIE CITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE

To the Board of Education
Poughkeepsie City School District
11 College Avenue
Poughkeepsie, NY 12603

Report on Compliance for Each Major Federal Program

We have audited Poughkeepsie City School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Poughkeepsie City School District's major federal programs for the year ended June 30, 2018. Poughkeepsie City School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Poughkeepsie City School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Poughkeepsie City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Poughkeepsie City School District's compliance.

POUGHKEEPSIE CITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)

Opinion on Each Major Federal Program

In our opinion, Poughkeepsie City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

Poughkeepsie City School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Poughkeepsie City School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Poughkeepsie City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Poughkeepsie City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Poughkeepsie City School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

POUGHKEEPSIE CITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Poughkeepsie City School District as of and for the year ended June 30, 2018, and have issued our report thereon dated October 9, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Seibel, Larkin, Allen & Churchill, C.P.A.s

Hudson, New York

February 28, 2019

POUGHKEEPSIE CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Name of Federal Agency or Department	CFDA Number	Name of Program	Pass - Through Entity Identifying Number	Disbursement/Expenditures
<i>Department of Education:</i>				
Flow Through NYS Education Department:				
Special Education Cluster:				
	84.027	IDEA, Part B, Sec. 611	0032-18-0287	\$ 1,254,691
	84.173	IDEA, Part B, Sec. 619	0033-18-0287	37,729
		Total Special Education Cluster		<u>1,292,420</u>
	84.010	Title I	0011-18-2030	50,450
	84.010	Prior Year Title I	0011-17-2030	19,581
	84.010	Title I, A&D	0021-18-1040	1,800,774
	84.010	Prior Year Title I, A&D	0021-17-1040	347,888
		Total Title I		<u>2,218,693</u>
	84.365	Title IIIA - LEP	0293-18-0670	46,556
	84.365	Prior Year Title IIIA-LEP	0293-17-6070	39,845
	84.365	Title IIIA-Immigrant Education	0149-17-0670	29,007
		Total Title III		<u>115,408</u>
	84.367	Title II A	0147-18-1040	81,274
	84.367	Prior Year Title II A	0147-17-0525	33,226
		Total Title II		<u>114,500</u>
	84.377	Title I - School Improvement Clinton	0123-18-7013	468,124
	84.377	Title I - School Improvement Krieger	0123-18-7014	479,550
	84.377	Title I - School Improvement Morse	0123-18-7015	479,952
	84.377	Title I - School Improvement Warring	0123-18-7016	459,646
	84.010	Title I - School Improvement PMS	0123-18-4105	157,777
	84.010	Prior Year Title I - School Improvement PMS	0123-17-4105	63,165
		Total Title I - School Improvement		<u>2,108,214</u>
		Total Department of Education		<u>5,849,235</u>
<i>Department of Agriculture:</i>				
Flow Through NYS Education Department:				
Child Nutrition Cluster:				
	10.553	School Breakfast Program	N/A	787,203
	10.555	National School Lunch Program	N/A	1,998,061
	11.559	Summer Food Service Program for Children	N/A	202,963
		Total Child Nutrition Cluster		<u>2,988,227</u>
	10.558	Child and Adult Care Food Program	N/A	111,638
		Total		<u>111,638</u>
		Total Department of Agriculture		<u>3,099,865</u>
		Total Expenditures of Federal Awards		<u>\$ 8,949,100</u>

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's basic financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Certain District federal award programs may have been charged with indirect costs, based upon a rate established by New York State. The District has elected not to use the 10% De Minimis Indirect Cost Rate allowed under the Uniform Guidance applied to overall expenditures.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

NOTE 2 – INSURANCE:

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

NOTE 3 – NON-MONETARY ASSISTANCE:

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Such assistance has been apportioned to the lunch and breakfast program and total \$211,105.

See independent auditor's report (Page 1).

