

Town of New Canaan, Connecticut

Independent Auditors' Report on Communication of
Internal Control Related Matters Identified in the Audit

June 30, 2016

Independent Auditors' Report on Communication of Internal Control Related Matters Identified in the Audit

Town Council, Town of New Canaan, Connecticut

In planning and performing our audit of the governmental activities, the business-type activities, the discretely presented component unit, trust funds, each major fund, and the aggregate remaining fund information of the Town of New Canaan, Connecticut ("Town") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose of conducting the Town's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies, deficiencies that we consider to be control deficiencies and other observations and recommendations for strengthening internal control and/or operating efficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

The exhibits set forth below and appended to this letter, include our required communications and various matters involving internal control that we identified during our audit.

- Addendum A - Deficiencies in internal control that we consider to be material weaknesses significant deficiencies in the financial audit
- Addendum B - Other observations and recommendations for strengthening internal control and/or operating efficiency
- Addendum C – Previous year comments that have not been continued

The Town's responses to the findings identified in our audit are included after the finding. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Town Council, others within the organization, and state and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

March 15, 2017

Town of New Canaan, Connecticut

Addendum A Material Weaknesses and Significant Deficiencies

MATERIAL WEAKNESSES IN THE FINANCIAL AUDIT

MW-2015-001 **TIMELY AND ACCURATE FINANCIAL REPORTING** (Repeated from Prior Years)

Criteria – Regular analysis and reconciliations of all balance sheet and other key accounts help ensure accurate and timely financial reporting. This is required to assist management in making appropriate decisions and is essential for internal control.

Condition – Although improved from the prior year, during our audit we noted that the Town does not maintain an adequate month-end or year-end closing schedule to support all balance sheet accounts. (This has been noted as a weakness for 3 of the previous 4 years.)

Specific Situations Leading to the Significant Deficiency in 2016:

Continued Comment – This comment is kept at the level of a material weakness, in accordance with the Auditing Codification AU-C paragraph 265.A20, because, while some changes have been made, it still remains an open items after being noted as a weakness in 3 of the previous 4 years.

Capital Assets – Management did not discover a material misstatement in the capital assets as part of their normal closing and reviewing process.

Prior Year Reversing Entries – It was not discovered until well after the fiscal year ended that the accruals at the beginning of the year, July 1, 2015, were not appropriately clearing out. This was the case for:

General Fund Accounts Receivable – prior year receivables in the amounts of \$161,705 and \$375,109 were received in September 2015 and March 2016, but were still listed as receivables at year end.

General Fund Accounts Payable – prior year accounts payable of \$135,468 continued to be carried as accounts payable. This may be partially caused by the computer system not generating an adequate accounts payable subsidiary ledger that shows the balances due by each vendor and the Town has not developed alternative internal reporting.

Prepaid Expenses – prior year prepaid expenses in the General Fund in the amount of \$299,817 and in the sewer fund in the amount of \$8,947 continued to be carried forward as prepaid expenses.

Balancing Related Balance Sheet Accounts in conjunction with Income Statement Accounts – The Town Finance Department began balancing income statement accounts with other departments during the year. However the related balance sheet accounts were not balanced. This was the case for:

General Fund Taxes Receivable and the Sewer Taxing District Fund – the cash receipts were balanced for these funds with the tax collector but the full accounting cycle was not balanced. This is discussed further in MW-2015-001.

Town of New Canaan, Connecticut

Addendum A Material Weaknesses and Significant Deficiencies

MW-2015-001 TIMELY AND ACCURATE FINANCIAL REPORTING (Continued)

Board of Education Accrued Payroll – The Town Finance Department balanced with the Board of Education for the total expenditures during the year.

Other Balance Sheet Issues – We noted other issues with balance sheet accounts at year end including

Interfund Transactions – Receivables and payables between funds did not balance to zero. Balancing these accounts should be a part of the month end and year end closing process.

