

**Homer Central School District  
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**Michael J. Falls  
Director of Business and Finance**

**MEMORANDUM**

**To: BOE/Kelli Yacavone, District Clerk**  
**From: Michael J. Falls, Director of Business and Finance**  
**Re: Corrective Action Plan**  
**Date: November 15, 2013**

Please find attached the final draft of the Corrective Action Plan for the External Audit of June 2013 to be approved. This document has been shared with the External Auditor and the Audit Committee. It is required by NYSED and the Comptroller to be approved by the BOE and filed at the State Level. I would be happy to answer questions that you may have concerning this document.

**Homer CSD 2012-13**

| Item             | Audit Finding  | Management Response   | Corrective Action  | Deadline Date |
|------------------|--|---|--|---------------|
| Special Aid Fund | During our current year audit, it was noted salaries paid using grant funds were not charged directly to the Special Aid Fund. At year-end, transfers were being made to correctly account for these salaries. Not directly charging grant expenditures to the Special Aid Fund understates fund balances in other funds and was partially responsible for the excess of unassigned fund balance over the 4% limitation discussed below.       | We recommend expenditures related to grants be charged directly to the Special Aid Fund when they occur in order to correctly report the expenditures and fund balances in other funds.   | The SBO, Treasurer and Payroll Clerk will review the Special Aid Fund FS-10's for 13-14 and correct this issue immediately going forward by charging salaries correctly to the Special Aid Fund.                         | 6/30/2014     |
| Special Aid Fund | It was noted during our current year audit that encumbrances at the end of June 30, 2012 were included as expenditures on the 2011-2012 Title I final expenditure report (FS-10-F). During the year ended June 30, 2013, these encumbrances were not ordered and, therefore, the related expenditures reported on the FS-10-F were never incurred. However, the School District received Federal funding for these over reported expenditures. | We recommend only actual expenditures be reported on the FS-10-Fs for all grants unless the items have been ordered and are on their way in order to reduce the improper reporting of expenditures for reimbursement.   | The SBO, Treasurer and Accounts Payable Clerk will make sure that only actual expenditures will be reported on the FS-10-Fs for all Special Aid Fund Grants.   | 12/30/2013    |
| Cash Receipts    | During our current year audit, we noted one of 10 receipts examined was missing adequate supporting documentation. In addition, 2 receipts were not deposited on a timely basis.   | We recommend all receipts be accompanied by adequate documentation. Adequate documentation should include the source of funds and the total amount received. For activities where tickets would further support sales, pre-numbered tickets should be utilized and used to reconcile beginning and ending ticket numbers to number of tickets sold and money received. All cash receipts should be deposited within three to five business days of receipt. | This issue is being addressed with additional training for advisors, student officers and Central Treasurer's as well. The district has implemented a yearly training program for the extracurricular activity accounts. | 6/30/2014     |

Homer CSD Corrective Action Plan for the External Audit of the FYE 06/30/2013

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| Compliance with Real Property Tax Law            | During our current year audit, the School District's General Fund ended the June 30, 2013 fiscal year with an excess of \$688,197 over the 4% allowed by the Real Property Tax Law (Code Section 1318).                                       | We recommend School District business personnel periodically review budget-to-actual reports and the 4% limitation on fund balance. In addition, when preparing the 2014-2015 budget, actuals from the 13-14 budget should be used to create the 2014-2015 budget, rather than taking the prior year amounts and increasing them. A multi-year comparison should be created which compares actual expenditures and revenues to what was budgeted. These comparisons as expenditures were under budgeted by \$2,169,228 at June 30, 2013. In addition, approximately \$1,675,000 of reserve funds were budgeted to be used in 2013-14, but were not utilized. At the August 27, 2013 Board of Education meeting, the Board approved transferring up to \$690,000 to the Employees Retirement System Reserve. | The SBO, Treasurer, Audit Committee and the Budget/Finance Committee will periodically review budget-to-actual reports and the 4% limitation on fund balance. In addition, when preparing the 2014-2015 budget.  | Ongoing   |
| Capital Project Overexpenditure/Underexpenditure | The closed capital projects from prior years have an over expenditure of \$120,098 in the Capital Project Fund. In addition, bus purchase expenditures for several years were under spent by \$61,534 from amounts financed by debt proceeds. | We recommend that the unspent bus financing proceeds be reviewed and transferred to the Debt Service Fund to close out these bus purchase authorizations. We also recommend that the over expenditure of prior year capital projects of \$120,098 be reviewed and incorporated into the 2014-2015 budget process for funding by the General Fund, or possibly by Bond Resolution during the 2013-2014 fiscal year upon consultation with School District legal counsel.   | BOE resolved on 8/27 to move unspent Bus Financing to the Debt Service Fund. After consultation with School District legal counsel, the SBO, Treasurer, Audit Committee and the Budget/Finance Committee will review the over expenditure of prior year capital projects of \$120,098 and fund it with the Debt Service Fund, through Bond Resolution during the 2013-2014 fiscal year | 6/30/2014 |

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| <p>Cash Disbursements</p> | <p>During our current year audit, of 15 disbursements tested, one had a purchase order dated after the invoice date. In addition, one incurred late fees and interest charges due to late payment. During our prior year audit, of ten disbursements tested, three had purchase orders dated after the invoice date, one had no receiving documentation and two should have received quotes, but did not.</p> | <p>We recommend all disbursements be initiated with a requisition form and purchase order before an order is placed or service requested, in accordance with School District policy. This ensures monies are available in the budget to purchase the items and the purchase is properly approved prior to ordering. Also, all payments on invoices for materials and supplies should include receiving documentation (packing slips) which has, at the very least, been initialed by the individual who received the goods and verified delivery on the receiving documents. Invoices should be paid by the date due in order to eliminate late fees and interest charges. Further, all like purchases from the same vendor costing \$1,000 - \$19,999 require quotes and those \$20,000 or more require bids, per GML and School District policy. This is to ensure the School District is paying the best price for the items purchased and using taxpayer monies appropriately.</p> | <p>The SBO, Treasurer and District Office Staff are putting together a Procedures Manual to share with all Purchasing Agents, the BOE and District Audit Committee. Purchasing and Procurement of Materials/Services will follow District and State guidelines.</p> | <p>Ongoing</p> |
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