

**UNION-ENDICOTT  
CENTRAL SCHOOL DISTRICT  
INTERNAL AUDITOR'S REPORT  
JUNE 30, 2021**

## CONTENTS

	<u>PAGE</u>
I. INTERNAL AUDITOR'S REPORT	3-5
II. AUDITOR'S COMMENTS	
A. FINANCIAL CONDITION	7
B. FACILITIES MAINTENANCE	7
C. FOOD SERVICE	7

# ERNEST SKIADAS

## Certified Public Accountant

A Professional Corporation

Licensed in New York and Pennsylvania

### INTERNAL AUDITOR'S REPORT

To The Audit Committee and  
Board of Education  
Union-Endicott Central School District  
1100 East Main Street  
Endicott, NY 13760

I have performed the procedures described below, which were agreed to by the Union-Endicott Central School District, solely to assist you in evaluating the performance of the District for the fiscal year ended June 30, 2021, in the areas addressed. The District's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This engagement was conducted in accordance with the consulting standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. . The District remains responsible for their accounting records, activity funds, fraud prevention and detection, and for maintaining effective internal controls over the financial statements and compliance.

The following is a recapitulation of my assessment of risk in specific areas:

Assessing Financial Condition	Low
Facilities Maintenance	Low
Food Service	Low
Medicare Part B Reimbursement	Low

The procedures and the associated findings are as follows:

#### **1. Follow Up on Prior Year Findings**

I reviewed the external auditor's management letter and the corrective actions which were taken. I also reviewed the corrective actions taken with respect to the findings from the prior year's internal audit.

All items have been properly addressed and the necessary procedures instituted to further strengthen internal controls.

---

OFFICE ADDRESS: 103 Main Street, Binghamton, NY 13905  
MAILING ADDRESS: PO Box 93, Binghamton, NY 13903-0093  
E-MAIL ADDRESS: [mail@escpa.biz](mailto:mail@escpa.biz)

TELEPHONE: (607) 741-1953  
FAX: (607) 238-1001  
WEBSITE: [www.escpa.biz](http://www.escpa.biz)

The prior year internal audit findings have been addressed as follows:

Governance and Control Environment:

1. The district will develop an annual Conflict of Interest form for each board member to fill out.
2. The district will work to implement a Conditional Appointment policy.

Minimizing Unemployment Insurance Claims:

1. The district will work to develop a Personnel Unemployment policy.

## **1. Assessing Financial Condition**

Reviewed the district's external financial statements and internal documents to determine that there was an operating surplus at year end.

Reviewed fund balances for reasonable levels to address shortfalls and that the unreserved fund balance was within the legal limits.

Inquired that the district has analyzed the effect of long term debt on its current and future budgets.

Calculated selected financial ratios to determine fiscal health.

No exceptions were found as a result of the procedures. See attached chart for comparisons to other districts.

## **2. Facilities Maintenance**

Documents were reviewed to determine that the district has a long term plan for the replacement or upgrade of educational facilities.

Procedures were reviewed to determine that the district is monitoring energy conservation.

No exceptions were found as a result of these procedures.

## **3. Food Service**

The processing of free and reduced lunches including public release, parent letter and applications were reviewed and tested.

The district files and claims aid for its breakfast and lunch program on a timely basis was verified.

Procedures for obtaining, evaluating, counting, verifying and reporting the number of eligible applications for free and reduced price lunch were tested. The documentation supporting the applications was maintained.

The confidentiality of free and reduced children and the procedures for accounting for the number of children and collection of money was tested.

#### **4. Food Service - continued**

The sales tax charged on adult sales and other non-student related sales was tested.

The procedures were reviewed for the collection of monies from the vending operations and cafeteria cash register to determine if these receipts were properly described, classified in the accounting records, and internal controls over the selected receipt transactions were adequate to detect errors and/or irregularities.

The purchase of food and supplies were tested to determine they are acquired in accordance with established procurement practices and that awarded bid prices were adhered to by various vendors.

The procedures were reviewed for year-end physical counting of inventory and that inventories were properly safeguarded.

Procedures were reviewed to ensure that data on sales and cost of goods sold are analyzed to identify for any irregularities.

Our findings as a result of these procedures are presented under "Food Service" in the Auditor's Comment.

#### **4. Medicare Part B Reimbursement**

For all retirees traced the names on the reimbursement list to the health insurance invoice to verify that the type of coverage was correct and if the spouse was eligible.

For selected retirees verified that a copy of their Medicaid card was present and that the effective date of coverage was proper. I also verified that the retiree and spouse, if applicable, were eligible for reimbursement and that the amount of the reimbursement was correct.

Verified that upon their death retirees were removed from coverage.

Traced the calculated payments for selected retirees to the actual disbursement in the accounting software.

No exceptions were found as a result of the procedures.

I was not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the Audit Committee and of the Board of Education of the Union-Endicott Central School District, and is not intended to be and should not be, used by anyone other than these specified parties.

*Ernest Skiadas, CPA, P.C.*

Ernest Skiadas, CPA, P. C.  
Internal Auditor

June 1, 2021

## AUDITOR'S COMMENTS

### A. Assessing Financial Condition

**1. Observation and comments** – We noted that the district has been very conservative with the amount of its fund balances as well as the accumulation of cash in relation to other districts. See attached chart from the NYS Office of the State Comptroller.

### B. Facilities Maintenance

**1. Observation and comments** – We noted the district has experienced a slight but steady decline in energy usage. Much of this can be attributed to the capital projects over the years which have improved energy conservation.

### C. Food Service

**1. Observation and comments** – We noted that the negative student lunch balances amounted to \$13,654 as of June 30, 2020. The number of students over \$100 was 61 and the number of students over \$200 was 15. As a result of the pandemic the efforts to collect were curtailed due to the overall financial condition of the community. As the pandemic situation ceases the district should resume collection efforts in the upcoming years.

**2. Finding:** In reviewing the procedures used in recording the vending sales we noted no physical inventory is being taken for any of the vending machines thus preventing a more accurate reconciliation of products sold.

**Recommendation:** To prevent misappropriation of product we recommend that the daily or weekly collection sheets incorporate the use of the physical item count to later verify the money collected. A physical inventory should be taken at the time the machine is ready to be filled. By using a beginning and ending inventory amount the number of products sold can also be accounted for.

**3. Finding:** When examining the procedures used for recording the vending sales we noted that one individual handles the re-stocking, meter reading, recording of the sales and preparing the deposit slip. The cash collected is double counted with another individual.

**Recommendation:** To maintain proper internal controls one individual should not be performing all of these duties. We recommend that the collection and the counting of the money be performed by two individuals simultaneously with each signing off on a count sheet. We also recommend that the bank deposit be made by another individual. As an alternative, different staff can be rotated on a weekly basis to perform the vending duties. Also a cumulative reading should be taken by an independent person at the beginning and end of the school year so that total sales can be calculated and compared to the amount recorded in the general ledger. This particular type of reading cannot be reset, therefore, preventing any type of tampering with the readings.