Interest Receivable – The General Fund has been reporting \$43,497 in interest receivable since the 2012-13 fiscal year. This should be reviewed and appropriate follow up action should be taken.

Unearned Revenues – The Waveny Pool Fund collects membership fees before the summer swim season begin. These revenues are not earned as of June 30th and have been reported as unearned revenue. During fiscal year 2016, all membership fees were reported as revenues whether earned or not.

Netting of Transactions – The Town continues to net the grant paid by the Town of New Canaan to a subrecipient with the revenue received by the Town of New Canaan from the State of Connecticut so no transactions are reported in the fund's balance sheet.

Effect – The financial reporting was not thoroughly balanced during the year and at year end. This effects internal control, management decisions, compliance with budgets, collection of receivables and payments of payables.

Cause – The regular analysis and reconciliations of all balance sheet and other key accounts was not assigned to anyone specific in the Town finance office. There were no appropriate monthly or annual closing checklists and timelines nor were there an appropriate internal financial review of the financial reports. This may be partially caused by the computer system not generating an adequate subsidiary ledgers that shows the detail of the balances and the Town has not developed alternative internal reporting.

Recommendation – Written financial reporting procedures must be developed. A checklist of monthly and annual closing procedures must be prepared and deadlines set. Finally, this must be monitored internally to assure timely and accurate financial reporting.

Views of Responsible Officials and Planned Corrective Actions – FY2015-2016 was the first year on a new financial system with a completely recreated chart of accounts. The new financial system, MUNIS, is very labor intensive and not user friendly when viewing payables. There is no easy way to reconcile other than maintaining an excel sheet of activity. This reconciliation restriction was not expected. The Finance Department will put in place an excel reconciliation to review monthly and ensure all payables and other balance sheet accounts are clearing properly. The Town will reach out to MUNIS and inquire if software will be updated to allow for easier detail review of balance sheet items.

Town of New Canaan, Connecticut

Addendum A Material Weaknesses and Significant Deficiencies

MW-2015-002 **INTEGRATED CONTROLS OVER TAX COLLECTION PROCEDURES (Repeated from Prior Years)**

Criteria – Tax Collections represents a significant cycle of transactions within the Town which account for over 90% of the Town General Fund's \$140 million budget. Although the Town of New Canaan enjoys the highest tax collection rate in the state, proper policies and procedures need to be in place surrounding tax collections in all departments that are involved. This is the same system used in the Sewer Taxing District Fund.

Condition – A common and efficient control is a segregation of duties. This requires that the custody of assets (such as the collection of payments) be done by a separate individual than the recordkeeping of the transaction (such as posting the payments and calculating the balances). And a third individual should be authorizing transactions (such as adjustments to taxes and tax payments). When this is not possible or not practical, other controls must be put in place. Because these are controls over the tax collection office, they should be developed outside of, but in conjunction with, the tax collection office. Putting these controls in place would generally be the responsibility of the Town Finance Department and would be approved by the Town Council and the Audit Committee.

Specific Situations Leading to the Material Weakness:

Continued Comment – This comment is kept at the level of a material weakness, in accordance with the Auditing Codification AU-C paragraph 265.A20, because, while some changes have been made, it still remains an open items after being noted as a weakness for the previous 4 years.

Payments on Taxes – Up to three individuals in the tax collection department handle the cash collections before they go to the bank. If ever there was a discrepancy in the cash and checks collected, the Town would not be able to determine where the discrepancy occurred.

The individual that is posting the deposits into the tax program also has custody of the cash and makes the deposit.

During the 2016 fiscal year, the Finance Department began reconciling the cash transactions reported in the tax collector's reports to the tax revenues reported in the general ledger. While the revenues were reconciled with the tax collector's report, the balance sheet accounts (taxes receivable, interest receivable and deferred taxes) were not balanced the general ledger for either the General Fund or the Sewer Taxing District Fund. These balance sheet accounts were misstated due to mispostings of refunds and failure to post the assessors adjustments to the tax levy. In addition, collections on suspense accounts were not included in the reconciliation process.

