



Hudson City School District
Corrective Action Plan
2023-2024 Risk Assessment

Financial Area:

Financial Reporting, Budgeting, and District Governance: The oversight by the Board and Administration is imperative to ensure the district's assets are protected, public funds are used appropriately, and the district is in compliance with various rules and regulations.

We reviewed the minutes of the Board meetings and related Board policies for April 2023 through June 2024. As part of this review, we analyzed the information given to the Board for content, timeliness, and transparency. We reviewed establishing the budget, monitoring progress throughout the year, and performing budget transfers. We also reviewed the process of creating the annual financial and periodic reports that are presented to the Board of Education for monitoring purposes.

Comment #1: During our audit period, numerous reports were not given to the Board in a timely manner or did not have sufficient information. **This is a significant deficiency.** Some examples include:

- No Treasurer reports were accepted by the Board in the first 6 months of the school year. The July report was submitted in December.
- There were no budget status reports, budget transfer reports, or revenue status reports presented to the Board until March 2024. In addition to these reports, the results of operations for foodservices weren't presented to the Board during our audit period.
- We did not see consistent claims audit reports with detailed findings submitted to the Board for their review.
- The July, August, and September (2023) reports were submitted until November 2023.
- The October, November, and December (2023) were not presented to the Board until April 2024.
- The claims auditor works as an officer of the Board and should be reported in a detailed and timely manner.
- A review of the Claims Auditor Policy #6650 states, "The claims auditor shall provide periodic written reports to the Board". The Board should review this policy and change it to monthly. (This is a repeat finding from last year.)

Recommendation: A monthly board meeting checklist should be developed and adhered to ensure transparency and keep the board informed in a timely manner. The contents of the checklist should include the reports that should be presented, and at various intervals, the reports are presented. Although not entirely inclusive, the administration may want to refer to Questar III BOCES for their various documents on the reporting required throughout the year.

District Response: The Executive Director of Business & Finance and the Board Clerk will collaborate on the creation and implementation of a Board of Education checklist to ensure timely review of reports.

Anticipated Completion Date: June 30, 2025

Payroll: We reviewed the payroll process, including hiring, performing background checks, maintaining personnel files, regulatory filings, terminations, preparing payroll, salary changes, vacation and sick time record keeping, benefits, and account reconciliations.

Observation #1: The staff appears knowledgeable in processing payroll, and the procedures appear sound.

Observation #2: In May of 2024, the payroll manager resigned. This creates significant risk since they have an extreme amount of knowledge and experience. At the end of the Audit period, the district was in the process of replacing the position, but it had not been completed.

Recommendation: A replacement Payroll Manager should be hired as soon as possible.

District Response: A Payroll Clerk will be hired.

Anticipated Completion Date: June 30, 2025

Cash Receipts: We reviewed the cash receipt process to ensure there are sound internal controls, for receiving, safeguarding, processing, and recording receipts. This review included wire transfers, ACH transactions, tax receipts, miscellaneous cash receipts, and cafeteria funds. We also tested 40 cash receipt/journal transactions from 7/1/2023 through 6/30/2024 for proper documentation, accounting accuracy, and timeliness of deposits.

Observations #1:

- Eleven of the 37 cash receipts did not have supporting documentation attached to the transaction.
- Nineteen of the 37 transactions were not deposited in a timely manner. The NYS Comptroller recommends cash receipts should be deposited into the bank within 3 to 5 business days. In some cases, deposits take as long as a month.
- A cash receipt for the return of petty cash had no supporting documentation/reconciliation attached to identify the use of the petty cash.
- There was a receipt for the sale of scrap metal/excess materials in which we couldn't trace the Board declaring anything surplus.
- When cash is received outside the business office (e.g., exam fees, lost book fees, pool admissions, etc.), a duplicate cash receipt is not issued with the copy sent to the business office to support the transaction.
- As part of our testing, we noted that some cash receipts are posted in "gross" instead of itemizing each entry.

Observation #2: Before the end of the Audit period, the treasurer had submitted his letter of resignation.

Recommendations:

1. The district should hire a replacement treasurer as soon as possible.
2. The procedures for cash receipts and supporting documentation should be developed or reemphasized to ensure all transactions are accurately processed in a timely manner and have supporting documentation.
3. Personnel outside the business office who may receive cash receipts should be educated on a procedure to ensure duplicate receipts are used so the deposit has supporting documentation.

District Response: The Executive Director of Business & Finance and the new Treasurer will collaborate on reviewing and reemphasizing the procedures for cash receipts and supporting documentation.

