

TO: Brian Russ, Superintendent

FROM: Joanne George, School Business Administrator

DATE: October 8, 2020

SUBJECT: Corrective Action Plan – 2019 – 2020 Audit Findings for:  
Single Audit Corrective Action Plan for Financial Statement Findings (Section II) and  
Major Federal Program Findings (Section III)

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

**Section II. Financial Statement Audit – Findings**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Adjusting Journal Entries, Required Disclosures and Draft Financial Statements**  
**Year ended June 30, 2020**

**Person/Department Responsible for CAP:**

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

**Implementation Date:**

- July 1, 2020

*Condition and Criteria:* During the current year, adjusting journal entries, along with the footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles (GAAP). Some of the adjustments and footnotes were related to converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors.

*Cause and Effect:* AU-C section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming with Generally Accepted Accounting Practices (GAAP).

*Auditor's Recommendation:* Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

*School District Response:* The District has received, reviewed and accepted all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of the financial statements and the ability to make informed judgements based on these financial statements.

## **B. COMPLIANCE AND OTHER MATTERS**

### **Unassigned Fund Balance**

#### **Year Ended June 30, 2020**

#### **Person/Department Responsible for CAP:**

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

#### **Implementation Date:**

- July 1, 2020

*Conditions and Criteria:* East Aurora Union Free School District's unassigned fund balance as of June 30, 2020 amounted to \$3,312,381. This amount constitutes 8.68% of the 2020-2021 school budget.

*Cause and Effect:* The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

*Auditor's Recommendation:* East Aurora Union Free School District should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

*District's Response:* Throughout the 2020-21 fiscal year, the District will continue to monitor the unassigned fund balance as more State Aid information becomes available from the State of New York. Once the District has obtained a clearer picture from the State of New York regarding potential mid-year state aid reductions, the District, along with the Board of Education will make decisions regarding appropriating additional unassigned fund balance and or the funding of appropriate reserve funds.

**Section III. MAJOR FEDERAL AWAD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS**

**A. COMPLIANCE**

**Year Ended June 30, 2020**

**Child Nutrition Cluster – National School Lunch and Breakfast COVID-19 Seamless Summer Option Program (CFDA 10.555 and 10.553)**

**Person/Department Responsible for CAP:**

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

**Implementation Date:**

- July 1, 2020

**Cash Management**

*Condition and Criteria:* During the Pandemic, the District moved from the traditional National School Lunch and Breakfast program to the Seamless Summer Option Program. Under the Seamless Summer Option program, 100% of meals served are reimbursed by the Federal and State government at the prescribed free rate. While participating in the Seamless Summer Option Program the District submitted reimbursement utilizing the number of meals prepared, which were based on estimated meals to be served, rather than actual meals served. In addition controls were not in place to understand the guidelines with respect to claiming for reimbursement under the new program.

*Cause:* The District was unaware of the requirement to submit claims for reimbursement of meals based on those served versus meals prepared.

*Effect:* The District was reimbursed in excess of the number of meals actually served during the Pandemic, as a result, the District was not in compliance with 7 CFR 210.8.

*Questioned Costs:* The dollar amount associated with the number of meals prepared versus served is undetermined at this time.

*Auditor's Recommendation:* Because the Seamless Summer Option has been extended through December 2020, the District should begin to submit claims based on those served. In addition, the District should go back and perform a reconciliation of the actual meals served during the Pandemic to the number of meals claimed for reimbursement. Once quantified, the District should contact New York State to determine the process for amending prior claim forms. We

also recommend the District develop a process whereby someone independent of the individual responsible for submitting claims for reimbursement, review documentation and associated claims.

*School District's Response:* The District, along with Personal Touch is in the Process of performing a daily reconciliation of the Seamless Summer Option, in order to balance the number of meals prepared versus the number of meals served. Upon completion of this reconciliation, and moving forward through December 31, 2020 (and beyond if extended) the district will make adjustments to the claims filed and claim meals "served" with New York State Child Nutrition.

**B. INTERNAL CONTROL OVER COMPLIANCE**  
**Year Ended June 30, 2020**

**Cash Management**

**Person/Department Responsible for CAP:**

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

**Implementation Date:**

- July 1, 2020

*Condition and Criteria:* During the Pandemic, the District moved from the traditional National School Lunch and Breakfast program to the Seamless Summer Option Program. Under the Seamless Summer Option program, 100% of meals served are reimbursed by the Federal and State government at the prescribed free rate. While participating in the Seamless Summer Option Program the District submitted reimbursement utilizing the number of meals prepared, which were based on estimated meals to be served, rather than actual meals served. In addition controls were not in place to understand the guidelines with respect to claiming for reimbursement under the new program.

*Cause:* The District was unaware of the requirement to submit claims for reimbursement of meals based on those served versus meals prepared.

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**I. Financial Statement Audit – Findings – PRIOR YEAR**

**C. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Adjusting Journal Entries, Required Disclosures and Draft Financial Statements**  
**Year ended June 30, 2019**

**Person/Department Responsible for CAP:**

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

**Implementation Date:**

- July 1, 2020

*Summary of the Prior Year Finding:* Adjusting Journal entries, along with the footnote disclosures. During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 entitled Communicating Internal Control Related Matters identified in an Audit, issued by the American Institute of Certified Public Accountant (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

*Current Status:* Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2020 as finding 2020-001.

**D. COMPLIANCE AND OTHER MATTERS**

**Year Ended June 30, 2019**

There were no findings related to compliance and other matters for the year ended June 30, 2019.

**II. MAJOR FEDERAL AWAD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS**

**C. COMPLIANCE**

**Year Ended June 30, 2019**

There were no findings related to compliance during the year ended June 30, 2019.

**D. INTERNAL CONTROL OVER COMPLIANCE**

**Year Ended June 30, 2019**

No findings related to internal control over compliance were reporting during the fiscal year ended June 30, 2019.