



## CORTLAND ENLARGED CITY SCHOOL DISTRICT

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To: Mr. Michael Hoose, Superintendent  
From: Kimberly A. Vile, Business Administrator *KAV*  
Date: October 2, 2018  
Re: Corrective Action Plan for External Audit

As part of the District's June 30, 2018 external audit, our auditors, Raymond F. Wager, CPA, P.C., reviewed our internal controls over financial reporting. During their review, three immaterial deficiencies in our internal controls were noted. Below is our response to their findings.

### **Policies**

**Finding:** It was noted during the audit that policies regarding online banking, fraud or asset capitalizations did not exist. .

**Response:** The District's policy committee has been meeting on a regular basis and actively working to update all of the District's policies including a policy for online banking. This policy manual, once completed, will be presented for approval as a whole.

### **Documentation of Procedures**

**Finding:** In accordance with Government Auditing Standards, management is required to document their understanding of internal controls using an annual assessment. In order to aid in this assessment, written daily routines for the various business office cycles (payroll, payables, receivables, etc.) should be maintained.

**Response:** The District is in the process of creating, and continuously updating, a policies and procedures manual for all the business office cycles.

### **School Lunch Fund**

**Finding:** During the June 30, 2018 audit, it was noted the fund balance of the School Lunch Fund was in excess of the three month average expenditures level allowed by Federal Regulation #7CFR Part 210.15.

**Response:** The District did spend down excess fund balance for cafeteria equipment upgrades during the 2017-18 school year and will continue this for the current school year. More specifically we are currently in the process of assessing some of our equipment and creating a replacement plan for items that are requiring excessive repairs.

### **Financial Overview – Spend Down of Fund Balance and Reserves**

**Finding:** It was noted during the audit that the District reserves have been depleted by approximately 50% over the past four years. The District expenses continue to exceed the revenue each fiscal year.

**Response:** The BOE adopted a document that provides guidance in regards to reserve utilization. The District is also working with a program to assist with long range planning. The BOE commissioned a facility use study which resulted in a difficult decision to close 2 of our 5 elementary schools at the end of the 2018-19 school year which we believe will ensure we are providing the best opportunities for our students in a fiscally responsible manner.

cc: Board of Education