

FRONTIER CENTRAL SCHOOL DISTRICT



INTERNAL CONTROL SYSTEM TESTING

FRONTIER CENTRAL SCHOOL DISTRICT



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FRONTIER CENTRAL SCHOOL DISTRICT



INTRODUCTION

In June, 2015, we issued a risk assessment report to the District, which was based primarily on a series of interview sessions we held with District personnel, as well as some testing focused on the operation of District's internal controls. The objective of the risk assessment update was to gain an understanding of how management identifies, analyzes, and takes action to address risks relevant to the District's financial reporting and compliance objectives. Our assessment considered the District's control environment, along with the specific controls currently in place at the system level.

Based on the risks identified during the initial risk assessment and updates, the audit committee and management selected the area below for further testing. The report we are now issuing describes the specific testing we performed during October 2020, along with the results of that testing and our recommendations.

AREA TESTED

- School Lunch Fund

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SCHOOL LUNCH FUND

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SCHOOL LUNCH FUND

Procedure 1: Free and Reduced Claims for Reimbursement

We selected the September 2019, November 2019 and April 2020 claims for reimbursement for free and reduced lunches/breakfasts submitted to New York State to determine whether the District has adequate controls over the submission and reporting process. Also, we determined through review of supporting documentation whether the District submission was done accurately and timely. As part of this testing, we will review documentation to ensure that:

- NurtiKids (POS) reports accurately and completely show meals served
- Internal reports numbers agree to claims forms used for reimbursement
- Submission of reimbursement is done in a timely manner
- Reimbursements received agree to the claims form submitted
- Reimbursements are accurately posted in the general ledger

Results:

For months tested, total meal counts on the POS reports reconciled to the Child Nutrition System reimbursement claim forms and agreed to reimbursements received by the District. Claim forms were submitted in a timely manner with all three months being submitted within 11 days of month-end. Reimbursements were accurately posted to the general ledger.

Recommendations:

No recommendations related to the claims for reimbursement are being made at this time.

Procedures 2: Free and Reduced Program – CEP Calculation and Application

We inquired about the status of the community eligibility provision (CEP) at the District and whether any of the District's buildings were a part of the program.

Results:

We discussed the CEP program with District personnel and determined that the District is not enrolled in the CEP program and that none of the District's buildings currently qualify for the program.

Recommendations:

We recommend the District continue to evaluate whether any of the District's buildings qualify for the CEP program.

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SCHOOL LUNCH FUND (CONTINUED)

Procedure 3: Free and Reduced Program – Student Applications

We received a listing of free and reduced eligible students and selected 25 students and reviewed their Free and Reduced applications to verify their eligibility was properly determined.

Results:

We verified that all applications were properly classified as free, reduced or paid.

Recommendations:

No recommendations related to the applications are being made at this time.

Procedure 4: Free and Reduced Program – 3% Verification

We obtained a copy of 3% verification form, along with supporting documentation for students selected by the District in completion of the form. We verified that the calculations were performed accurately for 3 students and if required, determined whether the District correctly adjusted the student's eligibility status.

Results:

We verified that the 3% verification process was properly completed, and that the income documentation provided by families supported the determination made by the District. During our review it could not be determined whether an independent reviewer was reviewing the form and documentation for accuracy.

Recommendations:

We recommend that someone independent of the preparer be assigned to review and approve the 3% verification form and related documentation prior to its submittal. Evidence of this review should be documented.

Procedure 5: Cash Disbursements – School Lunch Fund

We selected a sample of 15 disbursements from the District's Cafeteria Fund (from July 1, 2019 to June 30, 2020) and traced each check to documentation supporting the amount paid, and to determine whether adequate internal controls exist in the purchasing and cash disbursements functions. The testing includes a review of purchase orders and contracts (where applicable), the clerical accuracy of invoices, adherence to billing procedures (where applicable), and that the cancelled checks were appropriately signed and cleared the bank.

Results:

We verified the cash disbursements selected agreed to proper supporting documentation, without exception. We also traced amounts to the general ledger account and the bank statement. All disbursements were properly approved by the purchasing agent and had indication of being paid on the supporting documentation. There were three disbursements to parents for student account reimbursements and all three had proper claims forms attached.

Recommendations:

No recommendations related to cash disbursements are being made at this time.

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SCHOOL LUNCH FUND (CONTINUED)

Procedures 6: Cash Receipts – School Lunch Fund

We selected a sample of 20 daily cash receipts (from July 1, 2019 to June 30, 2020) and compared the amount reported on the NutriKids report to the amount reported on the deposit slip for accuracy, and verified that the amount received was deposited on a timely basis. If applicable, for September 2019, November 2019 and April 2020, we verified that EFT transfers from NYS of Federal and State Free and Reduced reimbursements were transferred from the general fund to the cafeteria fund in a timely manner.

