

Schoharie Central School District

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IN THE PURSUIT OF EXCELLENCE

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Audit Report by Marvin & Company, CPAs, P.C.
Finances of Schoharie Central School District
2019-20 School Year: July 1, 2019 to June 30, 2020

Date of Corrective Action Plan: October 19, 2020

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Material Weakness

2020-001 Adjustments

Statement of Condition: Several adjusting journal entries were proposed as part of the audit process to reflect actual year end balances of expenditures, revenues, interfund revenues and expenditures, due to/from other funds, refundable advances, debt service expenditures, fund balance, reserves, accounts payable and accounts receivable.

Criteria: To accurately preset the financial position of the District, general ledger accounts should be reconciled and monitored throughout the year by management. The accuracy of financial data is crucial to the budget process.

Context: The adjustments were identified as part of our auditing procedures.

Effect of Condition: As it relates to the adjusting journal entries proposed as part of the audit process the following accounts were over or understated by the respective approximate amounts: In the general fund, revenues overstated by \$576,000, expenditures understated by \$84,500, due from other governments understated \$206,500, due from other funds understated by \$365,500, deferred inflows understated by \$730,000, accounts payable understated by \$85,000, accounts receivable overstated by \$104,000, due to other governments overstated by \$52,500, interfund transfers understated by \$21,000, and cash understated by \$387,000. In the special aid fund revenues overstated by \$62,600, expenditures understated by \$29,000, due from state and federal overstated by \$371,000, due from other funds understated by \$16,000, and cash understated by \$263,750, and interfund understated by \$29,300. In the school lunch fund due to other funds and cash was understated by \$123,300 and revenue/deferred revenue understated by \$7,110. In the capital fund, expenditures and accounts payable understated by \$757,000. In the private purpose trust fund revenues were understated by \$500.

Cause: The adjusting journal entries identified during the audit appear to be caused by transactions being inaccurately recorded and reconciled during the year.

Recommendation: As it relates to preventing future audit adjustments, general ledger accounts should be reconciled by management throughout the year or at a minimum at the end of the year to ensure the balances accurately reflect the activity that occurred.

Views of Responsible Officials and Planned Corrective Actions: The District will establish procedures to ensure proper accounting for journal entries all during the school fiscal year. Administration will establish appropriate controls. This will be accomplished by November 30, 2020. The Superintendent of Schools and the Interim Business Administrator will ensure correction and compliance. The names of the individuals are the signatories to the plan, David Blanchard and Robert Bonaker. The Members of the Board of Education will monitor this financial activity.

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR 200.516(a):

Significant Deficiencies

2020-002

Child Nutrition - Procurement

Information on Federal Program: Child Nutrition Cluster (National School Lunch Programs and School Breakfast Program CFDA No. 10.553 and CFDA No. 10.555)

Criteria: CFR Section 200.318 stipulates that a non-Federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in Part 200 Subpart D. Additionally, 2 CFR Section 200.213 stipulates that no awards, subawards, or contracts be awarded to parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition: During our testing, we noted that the District's procurement policy is not in compliance with the Uniform Guidance. Additionally, the District is not documenting the verification of the eligibility of vendors to participate in Federal assistance programs.

Questioned Cost: None.

Context: As part of testing compliance over procurement, the District's purchasing policy was reviewed and a selection of vendors charged to the major program was selected for testing of compliance.

Cause: The District did not review compliance requirements related to procurement outlined in 2 CFR Section 200.318 and Section 200.213.

Effect: The District is not in compliance with 2 CFR Section 200.318 and 2 CFR Section 200.213. The District's purchasing policy does not contain the required elements. The District is not performing required procedures, as a result, vendors that are not eligible for participation in Federal assistance programs or activities could be paid with federal dollars or the District could be overpaying for goods and services.

Perspective Information: Of the District's vendors charged to this specific major program, none were suspended or debarred from participation in Federal assistance programs or activities.

Repeat Finding: Yes.

Recommendation: We recommend that the District review the requirements of 2 CFR Sections 200.318 and 200.213 and update the District's procurement policy and ensure that a review of the eligibility of potential vendors to participate in Federal assistance programs or activities is performed prior to disbursing funds to the vendor.

Views of the Responsible Officials and Planned Corrective Actions: The District will amend its procurement policy to ensure compliance. This will be accomplished by January 31, 2021. The Superintendent of Schools and the Business Official will ensure correction and compliance. The names of the individuals are the signatories to the plan, David Blanchard and Robert Bonaker. The Members of the Board of Education will monitor this financial activity.

Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR 200.516(a):

Significant Deficiencies:

2020-003 (1) Child Nutrition - Eligibility

Information on Federal Program: U.S. Department of Agriculture Child Nutrition Cluster (National School Lunch Programs and School Breakfast Program CFDA No. 10.553 and CFDA No. 10.555) passed through the New York State Education Department.

Criteria: A child's eligibility for free or reduced-price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local educational agencies (LEAs), institutions, and sponsors determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines. In addition to publishing income eligibility information in the Federal Register, FNS makes it available on the FNS website at <http://www.fns.usda.gov/schoolmeals/income-eligibility-guidelines>. Children from households with incomes at or below 130 percent of the Federal poverty level are eligible to receive meals or milk free under the School Nutrition Programs. Children from households with incomes above 130 percent but at or below 185 percent of Federal poverty level are eligible to receive reduced price meals. Persons from households with incomes exceeding 185 percent of the poverty level pay the full price (7 CFR section 245.2, 245.3, and 245.6; section 9(b)(1) of the NSLA (42 USC 1758 (b)(1)); sections 3(a)(6) and 4(e) of the CNA (42 USC 1772 (a)(6) and 1773(e))).