POUGHKEEPSIE CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
❖ Material weakness(es) identified?	<u>X</u> yes	___ no
❖ Significant deficiencies identified that are not considered to be material weaknesses?	___ yes	<u>X</u> none reported
Non-compliance material to financial statements noted?	<u>X</u> yes	___ no

Federal Awards:

Internal control over major programs:		
❖ Material weakness(es) identified?	___ yes	<u>X</u> no
❖ Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ yes	<u>X</u> none reported
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Uniform Guidance?	<u>X</u> yes	___ no

Identification of Major Programs:

CFDA Number:	<u>Name of Federal Program:</u>
84.010	Title I
84.027 & 84.173	Special Education Cluster
84.377	Title I SIG
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee	___ yes <u>X</u> no

II. FINDINGS - FINANCIAL STATEMENT AUDIT

- 2017-001 Year-end Closing Procedures
- 2017-002 Long outstanding checks
- 2017-003 Maintaining current user access rights
- 2017-004 Accounting for Energy Performance capital project
- 2017-005 Control procedures for adjusting journal entries
- 2017-006 Compliance with §1318 of the New York State Real Property Tax Law

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS AUDIT

- 2018-001 Allowable Cost/Cost Principles - Support of Salaries and Wages
- 2018-002 Procurement, Suspension, and Debarment - Procurement Policy

Condition: See Following Pages

POUGHKEEPSIE CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

2018-001: Allowable Costs/Cost Principles – Support of Salaries and Wages

Federal Program:

CFDA Nos.: 84.010 Title I, 84.027 Special Education, Part B, 611, 81.173
Special Education, Preschool 619 & 84.377 Title I SIG

Condition:

The District does not comply with the required standards of Support of Salaries and Wages because employees whose time was charged to federal grants during fiscal year ending 6/30/2018 did not complete time certification forms, time sheets or personnel activity reports (PAR) for their time distribution.

Criteria:

The distribution of the salaries and wages of employees are to be supported by either time certifications or personnel activity reports or equivalent documentation which meets the standards in Uniform Guidance 200.430 Compensation- personal services. The certification or personnel activity reports (PAR) for employees who work under the grants must be prepared and meet certain prescribed standards, such as accounting for the employee's total compensation, and reflecting an after-the-fact distribution of the actual activity of each employee.

The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225, and that the total compensation for individual employees.

Questioned Costs:

There are no questioned costs.

Effect:

It is more likely that the extent of effort charged to the various cost objectives may not be representative of the related time devoted to the respective cost objectives.

Cause:

District did not have a system in place to ensure the District complied with the required standards of Support of Salaries and Wages for an employee who needed to complete certifications.

POUGHKEEPSIE CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

2018-001: Allowable Costs/Cost Principles – Support of Salaries and Wages (Continued)

Recommendation:

In order to prevent future occurrences of this deficiency, we recommend that management require that copies of these payroll certifications be forward to the District Treasurer on a timely basis.

Responsible Official's View as of June 30, 2018:

The District Treasurer stated that all Federal Certifications will be distributed and signed by all required personnel on a timely basis and as often as required by standards.

POUGHKEEPSIE CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

2018-002: Procurement and Suspension and Debarment – Procurement Policy

Federal Program:

CFDA Nos.: 84.027 Special Education, Part B, 611 & 81.173 Special Education, Preschool 619; 84.010 Title I; 84.377 Title I SIG

Condition:

The District does not comply with the required standards of having a procurement policy that meets the requirements under the Uniform Guidance (2 CFR Part 200, subpart A-F).

Criteria:

The District's procurement policy should address the requirements for procurement using federal awards in accordance to the Uniform Guidance (2 CFR Part 200, subparts A-F) as required.

Questioned Costs:

There are no questioned costs.

Effect:

It is possible that purchases made using federal awards did not meet the federal guidelines for purchases under the Uniform Guidance.

Cause:

District did not update and adopt their procurement policy in 2017-2018 to meet the new Uniform Guidance requirements.

Recommendation:

In order to be in compliance with the Uniform Guidance procurement policy the District should review their current procurement policy and update and adopt as necessary.

Responsible Official's View as of June 30, 2018:

The District Treasurer stated that they will review and adopt an updated procurement policy to be in compliance with the federal guidelines.