

## **Corrective Action Plan for External Audit**

For each deficiency cited by Lumsden McCormick LLP, the District's external auditor, in the District's management letter dated September 26, 2022, the following corrective actions are proposed:

### **Unassigned Fund Balance**

The unassigned fund balance in the general fund was approximately \$3,006,000 at June 30, 2022, which represents 5.7% of the 2023 expenditure budget. As you are aware, the legal limit imposed by the State is 4% of the ensuing year's budget.

- **Plan of Action:** In the future we will plan to maintain a fund balance that does not exceed 4% of the ensuing year's budget.
- **Implementation date:** Effective June 30, 2022
- **Person(s) Responsible for Implementation:** Assistant Superintendent of Administrative Services

### **Excess fund balance in the food service fund**

In accordance with regulations of the New York State Education Department, fund balance in the food service fund should not exceed three months' average expenditures, as defined, at any time. As a result of the COVID-related shutdowns and additional funding, the District exceeded this limit at year end. District management should submit a plan to the Child Nutrition Program Administration detailing its plans to use the excess balance. Allowable uses include improving the quality of food served or purchasing needed supplies, services, or equipment

- **Plan of Action:** In the future we will plan to maintain a fund balance that does not exceed 3 month's average expenditures. The District has already spent down these funds in the Summer of 2023 by purchasing new equipment.
- **Implementation date:** Effective June 30, 2022
- **Person(s) Responsible for Implementation:** Assistant Superintendent of Administrative Services

### **Repair Reserve**

In the current year, the District used repair reserve funds for non-recurring repairs to capital improvements across the premises. We remind the District, pursuant to GML §6-d, voter approval is required to fund this reserve and expenditures from this reserve may be made only after a public hearing has been held requiring 2/3 majority vote of the Board of Education, except in emergency situations. If spending is subject to an emergency, the amount expended must be repaid to the reserve fund over the next two fiscal years. Open Meetings Law specifies

certain steps that must be followed to comply with public hearing and public notice requirements. We suggest you review your current procedures with your attorney to determine whether the District is in compliance with all necessary requirements

- **Plan of Action:** In the future we make sure to publish the use of repair reserve in a local paper and file an affidavit of publication
- **Implementation date:** Effective immediately, or upon the next emergency requiring use of repair reserves.
- **Person(s) Responsible for Implementation:** Assistant Superintendent of Administrative Services and District Clerk

### **Capital Assets**

The District uses a third-party vendor to perform capital asset appraisals primarily for insurance risk management purposes. The vendor also provides an ancillary service to provide the District with reports that will assist with recording capital assets and depreciation expense for accounting purposes. In 2017, the District switched vendors for this service and the capital asset detail provided was not in agreement with prior year records. Such amounts have not yet been reconciled and the balance is manually corrected during the audit process. Capital assets should be recorded at historical cost and updated for additions and disposals, including construction in progress. When a vendor is used to provide this service, changes should be communicated to the vendor and adjusted annually. We continue to recommend that management maintain accurate records of all changes to capital assets, either internally or with the assistance of its third-party vendor

- **Plan of Action:** After multiple failed attempts to correct this with Industrial Appraisal, we will be collaborating with a CPA at Lumdsen McCormick to manually amend the capital asset detail to be in agreement with the prior years' records.
- **Implementation date:** Pricing and budgeting will begin in January of 2023, to be effective in the 2023-24 school year
- **Person(s) Responsible for Implementation:** Assistant Superintendent of Administrative Services and the Accounting Clerk responsible for inventory record keeping.

### **Extraclassroom Activities**

As outlined in the New York State Education Department's 2019 Manual, The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds (the Manual), one of the main purposes of extraclassroom activities is to provide the District with an opportunity to teach pupils basic bookkeeping procedures through participation in handling funds and maintaining appropriate records. We noted several areas for improvement detailed as follows:

1. Five clubs had no financial activity during the year. Due to the pandemic, we understand that certain activities and events could not occur. We do however remind the District that

clubs without activity should be closed into a club that is representative of the entire student body if no activity is anticipated in the near term.

- **Plan of Action:** Clubs with no activity in the prior year will be closed into a club that is representative of the entire student body.
  - **Implementation date:** July 2023
  - **Person(s) Responsible for Implementation:** Assistant Superintendent of Administrative Services and Extracurricular Activity Club Treasurer
2. All clubs tested had adequate supporting documentation and all club ledger balances were maintained. We remind the District that each club should have its own books and records maintained by the student treasurer, not the advisor, in accordance with the Manual.
3. We continue to remind the District that each club must have a student treasurer who takes part in disbursing money
- **Plan of Action:** The student treasurer of each club will maintain books and records for each club. The student treasurer of each club will participate in the disbursement of money.
  - **Implementation date:** October 2021
  - **Person(s) Responsible for Implementation:** Assistant Superintendent of Administrative Services and Club Advisors
4. Some disbursements and deposit receipts were not properly authorized by students and faculty advisors. We encourage the central treasurers to ensure that all necessary signatures are present.
- **Plan of Action:** The central treasurer will ensure that all necessary signatures are present when deposits and disbursements are authorized.
  - **Implementation date:** October 2021
  - **Person(s) Responsible for Implementation:** Assistant Superintendent of Administrative Services and District Treasurer.
5. Board approval is required for all new clubs and club closures. We noted no Board approval for creation of one club and closure of another.
- **Plan of Action:** The Board of Education will approve the creation and closure of student clubs.
  - **Implementation date:** October 2021
  - **Person(s) Responsible for Implementation:** Assistant Superintendent of Administrative Services and District Clerk.