Town of New Canaan, Connecticut

Addendum A Material Weaknesses and Significant Deficiencies

MW-2015-02 – INTEGRATED CONTROLS OVER TAX COLLECTION PROCEDURES (Cont.)

Cause – The Town Finance Department has not appropriately assessed risk and mitigated those risks with appropriately designed policies and procedures.

Recommendation – The Town Finance Department should understand the processes and risks associated with the current system and design policies and procedures to mitigate the risks. These policies and procedures should be written, reviewed by the oversight board(s) and shared with the individuals in the system.

Views of Responsible Officials and Planned Corrective Actions –

The Town Finance Department, as directed by the Audit Committee and Board of Selectmen, engaged in an internal audit of the Tax Collector's Office. The audit took a deep dive in to the IT system(s) in use by the office and other processes. Upon completion of this audit work, the Finance Department has revised processes of the Tax Collector to incorporate procedures to mitigate risk.

The addition of the position of Controller was added to Finance in May and approximately 25% of this employee's time has been directed to the Tax Collector Office. Through these efforts Finance implemented an entirely new review and reconciliation process with the Tax Collectors department. While all revenue was reconciled and properly posted there were two processes that missed incorporating the clearing of the balance sheet accounts – refunds and Certificate of Change transactions that were missed in the clearing of the AR and Deferred. The Town has since added steps to the recording of both of these transactions to include the corresponding balance sheet entry.

Potential Risks are better understood since last year. The Town's Finance Department works with the Tax collector who is a certified professional in her field with the experience and knowledge necessary on the implementation of required processes and procedures to establish internal controls that mitigate risks. Both the Finance Director and the Tax Collector benchmark with other municipalities and professional organizations for best practices on risk prevention and control. The First Selectman and Finance Director will devote one full day in the Tax Collector's office this Spring to better understand transactional processes and further assess potential risk and control. The Finance Department will update their procedure manual to incorporate additional reviews of areas of potential risk.

Segregation does take place in that no single employee sees any of the steps related to the acceptance of cash all the way. Staffing levels are appropriate for an office of its size. As a matter of practicality, the First Selectman and the Tax Collector feel they still can't support the hiring of an additional staff member for that office to comply with the auditor's recommendations but will look into the implementation of a Validator. Of note: The Tax Collector took in \$151K in cash payments last year, maintains the highest collection rate in the State and has cameras in operation throughout the office. We have asked our Internal Auditors to look over all revenue and collections coming to the Town so we can emulate best practices when practical.

Town of New Canaan, Connecticut

Addendum A Material Weaknesses and Significant Deficiencies

SIGNIFICANT DEFICIENCIES IN THE FINANCIAL AUDIT

SD-2016-001 IMPLEMENTATION OF THE NEW ACCOUNTING SOFTWARE IN THE TOWN FINANCE OFFICE (This is a new comment for 2016)

Criteria – Proper design of a system of internal controls extends to the use of the automated capabilities in the financial accounting software.

Condition – Three individuals within the Finance Department have Super User application access to perform their jobs. Although Super User Access provides unrestricted access, audit logs have not been activated for routine review of unusual transaction activity by an independent person

Effect – The Super User privilege allows the same person to make security access changes and to perform incompatible financial duties that are not in accordance with organizational policy. Further erroneous or questionable transaction activity might not be detected, investigated and corrected on a timely basis.

Recommendation – An independent individual should be responsible for reviewing audit logs of activity performed by accounts with Super User access. This will likely require working with the vendor to better understand how to flag transactions meeting specified criteria (e.g. high dollar value, activity in a dormant account, journal entries with limited support) and MUNIS training to familiarize the individual in IT or another department who will be asked to perform these tasks.

