

**Recommendations to Management
For the Year Ended June 30, 2019**

4. Investment and Administrative Expenses

Condition

Currently, the pension plan investment custodians do not properly disclose the amount of investment and administrative expenses for the plans. The information is required by management to review the effectiveness of the investment strategy, for recording in the financial statement and for disclosure of the real rate of return.

Recommendation

We recommend the Town request vendors provide the amount of investment and administrative costs incurred for their plans in order to properly prepare the financial statements and the required disclosures.

Board of Education

*** 5. Cafeteria Fund***

Condition

During our audit, we noted the following conditions related to the cafeteria fund:

- The cafeteria fund account balances were not properly reconciled at year end. The accounts that were not properly reconciled included inventory, accounts payable and due to/due from accounts.
- The cafeteria fund prior year audit adjustment were not properly recorded before the trial balance was provided for the audit.
- It does not appear that all the cafeteria fund payroll was recorded in the cafeteria fund, but instead was being recorded in the Board of Education budget.

Recommendations

We recommend the Board of Education implement the following policies and procedures regarding the cafeteria fund accounting:

- Accounts be reconciled on a monthly basis.
- General ledger account names should be revised to be representative of the account activity.
- Audit adjustments be recorded to ensure that the beginning fund balance amount agrees to the amount reported in the audit.
- Payroll should be properly recorded in the cafeteria fund (with an offset due to general fund) and any support from the general fund should be accounted for as a transfer in.

* 6. **Supervision District***

A. Condition

Currently, the Board of Education records payments to the Supervision District in one expenditure account. This is not adequate for the State Department of Education EFS reporting.

Recommendation

We recommend the Board of Education record the payments to the Supervision District using the uniform chart of accounts required by the State Department of Education. This will allow the proper uploading of the data to the State and provide the necessary detail for audit purposes.

B. Condition

Currently, the Cafeteria Fund reports an accounts receivable from the Supervision District at year end. The receivable increased from the prior year. It is unclear on what this receivable balance represents. This is also of concern as the Cafeteria program does not have adequate cash flow.

Recommendation

We recommend that the nature of the receivable be determined and that the Supervisor District reimburse the Cafeteria Fund on less than on a monthly basis and by June 30 of each fiscal year.

7. **State Department of Education EFS Reporting**

Condition

During our testing of the State Department of Education EFS form, we noted that the supporting documentation for the amounts reported on the EFS form was not available in a format that the required agreed upon procedures could be performed.

Recommendation

We recommend that District develop and maintain adequate supporting documentation by schedule for the amounts included on the EFS form.

Action Plan in Response to the Audit Findings for FY 2018-2019

Town of Chester – Board of Education

Auditors Recommendation to Management – item #5.

During the audit, the following conditions were noted related to the cafeteria fund:

- *The cafeteria fund account balances were not properly reconciled at year-end. The accounts that were not properly reconciled included inventory, accounts payable and due to/due from accounts.*
- *The cafeteria fund prior year audit adjustments were not properly recorded before the trial balance was provided for the audit.*
- *It does not appear that all the cafeteria fund payroll was recorded in the cafeteria fund, but instead was being recorded in the Board of Education budget.*

Response: We agree with the findings and recommendations of the auditors. It will be necessary to make changes and ensure that accounts are reconciled. Additionally, via the budget process for the fiscal year 2020-2021, funding for the cafeteria was increased to reflect the true cost of the staff wages and a proportionate share of the Director and bookkeeper costs for the full fiscal year. We will research the appropriateness of charging the café salaries to the BOE budget.

It should be noted that fiscal year 2019-2020 has been a year of transition in the business office. Early in the fiscal year, the business manager left employment with the School District. Through the remainder of the fiscal year, interim business managers were used. A Finance Director is now in place and will be responsible for addressing the conditions noted by the auditors.

Auditors Recommendation to Management – item #6A.

Currently, the Board of Education records payments to the Supervision District in one expenditure account. This is not adequate for the State Department of Education EFS reporting.

Response: Prior to reporting to EFS, the payments to Supervision District by the three towns and the Regional School are allocated to the appropriate site and categorized as needed by Education Type, Function and Object to ensure proper reporting to the State via EFS. We will explore the idea of incorporating the breakdown as each payment is made rather than after the fiscal year end.

Auditors Recommendation to Management – item #6B.

