

HOLLEY CENTRAL SCHOOL DISTRICT

NEW YORK

***COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT***

For Year Ended June 30, 2018

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

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September 28, 2018

To the Board of Education
Holley Central School District, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Holley Central School District, New York as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Holley Central School District, New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Prior Year Deficiencies Pending Corrective Action:

Policies and Procedures –

Our review of the District's current policies and procedures revealed the following:

1. **Procurement Policy** – the current policy does not state the number of quotes required for purchases below the bidding threshold, as required by General Municipal Law Sections 103 and 104b, and the outdated regulation from 1995 lists thresholds that are not followed.
2. **Investment Policy** – the maximum amount that can be maintained on deposit at the approved depositories is not indicated, as required by GML, in the Investment policy or in the reorganizational minutes.

(Prior Year Deficiencies Pending Corrective Action) (Continued)

Disbursements –

Our examination of disbursements revealed three instances where there was no purchase order to support a purchase made. In addition, we noted thirteen instances where a receiving or approving signature was not included on an invoice approving it for payment.

In an effort to improve internal accounting controls, we recommend that purchase orders be issued whenever possible prior to a purchase being made. In addition, all invoices should have an indication it is okay to pay from an appropriate individual prior to being processed.

Trust and Agency – Flexible Spending –

Currently, balances for the flexible spending and HRA accounts are being recorded in General fund as a liability, instead of the Trust and Agency fund.

We recommend the District review how payroll deductions are handled in the software and consider recording these deductions in the Trust and Agency Fund.

Documentation of Internal Controls –

Auditing standards now require that management document in writing their understanding of the internal accounting controls that are in place in the business office.

In an effort to accomplish this task, we recommend the Administration continue the process to document the procedures performed for the various business office functions (Payroll, cash receipts, cash disbursements, bank reconciliations and monthly closing).

Current Year Deficiencies in Internal Control:

School Lunch Program –

As indicated in the financial statements, the School lunch program had an operating loss of \$58,701. While the fund has \$88,611 remaining in fund balance, it was noted that expenses increased 10.3%, whereas, revenue decreased 6%.

We recommend the Administration review the program for possible cost saving and revenue enhancement items.

Tax Levy Reconciliation –

The District does not utilize the taxes receivable account, and instead, posts all receipts directly against the (Real Property Tax (A-1001)) revenue code.

We recommend that the taxes receivable account be utilized, and that collector's reports be properly reconciled to ensure taxes and interest are being recorded accurately, and that all chargebacks and reassessments are properly reflected on the books.

(Current Year Deficiencies Pending Corrective Action) (Continued)

Transportation Salaries –

When reviewing the driver sheets completed by individual drivers for midday runs, the driver sheets did not completely identify the nature and purpose of these runs.

We recommend bus driver sheets include a description or reference that identifies the run. This process would allow for better tracking and improving efficiency when analyzing the expenditures related to transportation costs.

Other Item:

The following item is not considered to be a deficiency in internal control; however, we consider it an other item which we would like to communicate to you as follows:

Cyber Risk Management –

THE AICPA Center for Audit Quality recently issued a cyber security risk management document discussing cyber threats that face both public and private entities. The District's IT personnel routinely assesses cyber risk as part of their normal operating procedures. We recommend the District continue to document their cyber risk assessment process in writing which should include the risk assessment process, the frequency of the risk assessment, how findings are to be communicated to the appropriate level of management, and how the process will be monitored.

Prior Year Recommendation:

The following prior year recommendation was implemented to our satisfaction:

1. We did not note any related party transactions during the 2017-18 fiscal year.
2. The District adopted a Disaster Recovery Plan in June 2018.

This communication is intended solely for the information and use of management, the Board, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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We wish to express our appreciation to the business office staff for all the courtesies extended to us during the course of our examination.

Raymond F. Wager, CPA, PC

Rochester, New York
September 28, 2018