

NEW PALTZ CENTRAL
SCHOOL DISTRICT

INTERNAL AUDITOR'S REPORT

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

www.rgpreusser-cpa.com

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Board of Education
New Paltz Central School District
196 Main Street
New Paltz, NY 12561

Dear Board of Education Members:

We have completed the financial risk assessment of the New Paltz Central School District for the 2021-22 fiscal year and are enclosing the attached report. The purpose of this engagement was to assist you in implementing the regulations imposed by the 2005 School Financial Oversight and Accountability legislation. Our engagement was designed to assess risk in the District's financial reporting process, identify internal controls that address or mitigate those risks, and report to the Board and Management remaining risks and recommended procedural changes.

Our procedures included reviewing responses to internal control questionnaires, interviewing key personnel and testing of transactions.

The risk assessment addressed the following components of the financial operations of the District:

- Payroll
- Purchasing
- Bank Reconciliation Process
- Journal Entry Process
- Cash Receipts Process
- Claims Auditor Function
- Information Technology Controls

The engagement to perform the risk assessment and the procedures performed, as agreed to by the Board of Education, was the first phase of the ongoing internal audit function. The results of the risk assessment process have been discussed with the management of the New Paltz Central School District and are the overall responsibility of the District.

The next phase of the internal audit process is for the District to utilize the risk assessment to develop a plan for individual areas to be reviewed. In doing so, we were asked to review the Revenue in the General Fund and Special Aid Fund.

As a result of the above procedures, we have listed our findings and recommendations in the accompanying schedules.

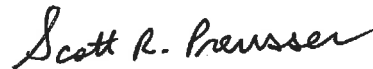
The purpose of our engagement was to assist the Board and Management in achieving its responsibility to monitor financial reporting risk. It is ultimately the Board's responsibility to determine a response to potential risks. However, our report does include suggestions of ways to respond to potential risks.

In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited or examined the information, and express no assurance on it. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

The attached report is intended solely for the information and use of the Board of Education and Management of the New Paltz Central School District and should not be used for any other purposes.

We appreciate the opportunity to perform the internal audit for the District and to serve the District in the role of internal auditors.

Sincerely,
RAYMOND G. PREUSSER, CPA, P.C.

A handwritten signature in black ink that reads "Scott R. Preusser". The signature is written in a cursive style with a large initial "S".

Scott R. Preusser

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High Risk Issues

The following is a summary of our findings and recommendations that we deemed to be high risk areas because they impact processes that are critical to the operation of the District or are assets susceptible to misappropriation.

Area 1: Issues Related to Payroll Procedures

We noted in our review and testing of payroll that while Salary Agreements were prepared for salaried individuals, for the most part, they were not signed by the employee and returned to the Business Office.

As an important control procedure, we recommend that Salary Agreements be signed and returned to the Business Office to verify that they agree with the current salary that they are receiving.

A highly recommended procedure is for the District to conduct a "Payroll Observation Day" each year whereby all employees would be required to sign for and pickup their check to verify their existence. This would preclude fictitious employees from being added to the payroll.

While this is not a law, it is the most highly recommended control procedure. Your Comptroller's Audit also recommended this procedure.

Area 2: Issues Related to Cash Receipts Procedures

Internal controls for any area of a financial operation require that at least two people be involved in all transactions. Currently, your Accounts Payable Clerk receives all checks, prepares the receipt and deposits the funds. The Treasurer then records the receipts in the accounting system.

Proper recommended procedures would have someone receive all the checks, enter them in a log and then endorse them. Then the Accounts Payable Clerk could prepare the receipt, deposit the funds and then have the Treasurer record them in the accounting system.

Proper review procedures would have the reviewer of bank reconciliations compare the checks logged in to the bank deposits.

Review of Revenue in the General Fund and Special Aid Fund

As requested, we reviewed the Revenue to date in the General Fund and the Revenue received from Federal Grants for the 2020-2021 and 2021-2022 fiscal years.

We reviewed the 2021-2022 General Fund Revenue received to date. We had no issues with what has been received. All State Aid scheduled to be received has been paid to the District.

We did note one outstanding receivable in BOCES State Aid dating back to the 2019-2020 school year in excess of \$200,000. Apparently, an ESSA Report needed to be revised for them to release the funds. Management is aware of this situation.

We also noted that the District does not receive any Medicare reimbursements. We were told that previous administrators did not believe that the extensive work involved would be worth the amount received. In our experience, most Districts now use a third party to pursue these funds.

We would recommend that a third-party provider be enlisted to assess the District's situation to see if it would be worth pursuing this revenue.

We have provided management with a reliable provider to consult.

Finally, in the General Fund, we noted that over \$2.8 million was budgeted as revenue from federal sources. We believe that you are aware of this, that the Stimulus Funds, are to be run through the Special Aid Fund revenue along with the expenses. Therefore, the General Fund will not be receiving this revenue.

This should not effect your Fund Balance at year end as long as your Budget is not close to being completely spent which appears will be the case.

We do not believe that schools were "officially" notified of this by the Comptroller's office until June of 2021 when Budgets were already completed.

We reviewed Federal Grant revenues for 2020-2021 and 2021-2022. We included the 2020-2021 grants as some of them overlap into the 2021-2022 year and as a follow up to our prior year's comment.

Our previous report dated in June of 2021 stated that the Federal Title Grants and the IDEA Grants had not yet been approved by NYSED. We recommended that all required forms for grant approval be filed by at least the Fall of each year to assure timely approval of all grants and receipt of funds.

We noted currently that these grants were approved and the District was notified as such in late June or early July of 2021. All funds for these Grants were received in August of 2021.

The two issues would be the late filing of applications and Grant Budgets and the fact that the expenses incurred in these Grants (mostly salaries) were paid by the General Fund and then subsequently reimbursed when the Grant monies arrived. The expenses were recorded in the General Fund all year until the Grants were approved and then subsequently moved to the Special Aid Fund.

As for the 2021-2022 Grants, it appears that all applications and budgets have been timely filed. Funds for the IDEA Grants are being received and the Title Grants are under review by NYSED as they are for many Districts at this time.

In a related issue with Federal Grants, all individuals being paid thru Federal Grants are required to sign Salary Certifications acknowledging that they are being paid thru a particular stated Grant. This is a Federal regulation and would be a Federal Single Audit Finding if they are not prepared as prescribed.

While your Title Grant and IDEA Grant employees have no problem in signing, those now being paid thru the new Stimulus Federal Grants have been advised by their Union not to sign them for whatever reason. This will be an issue for your External Auditor to consider.

Other Comments and Recommendations

Reserve Plan

Pursuant to the Financial Transparency Law of 2017, District's are required to have a formal Reserve Plan which is to be posted on the District Website.

As we commented in our prior report, we recommend that such a plan be established, reviewed annually with the Board and posted on the District Website.

Policies

A required policy for all School Districts receiving Federal Grants is entitled "Procurement: Uniform Grant Guidance for Federal Awards."

We again noted that the District has not adopted this policy. We recommend that this be done as soon as possible.

We have provided management with an example of this policy.