Currently, the Cafeteria reports an accounts receivable from the Supervision District at year end. The receivable increased from the prior year. It is unclear on what this receivable represents. This is also of concern as the Cafeteria program does not have adequate cash flow.

Response: As recommended by the auditors, we will research the source of the receivable. Please also see notes in response to item 5 above regarding staff changes. Going forward, all receivables will be documented as to their source.

Auditors Recommendation to Management – item #7.

During testing of the State Department of Education EFS form, it was noted that the supporting documentation for the amounts reported on the EFS form was not available in a format that the required agreed upon procedures could be performed.

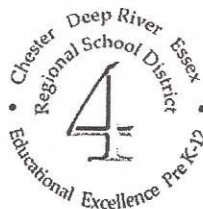
Response: As recommended by the auditors, we will develop and maintain the supporting documentation for amounts included on the EFS form for the Chester BOE submission as well as our other Boards of Education. Please also see notes in response to item 5 above regarding staff changes.

REGIONAL SCHOOL DISTRICT No. 4

CHESTER • DEEP RIVER • ESSEX

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July 14, 2020

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION Single State Audit Corrective Action Plan – FY 2018-2019

(note: this supersedes a plan submitted on June 10th in order to clarify the entity responsible for the submission)

William Plummer
Office of Policy and Management
1379 Municipal Finance Service Unit
450 Capitol Avenue MS-54MFS
Hartford, Connecticut 06106

AUDIT FINDINGS

Finding Reference Number 2019-001

Description of Finding and Corrective Action:

That the district identify and develop procedures to ensure that nonstandard manual journal entries are recorded accurately and timely in the general ledger.

Activities completed during 2019-2020:

- There have been staff changes in key leadership positions in the district's business office. Additionally, existing positions and their associated responsibilities have been reorganized to promote department efficiency and effectiveness. We have improved the internal operations of the business office to better serve the needs of the system and the communities it serves.
- Staff has worked in concert with an outside consultant during the 2019-2020 year to ensure the accurate recording of journal entries in the general ledger.
- A member of the staff of Mahoney/Sabol has worked with staff to give training in journal entries.

Next steps for 2020-2021:

- Ongoing professional development will occur to meet the complex, changing needs of the department (example: MUNIS financial management software has a training document on general ledger transactions, which has been printed out to guide the staff doing journal entries.)
- We will be contracting with experts to provide expanded staff training on journal entry.
- Working with a financial consultant, the "due to and due from" process has been identified in step by step procedures in a formal, written communication. Staff will periodically review accounts, research any discrepancies and record any necessary adjusting entries.

That the district develop procedures to ensure that account reconciliations for all balance sheet accounts are performed on a periodic basis.

- We will implement a process of reconciling bank accounts (bank statements and internal record review) on a monthly basis. A staff member has been assigned to reconcile the monthly statements. A second staff member will review for accuracy and compliance on a quarterly basis.

- b. Other balance sheet accounts will be reviewed at least on a quarterly basis by the assistant finance director. A final review will be conducted by the finance director and adjustments made as needed.
- c. Going forward we will work to ensure all necessary accrual and fiscal year end adjusting entries are made in all funds prior to the auditors final fieldwork.

That the Superintendent or his designee, monitor the completion of account reconciliations;

- a. All journal entries will be made by assigned individuals from the business office and will be reviewed by the finance director monthly.
- b. Annually, an auditor will review the results and procedures mid-year to insure accuracy of the work.

That the District evaluate whether additional resources, including the use of a consultant, and/or training are needed to address the identification deficiencies.

In addition to the steps outlined in this plan, additional steps will be taken by the finance director to continue to review, identify, and resolve deficiencies. For the 2020-2021 school year, the business manager and assistant business manager positions have been reorganized and restructured into two new positions: finance director and assistant finance director. Funding has been included in the 2020-2021 budget for these restructured positions and new scope of responsibilities.

Statement of Concurrence: The District intends to take the appropriate actions as detailed above to strengthen its internal control and remedy the conditions giving rise to the reported deficiency.

If the Office of Policy and Management and/or Oversight Agency has questions regarding this Plan, please call Kelly Sterner, Finance Director at 860-526-2417, extension 1462.

Sincerely yours,



Brian J. White, Superintendent

Cc: Kelly Sterner, Finance Director
Michael VanDeventer, MahoneySabol
Audit File

REGIONAL SCHOOL DISTRICT NO. 4

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July 14, 2020

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Brian J. White, Superintendent

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