Views of Responsible Officials and Planned Corrective Actions – The Town will reach out to MUNIS to obtain a better understanding of the activity logs and various monitoring capabilities. The Town will also review having an independent party be responsible for the monitoring of these logs.

SD-2016-002 TOWN ACCOUNTING MANUAL (Repeat internal control comment escalated to a significant deficiency)

Criteria – It is important for the policies and procedures manual to be current and consistent. It is important for the actual policies and procedures to be in the manual and distributed to the Boards and committees so they can do an appropriate job of assessing risk. It is important for the actual policies and procedures to be in the manual and distributed to the users for their compliance.

Condition – The Town has two accounting policies and procedures manuals. One was prepared on January 31, 2002. This is not up to date with the current practices. There are policies and procedures that are not being followed and there are policies and procedures that contradict other policies and procedures manuals. A second policies and procedures manual was prepared on January 2, 2014. This is still being updated and customized to the Town of New Canaan and has yet to be implemented. It has however been distributed to the staff for their review and recommended changes.

Town of New Canaan, Connecticut

Addendum A Material Weaknesses and Significant Deficiencies

SD-2016-002 TOWN ACCOUNTING MANUAL (Continued)

Effect – Management and those charged with governance cannot perform an appropriate risk assessment if the control policies are not current, relevant and written. The controls over the processes are weakened when they are not written and reviewed by the individuals involved. And, the processes could change as the individuals in the cycles change.

Recommendation – The policies and procedures manual should be updated, reviewed and approved as required. To keep from having conflicting policies and procedures, there should be one manual which includes all the departments.

Views of Responsible Officials and Planned Corrective Actions – The Town Finance Department has a full policy and procedure manual completed. It was left in draft form so as to allow any internal audit recommendations to be updated as well as review by all those involved to give any feedback once time allowed for review of their area. Upon discussion of this with the Auditors the Finance Department has removed the Draft watermark and will present the policy and procedure manual to the boards.

SD-2016-003 JOURNAL ENTRIES

(Repeat internal comment escalated to a significant deficiency)

Criteria – Journal entries are used to record or change transactions. As such, there needs to be controls over the journal entry process to be assured that the entry is appropriate and authorized.

Condition – The Town Finance Office prepares a number of adjusting journal entries. Review and approval of these entries is not always documented. In our testing we noted nonstandard journal entries posted throughout the year, up to and including June 30, 2016, which did not have documentation of review and approval of the entry.

Recommendation – The Town should keep a listing of the standard, recurring journal entries and decide if these need to be reviewed and approved. All nonstandard entries should be reviewed and approved.

Views of Responsible Officials and Planned Corrective Actions – Management Put in place a review of journal entries prior to posting with the hire of the Comptroller.

Town of New Canaan, Connecticut

Addendum A Material Weaknesses and Significant Deficiencies

SD-2016-004 FINANCIAL REPORTING/MONITORING OF TOWN'S VARIOUS FUNDS (Repeat internal control comment escalated to a significant deficiency)

Criteria – A good internal control system incorporates monitoring of the control systems and functions. A common method of monitoring includes management and those charged with governance periodically reviewing the interim financial statements, balance sheet and income statement, to be assured that the figures reported and relationships between the figures reported meet expectations and ask questions for items that appear out of line with expectations.

Condition – The Town provides an abbreviated General Fund budget verses actual report for review. This is not printed directly from the computer system. The Town does not provide balance sheets and income statements periodically throughout the year for all funds.

Effect – Monitoring, at the highest level, has not been incorporated into the Town's policies and procedures. In addition, basic financial information is not being shared on all funds for timely and informed decision making.

Recommendation – We recommend a schedule be established for financial reporting so that the oversight boards get complete timely reporting that might include: balance sheets, income statements, budget vs. actual reports (annual or project length, as appropriate), and details of programs for all funds on a regular basis. These reports should come directly from the computer system to avoid adding additional controls needed on internally manipulated reports.

