

# *Hoosic Valley Central School District*

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## **Hoosic Valley Central School District Management Response to 2021-22 Independent Audit**

This letter represents the response of the Hoosic Valley CSD's response to the reported finding of the external audit report dated June 30, 2022 conducted by Marvin & Company, CPAs.

The NYS Office of Audit Services (OAS) requires an anticipated completion date to the findings/recommendations contained within our Corrective Action Plan as part of our audited financial statements for the 2021-22 fiscal year. The updates can be noted below:

### **2022-001 Computer Controls Access and Review**

#### **Finding**

There should be proper segregation of duties in regards to functions in the business office, including within the general ledger software. The business office employees have more access than is necessary to perform their assigned duties including access to create and post journal entries. As there is no review of the journal entries this creates a weakness in internal controls coupled with the excessive access. Access within the software has not been restricted and compensating controls are not performed. Inappropriate, unauthorized or incorrect journal entries could be made to financial data.

#### **Recommendation**

The School Business Administrator should review all of the business office employees' access and adjust based on the requirements of the position. All of the journal entries being created should be reviewed prior to posting, to verify that they are appropriate, reasonable, and properly supported. This review can be done electronically in the software, prior to their posting or a manual file can be kept.

#### **Management Response**

The district will work with the District auditors to ensure proper segregation of duties within the financial software operations. The district will also establish an approval process for signature of journal entries after entered in the accounting software to be verified by the district Deputy Treasurers or School Business Administrator.

#### **Anticipated Completion Date**

December 2022

### **2022-002 Adjusting Entries**

#### **Findings**

There were adjusting entries needed to fix various items in the general, school lunch, and special aid funds relating to accounts receivable, due from other funds, deferred revenue, accrued liabilities, revenue, and expenditures. To accurately present the financial position of the District, general ledger accounts should be reconciled and monitored throughout the year and at year-end by management. The accuracy of the financial data is crucial to the budget process and monthly report monitoring. The adjustments were identified as part of our auditing procedures. The adjusting journal entries identified during the audit appear to be caused by transactions being inaccurately recorded and no periodic reconciliation during the year. As it relates to the adjusting journal entries proposed as part of the audit process, the following accounts were over or understated by the respective approximate amounts: In the general fund, fund balance were understated by \$500,000, accounts receivable were overstated by

\$35,487, deferred revenues understated by \$48,509, net revenue understated by \$13,022, and expenditures understated by \$479,127. In the school lunch fund, revenues were understated by \$37,527, receivables were understated by \$58,198 and deferred revenue was understated by \$20,671. In the special aid fund, accounts receivable were understated by \$281,867, deferred revenue was understated by \$155,293, revenues understated by \$63,633, and expenditures understated by \$59,742.

**Recommendation**

As it relates to preventing future audit adjustments, general ledger accounts should be reconciled by management throughout the year or at a minimum at the end of the year to ensure the balances accurately reflect the activity that occurred.

**Management**

Most of the adjusting entries referenced are due to the increased accounting operations of the federal grant funding. Also, the Board Approved interfund transfer to the Capital fund makes up a large portion of the total dollars in the adjusting entries. The District will work to reconcile accounts regularly throughout the year on a quarterly basis to ensure balances are accurately reflected.

**Anticipated Completion Date**

November 2022

**2022-003 Compliance with New York State Real Property Tax Law**

**Finding**

NYS Real Property Tax Law 1318 limits the amount of unassigned fund balance a District can have to no more than 4% of the general fund budget for the ensuing fiscal year. The unassigned fund balance of the general fund exceeds 4% of the 22/23 general fund budget by \$51,146. The cumulative effect of expenditures being under budget. The District was not in compliance with Real Property Tax Law 1318 limits. As part of audit procedures the compliance the NYS Real Property Tax Law 1318 limits is reviewed.

**Recommendation**

The District should develop a plan regarding how to address and use the excess in future years.

**Management**

The District is in agreement with the findings in regards to the unassigned fund balance in excess of 4%. Given the current economic factors effecting rapid inflation the district will plan to appropriate and utilized the \$51,146 unassigned fund balance in development of the 2023-24 budget.

**2022-004 Compliance with School Food Service Resource Management**

**Finding**

According to the code of federal regulations section CFR § 210.14 (b) the school food authority shall limit its net cash resources to no more than 3 months' worth of average expenditures. The fund balance of the school lunch fund exceeds 3 months of the average expenditure of the fund by approximately \$237,000. The cumulative effect of expenditures being less than revenue for a number of years was impacted by the increase in federal reimbursement rates and funding. The District was not in compliance with federal guidelines. As part of audit procedures the compliance with this federal guideline is reviewed.

**Recommendation**

The District should develop a plan regarding how to address and use the excess in future years. The District is required to submit a plan to the Child Nutrition Program Administration detailing how the District will reduce the fund balance to an acceptable level.

**Management**

The District is in agreement with the finding of excess fund balance with in the school lunch fund, and will plan to utilize the funds to upgrade various equipment in the cafeteria.

## Internal Audit

### **CHILD NUTRITION**

#### Finding

There is no review being performed of the child nutrition annual verification submission.

#### Recommendation

We recommend that the child nutrition annual verification submission be reviewed and that this review be documented with a sign off on the printout of the submission.

#### Management Response

While the District does review the child nutrition annual verification submission, will begin requiring sign off at the conclusion of this review.

#### Anticipated Completion Date

June 2023

### **CONTRACTS**

#### Finding

The administrators contract expired in June of 2007. Per the contract, the superintendent is permitted to increase salaries up to 6% each year, but the increase is not required to be approved by the Board.

#### Recommendation

We recommend that there should be a current contract for the administrators and that the Board approve all salary increases.

#### Management Response

The District will initiate the process and contact legal counsel regarding the updating of contracts for administrators.

#### Anticipated Completion Date

Completed

Sincerely,



Anthony Cammarata  
School Business Administrator