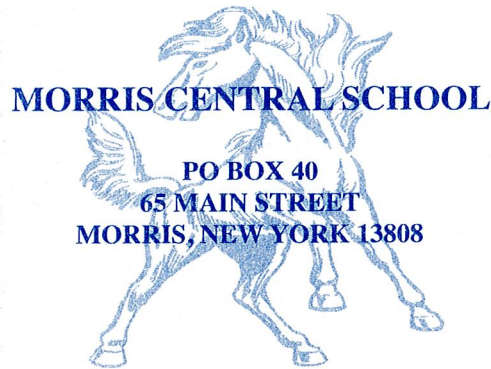


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MORRIS CENTRAL SCHOOL DISTRICT RESPONSE TO AUDIT FINDINGS AND RECOMMENDATIONS For the 2019-2020 School Year

Prior –Year Findings

Material Control Weaknesses

No material control weaknesses were identified.

Significant Control Deficiencies

➤ 19.01 Accounting Discipline

Prior Condition: While conducting the audit, the auditor noted that obtaining a complete and accurate final general ledger was problematic, as well as the production of certain supporting schedules for balances in the general ledger. All of the above factors may contribute to the significant delays in the ability to finalize the year-end financial statements.

Status: This was not brought forth as an issue this year by the auditor.

Control Improvements

➤ 19.02 Capital Project Budget Needed

Prior Condition: It was noted during the audit that budget was not entered into the account software for a major capital project.

Status: A budget will be entered into the software in subsequent projects commencing September 1, 2020

➤ **19.03 Maintenance of Compensated Absences Documentation**

Prior Condition: The current method of maintaining and calculating the compensated absences liability is done by using a printout that contains a mixture of manual calculations to account for different rates and quantities per agreements or contracts.

Status: Due to COVID-19, this was not accomplished, but will be accomplished by June 1, 2021

➤ **19.04 Extra-Classroom Supporting Documents**

Condition: Instances were identified where written supporting documents were lacking for selected cash receipts and disbursements.

Status: The Central Treasurer worked with club advisors and club treasurers in ensuring that proper documents were provided.

Compliance Matter

➤ **19.05- Excess Fund Balance**

Condition: The unassigned balance of the District's General Fund exceeds 4% of the subsequent year's budget. It is 4.828% of the subsequent year's budget.

Status: The district planned to ensure that the unassigned fund balance did not exceed 4% moving into the 2020-2021 fiscal year, but due to COVID-19 and financial crisis that the federal government and state are facing, the district retained as much money as possible to ensure the fiscal stability of the district for the following year. If the district loses transportation aid as has been threatened and a loss of 20% in overall state aid, the district could stand to lose over \$1.2 million dollars. The Board of Administration, business manager and superintendent felt it was prudent to retain as much fund balance as possible going into the 2020-2021 school year.

Current-Year Findings

Material Control Weaknesses

➤ 2020-001 Control over Cash Receipts

Condition: The lack of adequate controls over cash receipts and separation of duties allowed an employee of District to mishandle funds that were received by the District during part of the year.

Criteria: The cash receipt process is an integral part of the District's internal controls, assuring that funds that are received by the District are properly deposited and accounted for in the District's records.

Effect: An employee was able to receive funds that were designated for the District and deposit them into her personal account. The District did not have knowledge that these

payments were being received in the District since the person who was receiving them also was preparing the deposit for the bank.

Cause: The employee performed most of the tasks involved in the cash receipts process so there was no segregation of duties.

Recommendation: The District should separate key tasks involved in the cash receipt process and implement new procedures. The person who receives the payments to the District should be different than the person who makes the deposits and records the transactions. Also by adding a cash receipt log that is maintained by the person who initially receives the payments to the District and do a monthly review of the cash receipts will improve on the controls that are already in existence.

Views of Responsible Officials and Planned Corrective Actions: The District immediately notified the authorities when it was brought to their attention from one of their financial institutions. The investigations into these actions are ongoing. The District has implemented new procedures into the cash receipts process to strengthen their controls over cash receipts.

District Response: The District has implemented new procedures into the cash receipts process and will start implementing the use of a cash receipt log.

Completion Date: January 1, 2021

Person Responsible: Superintendent, Treasurer

Matthew L. Sheldon



Superintendent
Morris Central School