Results:

The District has established adequate controls over cafeteria fund receipts including proper segregation of duties between business office employees and cafeteria management. One part of the process that is worth noting is that the business office is not supplied information to record school lunch cash receipts until the end of each month. This creates some complications in reconciling to the deposits to the bank due to the volume of transaction being processed at once.

During our testing we noted the following:

- For each of the receipts tested, the District maintained a copy of the deposit slip which was properly attached to the receipt documentation.
- All of the receipts tested in the audit sample were traced to both the bank statement and the general ledger.
- One instance where the receipt was not deposited timely.
- In all instances we noted that amounts were posted to the proper general ledger account.

Recommendations:

We recommend that the District begin providing reports from the NutriKids software to support the meals served, along with deposit slips, to the business office daily to be recorded within the District's accounting software. Doing so will make the reconciliation between the point of sale system and accounting system more efficient.

Procedures 7: Payroll – School Lunch Fund

We selected a sample of five employees and reviewed time records for the weeks of December 2, 2019 and January 31, 2020. We verified that the amount paid agrees to hours worked and approved rate of pay per contract. We then traced the total gross payroll from those pays into the general ledger. We reviewed the Cafeteria Manager's salary and verified that his pay was properly calculated for the week of October 18, 2019. We also verified, for 3 employees, that payroll taxes, ERS, and health insurance charged to the cafeteria agree with supporting documentation.

Results:

Employee hourly rates matched employee notifications and number of hours worked agreed to supporting documentation without exception. Total pay on the payroll summary agreed to the general ledger for the periods tested and the Cafeteria Manager's salary was properly calculated based on his contract. Total Medicare and Social security tax, Employee Retirement System expense and health insurance expense were calculated correctly and reconciled to the payroll report without exceptions.

Recommendations:

No recommendations are being made at this time.

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SCHOOL LUNCH FUND (CONTINUED)

Procedures 8: Inventory – School Lunch Fund

We attempted to obtain inventory counts as of March 31, 2020 to verify that counts have been performed. We also discussed whether any food was donated or disposed of during the Pandemic shutdown.

Results:

We performed inquiries regarding the inventory process with the Cafeteria manager. Based on inquiry it was determined that inventory counts from March through May were not completed due to the Pandemic shutdown which required Cafeteria personnel to be staffed in other areas. We were able to verify that inventory counts had been performed as of February 28, 2020. During our discussion it was noted that no donated commodity inventory was donated or disposed of during the Pandemic shutdown.

Recommendations:

We recommend that inventory be completed each month. During times of school closures, it may be more important to perform inventory to avoid issues with obsolescence.

Procedure 9: Operations

We inquired of the Cafeteria Manager to determine whether any changes were made to the operations and internal control structures due to COVID-19.

Results:

Based on inquiry of District personnel, no changes were made related to the cash receipts controls or cash disbursement controls. Two areas where controls were altered were in the performance of inventories and the recording of meals served. As discussed above in procedure 8, inventory counts were not completed during the months of March through May 2020. With regards to recording meals served, during the Pandemic shutdown the District moved to the Seamless Summer Option (SSO) program whereby all meals served were reimbursed at the Federal and State free reimbursement rate. The District utilized New York State provided tally sheets to account for meals served versus being tracked by the NutriKids POS system. Tally sheets were permissible with Federal guidelines for the SSO program, as tracking names of participants receiving meals was not required.

Recommendations:

We recommend that during future school closures the compiling of data from the tally sheets is reviewed by an individual independent of the individual responsible for compiling the tracking worksheets and preparing the claims for reimbursements.

During the Pandemic, some school districts have applied to participate in a Summer Food Program rather than the Seamless Summer Option. Because the programs are available to districts throughout the 2020-21 fiscal year, we recommend that personnel continue to evaluate which program is more beneficial in meeting the needs of the District.

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CONCLUSION



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CONCLUSION

The District's internal controls over the school lunch fund continue to be strong and well developed. Based on our internal audit testing, the school lunch processes as tested in this report appear to be functioning adequately.

The District should also continue to consider controls over inventory in the event of future closures related to the Pandemic. Also, independent reviews should be conducted on tracking sheets used to compile participant meals served during the Pandemic, along with reviews of the 3% verification form.

Our next follow-up visit is scheduled for May 2021, at which time we will perform another series of testing based. We will also continue to follow-up on the items addressed in this report to assess the District's progress in enhancing its internal control procedures.