Anticipated Completion Date: June 30, 2025

Payables and Disbursements: We reviewed the cash disbursement process to ensure there were sound controls for acquiring goods and services, receiving goods and services, processing competitive bids, and controls for using credit cards and petty cash. We tested 40 cash disbursement transactions from 7/1/2023 through 6/30/2024. As part of the payable process, we reviewed the procedures performed by the Claims Auditor. There were no significant changes in purchasing, accounts payable, or claims auditing personnel during this period. Hudson City School District Risk Assessment Update 2023

Comment #1: Our review noted a number of exceptions with payables supporting documentation and claims auditor reporting.

- There were three purchases in which the PO was obtained after the purchase (Confirming PO), violating the procurement policy. Additionally, none of these three exceptions were reported to the Board by the claim’s auditor.
- One invoice that was paid using a claim form instead of a PO. Additionally, the payment was made without an invoice from the vendor. The school made payment based on the contract. Although there is a contract in place, it is appropriate to obtain an invoice and someone noting “received, OK to pay”.
- An invoice was paid for a hotel stay without obtaining an itemized invoice.
- There were two claim packets with no evidence of the claims auditors review. Although not required, each claim should be initialed by the claims auditor. However, we did note that the claims auditor signed the warrant for listing these items.
- Two invoices that were paid without the “responsible/receiving person” signing off on them and marking them “okay to pay”.
- An invoice that included a late fee (\$5). Late fees are not an acceptable use of public funds. Additionally, this late fee was not reported to the Board as part of the claims auditor report.
- An invoice that contained a previous balance without obtaining the previous month’s supporting documentation or noting if it was previously paid. Whenever an invoice contained a previous month’s balance, there was no notation as to whether a payment had been made on the invoice to ensure there wasn’t a double payment. It is recommended to put a notation on these types of invoices.
- As previously noted, the claims auditor reports are not presented to the Board in a timely manner and do not have sufficient detail of findings.

Recommendations:

1. Policies and procedures for processing payables should be reviewed to ensure all documentation is included on each claim.
2. The claims auditor should attend training and make sure all items that violate policy are reported to the Board.
3. The claims auditor report should be submitted to the Board monthly.

District Response: The Executive Director of Business and Finance will review the policies and procedures for processing payables. The claim auditor has been replaced. The claims auditor report will be submitted to the Board monthly.

Anticipated Completion Date: June 30, 2025

Cash, Investments, and Bank Reconciliations: We reviewed the controls over the safeguarding, re-coding, and reconciling of the districts, cash, and investment accounts.

Comment #1: We attempted to perform the May 2024 bank reconciliations; however the bank statements haven't been reconciled since March 2024. **This is a significant deficiency.**

Comment #2: The district has taken advantage of improved interest rates by placing funds in an interest-bearing account. However, the interest was not being posted to the general ledger in a timely manner.

Comment #3: As previously noted, the treasurer gave his resignation notice during our audit period.

Recommendations:

1. The bank reconciliations **MUST** be performed and caught up to date. Bank reconciliations should be completed and submitted to the Board monthly. As part of the reconciliation, interest must be posted timely.
2. The treasurer's position is an authorized officer of the Board and performs a substantial amount of duties on behalf of the Board. The district should ensure they hire a new Treasurer as soon as possible.

District Response: A new Treasurer has been appointed. Bank reconciliations are being worked on and are up to date with the exception of the General Fund, for which we are still awaiting and working toward determining a valid starting number for the 23-24 fiscal year. Once that has been determined by the Interim School Business Official and the Executive Director of Business & Finance, all updated reconciliations will be presented to the Board and will be completed monthly going forward by the Treasurer.

Anticipated Completion Date: June 30, 2025

Transportation: Since the school outsources transportation through contracts, the risk for the district is less than for most schools that maintain their own fleet of buses and on-site fuel. However, whenever the district outsources its responsibilities, it is imperative that monitoring controls are put in place to ensure compliance with all regulations.

Comments: The transportation position used to be a .5 position outside the business office function. Although the district has hired a consultant to assist with transportation management, the school business official has taken on many responsibilities for overseeing transportation. In our opinion, the business official's job responsibilities are significant, and to add transportation responsibilities to them could be overburdensome.

Recommendation: The district should inventory all the responsibilities related to transportation and evaluate whether this position should have its own employee.

District Response: The Executive Director of Business and Finance will work with the Transportation Consultant to develop controls to ensure compliance with all regulations. An Independent Transportation Consultant has been hired for up to 40 hours a week to oversee transportation.

Anticipated Completion Date: June 30, 2025