Views of Responsible Officials and Planned Corrective Actions – The Town will include a trial balance review of all funds with the Town's boards on a quarterly basis

Town of New Canaan, Connecticut

Addendum B

Other observations and recommendations for internal control and/or operating efficiency

- I. Capital Asset Reporting** – We noted that new capital leases were not included as additions to capital assets. (This is a repeated comment from the last 4 years.)

Recommendation – Capital asset reporting and reconciling should be included on the month end closing procedures.

Management Response – The Town did incorporate a full detail listing of the Board of Education’s assets when presenting the assets for depreciation to their third party vendor. Both the Town and the Board of Education missed the Board of Education’s new Capital Information Technology lease. An additional review was added to the year-end process so this is not missed going forward.

- II. Reconciling Claims in the Self Insurance Funds** – The Town records the transactions in the self-insurance fund which are processed by an outside service organization. The Town has not reconciled the claim expenditures reported in their accounting records to the claim expenditures reported by the service organization. In 2016 there is a variance of approximately \$100,000.

Recommendation – These should be reviewed and reconciled periodically throughout the year and at the end of the year. Management should be able to reconcile any differences.

Management Response – The Town is not privy to the Board of Education’s insurance claim reports and relies on the Board of Education to reconcile this detail. The Board of Education has added a process for this review.

- III. Opening and Closing of Funds** – We noted that the Parking Fund was closed two years ago and moved to the general fund has been reestablished as an Enterprise Fund again. In addition, there are several other funds that management is considering closing or combining.

Recommendation – The Town should consider developing an approval policy for opening and closing funds. Any changes in the fund structure should be approved by the Board of Finance and the Town Council. This would strengthen internal controls, lead to greater transparency and would allow greater input into the decisions.

Management Response – The Town confers with the auditors if a Fund is under suggestion for addition or close and will bring all such recommendations to the boards for discussion and review.

Town of New Canaan, Connecticut

Addendum B

Other observations and recommendations for internal control and/or operating efficiency

- IV. Capital Nonrecurring Fund Budgets** – The Town has a “Capital Nonrecurring Fund” established under the Connecticut General Statutes Chapter 108 – Municipal Reserve Funds. Expenditures under this fund must be approved by the formally approved and cannot exceed the approved amount without getting additional authorizations. There were several cases where the expenditures exceeded the appropriation.

Recommendation – Reporting and reviewing controls should be established to assure that the expenditures do not exceed the budgeted amount.

Management Response – One of the processes with the new financial software was the ability to establish a budget and a hard stop in the creation of a purchase order without sufficient budget. The CNR fund was missed in the setup of this process but has since been corrected.

- V. Purchase Orders** – The Town has a policy that requires purchase orders for virtually all purchases. During our control testing we noted several items that had purchase orders dated after the invoice was received.

Recommendation – The Town should consider whether purchase orders are necessary for all purchases or if there should be a minimum dollar threshold where purchase orders are required considering purchase orders are estimated to use between \$50 and \$250 of employee time to generate and comply with the approval processes.

Management Response – Per the Towns policy and procedures there are only a few exceptions allowed to not have a purchase order. The use of Purchase Orders is necessary for the verification of available budget prior to purchasing. The purchase order process was new to the Town Departments with the implementation of the New Financial Management System. We have held numerous meetings with the department heads and continue to hold meetings with the offenders of our policy and procedures as we try to change the behavior of purchasing then asking for a purchase order.

Town of New Canaan, Connecticut

**Addendum C
Previous Year Comments That Have Not Been Continued**

MATERIAL WEAKNESS IN THE STATE SINGLE AUDIT

SSA-MW-2015-01 - SUBRECIPIENT MONITORING.

