

**Troy City School District  
Corrective Action for Audit ending 6/30/2021**

	<b>Finding</b>	<b>Recommendation From Auditor</b>	<b>District Response</b>	<b>Individual Responsible for</b>	<b>Date to be corr</b>
<b>#1 General Conditions of the Accounting Records</b>	During our audit we noted that several late changes were made to the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) reports to properly adjust certain accounts. These late adjustments, while initiated by District accounting staff, caused significant delays in the audit process. As part of our audit we also noted several accounts for which we proposed, passed on or manually re-classified adjustments to the financial statements. In particular we proposed material adjustments to the Capital Projects and Special Aid Funds' accounts payable and related expenditure	We recommend that management assess the current administrative burden of the accounting staff and determine where additional assistance would be most beneficial.	Management will consider the need for additional assistance with the administrative accounting functions and hire personnel as deemed necessary. Also management will more aggressively monitor year-end cutoffs for potential payables.	Assistant Superintendent for Business	6/30/2022
<b>#2 Special Aid Expenditures</b>	During our audit of the special aid fund we noted that a material amount of open purchase orders (encumbrances) were recorded as accounts payable in the accounting system. We discussed the situation with management who represented that several factors caused the late ordering of equipment, supplies and other materials such as back orders due to COVID-19 shortages and also internal delays	We proposed entries to correct the errors noted above and recommend a policy is implemented to provide adequate time to transfer legal title of goods. For example the District could implement a policy that all goods are ordered no	Management has already implemented an informal procedure to ensure that all items are properly ordered to be included in year-end expenditures and accounts payable. Management has also reiterated to all employees that open	Grants Director, Assistant Superintendent for Business, Purchasing Agent, Treasurer	

	<p>due to the potential reduction in current year State Aid. While this finding did not materially involve compliance over major federal programs, we consider this to be a significant deficiency of federally funded programs in aggregate. We reiterated to management that unless legal title of goods has transferred or services were performed, these items would not qualify as expenditures and payables under GAAP.</p>	<p>later than May 15th of the current year to ensure all items are received before year end.</p>	<p>purchase orders cannot be recorded as accounts payable unless they qualify as expenditures under GAAP.</p>		<p>6/30/2022</p>
<p><b>#3 Prior Year Finding Fixed Asset Accounting</b></p>	<p>During our testing of Fixed Assets we noted that several capital projects were not transferred to the fixed asset listing upon completion of th project. In addition, there were several capital asset expenditures made during the year which were not capitalized and depreciated, requiring late adjustment by the client.</p>	<p>We recommend that the District implement a procedure to identify and capitalize all assets as your capitalization policy requires and reconcile, at least on a monthly basis, the items identified to the capital asset addition reports. This information should be reviewed by management and any discrepancies should be resolved in a timely manner.</p>	<p>The District has requested additional training on the fixed asset software. The Purchasing Agent and Stockroom Clerk will be trained on how to properly capitalize all assets purchased during the year. The Purchasing Agent will work on establishing procedures.</p>	<p>Purchasing Agent, Treasurer, Account Clerk</p>	<p>6/30/2022</p>

<p><b>#4 Prior Year Finding Fund Balance</b></p>	<p>Through discussion with management it was noted that the District was anticipating a significant increase in the 20-21 fiscal year due to changes required under state mandate due to the current COVID-19 pandemic. We recommended to management that an additional appropriation be made for these expenditures even though they were in excess of the approved budget amounts and not timely voted on by the Board of Education.</p>	<p>We recommend that a process be put in place where these shortfalls can be identified timely and the Board of Education can properly approve. Due to the circumstances surrounding the COVID-19 pandemic and the lack of time Districts were given to comply with the State mandates, this placed significant financial burden upon them where actions had to be taken outside of the normal course of business.</p>	<p>During a typical year the District has a process in place for the Board of Education to act in a timely manner. This was an exception due to the pandemic and we do not foresee this hapeneing again in the future.</p>	<p>Assistant Superintendent for Buiness, Treasurer, Board of Education</p>	<p>6/30/2022</p>
--	--	--	--	--	------------------