TO: Jen Lamia, Superintendent of Schools
FROM: Susan Palamarczuk, District Treasurer
DATE: October 4, 2017
SUBJECT: Response to Auditors' Findings and Recommendations

We have reviewed the Findings and Recommendations that were prepared by the audit team from Nawrocki Smith LLP. Their report is similar in concept to the Management Letter document prepared by our previous audit firm.

As you are aware, we are faced with increased governmental reporting requirements and complicated regulations. It is therefore particularly rewarding that a new audit firm noted very few findings and recommendations and that four of the five items were bookkeeping in nature.

This response is designed to address each of the recommendations and follows the sequence indicated in the auditors' report.

Current Year Recommendations:

Finding #1: Payroll reconciliation We noted that the District does not perform a reconciliation of the general ledger payroll accounts to the federal quarterly tax filings. This situation increases the risk of improper payroll accounts being recorded and going undetected.

Recommendation: The auditors "recommend that reconciliations of the general ledger to the quarterly tax filings be performed on a quarterly basis. This reconciliation should also be reviewed by someone independent of the payroll processing function."

Response: We agree with this recommendation and understand how the process will assist us. We will be utilizing the sample reconciliation format provided by our auditors and plan to implement it with the quarter ending September 30, 2017.
Finding #2: Detailed accounts payable listings  We noted that the District does not maintain a detailed listing of its accounts payable general ledger amounts. As such, increased effort was needed to reconcile year-end balances.

Recommendation: The auditors "recommend detailed listings for accounts payable be prepared and reconciled to the general ledger at year end. This procedure will provide for more accurate accounting and financial reporting at year end."

Response: The report currently available to us through our accounting software does not provide sufficient detail to meet the auditors' recommendation. We will submit a request to LHRIC to modify the current report so that the appropriate enhancements are incorporated.

Finding #3: Reserve for Retirement Contributions  During our review of the District's restricted fund balances, we noted the amount maintained in the retirement reserve account exceeds identifiable future expenditures.

Recommendation: The auditors "recommend that the District perform a detailed review of all fund balance reserve accounts and develop policies and procedures to comply with all New York State requirements with respect to balances maintained."

Response: A review of our reserve account balances will be included as part of the Five Year Fiscal Trend Analysis to be presented at a January 2018 Board of Education meeting. The auditors' recommendation regarding the Reserve for Retirement Contributions will be taken into consideration during that review.

Finding #4: Journal entries request forms and electronic approval  During our review of journal entries, we noted that the date of approval is not documented on the journal entry form.

Recommendation: The auditors "recommend that the reviewer document the date of their approval on the journal entry form to ensure that entries are approved on a timely basis. In this manner, internal controls over the District's journal entry process may be enhanced."

Response: We have already implemented this recommendation. The individual responsible for reviewing and approving the journal entry reports is now indicating the date of her review.

Finding #5: Vendor database analysis  We noted that the vendor database contains duplicate or inactive vendors.

Recommendation: The auditors "recommend that the District conduct an annual review of the entire vendor database to determine if duplicate vendors or vendors who have not been paid within the last two or more years should be inactivated."
Response: We agree with this recommendation and will ask LHRIC to provide us with their suggested protocol for reviewing the large vendor database.