

5/19/21

Audit Committee meeting

Present: Karen Guerrette-Board President, Jim Froio-Superintendent, RJ Hartwell-School Business Administrator, Mary Bard-Treasurer, John Rynkewicz-MMB Financial auditor

Minutes taken by: RJ Hartwell

Meeting started: 5:32 pm

Meeting ended: 6:05 pm

John R. introduced himself, introduced his scope of services, and summarized management responsibilities:

- Auditor expression of opinion
- Internal controls/compliance with laws & regulations
- Opinion on schedule of expenditures of federal awards (SEFA)
- Opinion on ECA funds
- Maintaining a system of internal control
- Adjusting financial records to correct material misstatements
- Create correction action plan (as necessary)

Areas determined to have more risk take attention; additional tests are given to higher-risk funds to ensure compliance; how has the pandemic impacted school district finances.

Auditors can perform summer audit (scheduled for last week of July) in person, remotely, or hybrid.

Controls in the auditing process: checks and balances to ensure proper authorization and mistakes/fraud do not take place. Interviews are performed, along with walkthroughs of transactions. Procedures are modified as necessary, such as if controls are not being observed as described.

Significant audit areas include: cash, purchasing, payables, payroll, benefits, HR, revenue and receivables, reserves, fund balance, debt service, computer controls.

Audit will look into competitive bidding process, compliance with federal rules, examine fund balance, compliance with use of reserves, do we have a federal procurement procedures manual? Areas to monitor include child nutrition and CARES act dollars.

Audit examines management related to fraud, and evidence of characteristics of fraud: rationalization, opportunity, personal pressures. Looks into responsibilities regarding fraud risk.

A discussion of fund balances and reserves was discussed. It tells the financial situation of the district. Does the district maintain the 4.0% fund balance threshold, use of appropriated fund balance. Is the district using appropriated fund balance.

A point was made by John regarding our use of \$3,000,000 as appropriated fund balance. He suggested to be aware of how that use of appropriated funds are used throughout the budgeted year.

Relative to reserves, ensure board resolutions are voted on by June 30th with language "up to" amount. This leaves some flexibility until final numbers can be determined. John says to keep doing what we're doing; monitoring use of fund balance with internal plans for maintenance and use.

Other items discussed: CARES act stabilization funds, CRRSA and ARPA funds reported as federal projects funding. CRRSA and ARPA will not reduce state aid and will not be received in general fund. These expenses using CRRSA and ARPA should be a one-time expense to reopen school and manage uncertainty.

Districts are not responsible for unemployment expenses throughout the pandemic (the federal gov. pays ½, the state pays the other ½). Maintenance of effort regarding grants, as well as use of Smart School Bond act funds, completed appropriately. Additionally, how risk is assessed relative to Cyber Security.

A discussion took place regarding GASB updates, GASB 84 (fiduciary activities; due 6/30/21 [this meeting was held with Tom Zuber on 5/14]), GASB 87 (leases, developing a lease inventory, effective 6/30/22). NY state says ECAs are required to be audited, but it is unclear if a second audit will be needed. MMB is waiting for further guidance from the state.