

TO: Brian Russ, Superintendent
FROM: Joanne George, School Business Administrator
DATE: October 8, 2020
SUBJECT: Corrective Action Plan – 2019 – 2020 Audit Findings for:
Financial Statement Audit

The following is the Corrective Action Plan for the District's 2019 – 2020 Audited Financial Statement.

I. Section 4408 Program

Person/Department Responsible for CAP:

- School Business Administrator, Joanne George
- Director of Pupil Personnel, Jerome Polakiewicz

Implementation Date:

- July 1, 2020

Auditor's Comment: We commend the District for its attention and efforts with regard to the billing and collections of the Section 4408 Program. We recommend that the District continue to enhance the worksheet it has developed so that individual claims (for each student) submitted by the District are tracked until their receipt. Amounts claimed by the District and not reimbursed by the State in a timely manner should be reviewed and if applicable, follow-up upon. Tracking and reconciling receivables will ensure that claims submitted for reimbursement are received, along with verifying their accuracy. In addition, the State releases a report on an annual basis (August of each year) that outlines all the claims submitted by the District and whether the amounts have been paid or remain outstanding. We recommend that this report be reconciled to the District's worksheet.

District Response: The District is continuing to monitor and improve its tracking, reporting and filing of STAC's in this program.

II. Future Governmental Accounting Standards

Person/Department Responsible for CAP:

- School Business Administrator, Joanne George

Implementation Date:

- July 1, 2020

Auditor's Comment: In May 2020, the Governmental Accounting Standards Board issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which extends the implementation dates of new GASB standards for an additional year, including two standards outlined below that may have significance to the District.

GASB 84 – Fiduciary Activities

In 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities, which will be effective for the fiscal year ending June 30, 2021. This new standard's objective is to improve the guidance regarding the identification and reporting of fiduciary activities and focuses on the source of the revenue and control over activity assets. One of the characteristics of a fiduciary activity as defined by the standard are that the assets are for the benefit of individuals and the district does not have administrative involvement with the assets or direct financial involvement with the assets. School districts will be required to evaluate activity currently recorded in the trust and agency fund, including Extraclassroom activities. These activities that do not meet the fiduciary definition will be required to be reported in the governmental funds, either in the general fund or special revenue fund. The change also affects how certain fiduciary activism, custodial funds, are reported by requiring additions and subtractions to be included on the Statement of Changes in Fiduciary Net Position. We recommend the District review the new fiduciary activity standard to ensure proper adherence.

GASB 87 – Accounting for Leases

In 2017, the Governmental Accounting Standards Board issued Statement No. 87, Accounting for Leases, which will be effective for the fiscal year ending June 30, 2022. The primary objective of this is new standard is to bring most leases onto the balance sheet. The goal is to determine if any operating leases contain a right-to-use asset and record an asset and liability related to the lease. Also under the new standard there will be changes in the terms used for the two classifications; operating leases and finance leases (previously capital leases). We recommend that the District begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new lease standard, which may include continuing education, webinars and further training.

District Response: The District is starting to gather the data needed for the GASB 84 and GASB 87 Statements. The District will also attend training for these standards as it becomes available.

III. COVID-19 Pandemic

A. Federal Aid

Person/Department Responsible for CAP:

- School Business Administrator, Joanne George
- District Treasurer, Julie Nagel

Implementation Date:

- July 1, 2020

Auditor's Comment: In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to school Districts. The New York State Department of Education has allocated approximately \$213,000 of CARES Act assistance to the District which is for the funding period of March 13, 2020 through October 7, 2022. We recommend the District continue to review Federal guidance, including compliance requirements, related to this funding.

District Response: The District will continue to review any guidance available from the Federal Government.

B. Internal Controls IT Risks

Person/Department Responsible for CAP:

- School Business Administrator, Joanne George
- Senior Systems Administrator, Dennis Hirschfelt

Implementation Date:

- July 1, 2020

Auditor's Comment: During the initial phases of the Pandemic, certain processes of the District that were previously performed in-person were completed remotely. Because significant data is being transmitted electronically, the District may consider performing a penetration/security test of its IT network. In addition, the District shall continue to periodically review listing of employees with access to the internal local area network to determine if accounts should be disabled or deleted and continue to periodically review user access rights to determine that employees only have rights that are commensurate with their job responsibilities.

District Response: The East Aurora Union Free School District uses data interoperability solutions to automate the creation, maintenance and depreciation of our user accounts to ensure adherence with the least-privilege administrative model. Local network storage is not accessible remotely and does not need to be audited as a pandemic response. Cloud based storage, communication and productivity has not changed as a result of the pandemic and remains encrypted at rest and in transit. The District will continue to closely monitor its Internal Controls regarding IT Risks.

C. Federal Programs

Person/Department Responsible for CAP:

- School Business Administrator, Joanne George
- District Treasurer, Julie Nagel
- Sr. Account Clerk – Business Office, Jennifer Appenheimer

Implementation Date:

- July 1, 2020

Auditor's Comment: During our review of major Federal programs, we noted that certain internal control processes over compliance required by Uniform Guidance are being completed but not documented, including the review of information by someone independent of the preparer. Adequate documentation would include a signature/initials and date by the preparer and reviewer for such items including: Maintenance of Effort form; Graduation rate submission; budget versus actual comparisons, etc. We recommend the District review each control and define how documentation will be evidenced.

District Response: During the 2020-2021 Fiscal year, the District will review each control and document the procedures and processes it uses for these programs.

EXTRACLASSROOM ACTIVITY FUND

I. Point of Sale Records

Person/Department Responsible for CAP:

- School Business Administrator, Joanne George
- Central Treasurers, Mrs. Head & Mrs. Moudgil
- Faculty Auditor, Cheryl Sweet

Implementation Date:

- July 1, 2020

Auditor's Comment: We commend the District for its improvement in this area from prior year. We noted certain instances where the receipt of cash lacked point of sale records. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation time rates/fees. Due to the lack of point of sale records, cash receipts are not adequate to permit the application of the necessary auditing procedures to indicate whether receipts were recorded. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer or teacher advisor and be verified or reviewed by the central treasurer.

District Response: The District will continue to provide training opportunities to its staff members involved in the implementation of the Extra Curricular Student clubs and improve upon its processes for Point of Sale records and documentation.

II. *Funds Raised for Certain Purposes*

Person/Department Responsible for CAP:

- School Business Administrator, Joanne George
- Central Treasurers, Mrs. Head & Mrs. Moudgil
- Faculty Auditor, Cheryl Sweet

Implementation Date:

- July 1, 2020

Auditor's Comment: School Districts were faced with difficult decisions during school closures, resulting from the Pandemic including what to do with funds raised by students for certain purposes (i.e. student trip) that didn't take place. We recommend that the District develop a policy to address this situation if it occurs in the future and consider reviewing the policy with its legal counsel.

District Response: The District will look into developing a Policy regarding funds raised by certain students and the individual By-Laws of each club in order to document and address this issue.