Statement of Condition: During our testing, we noted one application for free meals was calculated incorrectly. The District determined the household was

ineligible for free or reduced-price meals, however, based on the income eligibility guidelines, the household was eligible for reduced price meals. Additionally, there was one application that could not be located; therefore, we were unable to verify whether the eligibility of the household for free or reduced prices meals was accurate.

Statement of Cause: The District's school lunch software automatically calculates the eligibility of each household based on the data input into the software. The household income was incorrectly input into the software causing the incorrect determination of eligibility for that household. While there is a review of the application received, there is no review of the input into the software and the individual who reviews the application is the same individual who inputs the information into the software. Regarding the missing application, there was turnover in the position responsible for performing the calculation at the end of 2019/2020, and this application could not be located by the person currently responsible.

Statement of Effect: The District received less federal funding than they were eligible for as they were not being reimbursed as the meals were charged to the family at full price rather than being reduced. It cannot be determined what the potential effect on the District could be regarding the application that could not be located.

Questioned Cost: None.

Views of the Responsible Officials and Planned Corrective Actions: The District will improve its record-keeping as it pertains to the Child Nutrition eligibility applications. The Superintendent of Schools and the Interim Business Administrator will ensure correction and compliance. The names of the individuals are the signatories to the plan, David Blanchard and Robert Bonaker. The Members of the Board of Education will monitor this financial activity.

2020-003 (2)

Child Nutrition - Eligibility

Perspective Information: A sample of 60 applications for free or reduced-price meals were selected for testing, the entire population of families receiving free or reduced-price meals through submission of applications to the District. Any other students receiving free or reduced-price meals were automatically eligible and directly certified through the county. Our sample therefore represented the complete population of applicants. Based on testing of the complete population, there was one application that was incorrectly calculated and one missing application.

Repeat Finding: No

Recommendation: We recommend that the District ensure a thorough review of the applications and related income guidelines compared to the information in the software is completed by an individual without responsibility for eligibility determination under the program.

Views of the Responsible Officials and Planned Corrective Actions: The District will ensure there is segregation of responsibility such that the data entered into the computerized system is completed by an individual separate from the individual who is responsible for the eligibility determination. The Superintendent of Schools and the Interim Business Administrator will ensure correction and compliance. The names of the individuals are the signatories to the plan, David Blanchard and Robert Bonaker. The Members of the Board of Education will monitor this financial activity.

2020-004 Paid Lunch Equity Calculation

Information on Federal Program: U.S. Department of Agriculture Child Nutrition Cluster (National School Lunch Program and School Breakfast Program CFDA No. 10.553 and CFDA No. 10.555) passed through the New York State Education Department.

Criteria: Paid Lunch Equity requirement 7 CFR section 210.14(e). Annually, the District is required to perform this calculation to determine whether its paid lunch price requires adjustment.

Statement of Condition: The paid lunch equity calculation was completed. However, the required increase of \$.04 was not instituted by the District.

Statement of Cause: The District elected to forgo the required price increase.

Statement of Effect: The District did not comply with the paid lunch equity requirement.

Questioned Costs: None

Views of the Responsible Officials and Planned Corrective Actions: The District will proceed to utilize the Paid Lunch Equity Calculation in the future school years. For 2020-21, all students are eligible to receive free meals/milk, per the USDA, in response to the COVID-19 pandemic. The Superintendent of Schools and the Interim Business Administrator will ensure correction and compliance. The names of the individuals are the signatories to the plan, David Blanchard and Robert Bonaker. The Members of the Board of Education will monitor this financial activity.

Summary Schedule of Prior Audit Findings

- 2019-001 Compliance with New York State Real Property Tax Law
Status: Corrective Action was taken. This finding was not repeated.
- 2019-002 Adjustments
Status: This item is repeated as part of finding 2020-001
- 2019-003 Child Nutrition – Procurement
Status: This item is repeated as part of finding 2020-002

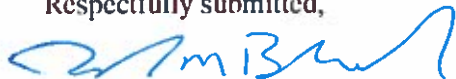
Audit Corrective Action Plan
2019-20 Independent Audit Report
Additional Findings / Corrective Action Plan

The auditors noted that the District should provide continued opportunities for Business Office staff to participate in professional development. The District will proceed in that regard. This will be accomplished by April 30, 2021. The Superintendent of Schools and the Interim Business Administrator will see to a follow-up. The names of the individuals are the signatories to the plan, David Blanchard and Robert Bonaker.

The auditors noted that there should be enhancements to the segregation of duties regarding who in the District has access to the general ledger aspects of the computerized financial system. The District will make the change with compensating controls. This will be corrected by November 30, 2020. The Superintendent of Schools and the Business Official will see to the follow-up. The Superintendent of Schools and the Interim Business Administrator will ensure correction and compliance. The names of the individuals are the signatories to the plan, David Blanchard and Robert Bonaker.

The auditors noted that there should be enhancements to the segregation of duties regarding who in the District has access to the general ledger aspects of the computerized financial system. The District will make any necessary account code changes by November 30, 2020. The Superintendent of Schools and the Business Official will ensure correction and compliance. The Superintendent of Schools and the Interim Business Administrator will ensure correction and compliance. The names of the individuals are the signatories to the plan, David Blanchard and Robert Bonaker.

Respectfully submitted,



David M. Blanchard
Superintendent of Schools
Schoharie Central School District



Robert W. Bonaker
Interim Business Administrator
Schoharie Central School District