Criteria – A pass-through entity is responsible for (a) identifying to the sub recipient the State award information such as program identification number, proper title of program, and State source of funding, (b) monitoring the sub recipient's activities to provide reasonable assurance that the sub recipient administers State awards in compliance with State requirements, (c) ensuring required audits are performed and requiring the sub recipient to take prompt corrective action on any audit findings, and (d) evaluating the impact of sub recipient activities on the pass-through entity's ability to comply with applicable State regulations.

Follow Up Completed – The First Selectman has started meeting with the subrecipient and reviewing their activities and reporting in yearend 2016. The Finance Office receives a copy of the annual audit report. A more formal procedure will be developed in 2017 where the finance office reviews the reporting, activities and annual single audit report.

PRIOR YEAR SIGNIFICANT DEFICIENCIES

SD-2015-01 CAFETERIA REVENUES

Condition – (A) The cafeteria uses a point of sale system to record student lunches and student payments. The Board of Education Finance Office does not use any information from the cafeteria accounting system to post the trial balance. The Board of Education Finance Office posts the cafeteria revenue directly from the deposits reported on the bank statements.

(B) In addition, the controls from the point of sale system are not maximized to create appropriate internal controls. Employee A balances the cash and checks to the transaction receipt (like a "z tape" from a cash register) and the electronic payment records (postings to the children's accounts) daily. This procedure and the explanation for the variances are not documented. These are given to Employee B to make the deposit. The deposit is never balanced back to the cafeteria accounting system and, the variances are not reviewed.

Follow Up Completed – The Board of Education implemented certain changes to the system immediately upon learning of the weakness. They followed up by reviewing the risks associated with these revenues and developing written policies and procedures that addressed these risks. These policies and procedures are in the review and approval stage with management and the oversight boards.

Town of New Canaan, Connecticut

**Addendum C
Previous Year Comments That Have Not Been Continued**

SD-2015-02 CONTROLS OVER STUDENT ACTIVITY FUNDS

Condition – The Board of Education has a number of processes in place to monitor the Student Activity Funds. Because there is not a segregation of duties between cash receipts and recordkeeping, the Board should review the controls to make sure that alternate procedures are in place, working and monitored on a regular basis.

Follow Up Completed – The Board of Education implemented certain changes to the system immediately upon learning of the weakness. They followed up by reviewing the risks associated with these revenues and developing written policies and procedures that addressed these risks. These policies and procedures are in the review and approval stage with management and the oversight boards.

OTHER PRIOR YEAR COMMENTS

- 1. Internal Analytical Review of Financial Statements** – We noted in several instances that there were unexpected variances or relationships in the financial reporting that management had not investigated. This included variances in the Health Insurance Fund, losses in the Town Grant Fund, and balances that were negative.

Follow Up Completed – We did not note significant items in the Town's financial reporting in the current year which would be captured with an internal analytical review of the financial statements.

- 2. Cooperative Financial Reporting** - In addition to the material weaknesses noted with timely and accurate financial reporting within the Town Finance Department and within the Board of Education Finance Department, there needs to be an appropriate understanding of how the two Finance Department's records are combined to create one trial balance and transparency between the two Finance Departments.

Follow Up Completed – The Town and the Board of Education balanced the expenditures in their system during the 2016 fiscal year.

- 3. Cash Collateralization** - The Town may not be taking advantage of certain collateralization set aside on its behalf by the bank.

Follow Up – The Town Treasurer has contacted the banks with the largest balances, Webster Bank and Bank of America, to prepare the agreements that are needed to assure that the collateralization afforded under State Statutes (approximately 10% of the balances above the FDIC limits) will be recognized should the bank fail. This is currently waiting for the banks to prepare draft agreements.

Town of New Canaan, Connecticut

**Addendum C
Previous Year Comments That Have Not Been Continued**

BOARD OF EDUCATION

4. **Review of Encumbrances** – The Board of Education had several encumbrances outstanding at year end that were not actually for firm commitments. These encumbrances had been booked to assist management during the year with their budget projections, but were not cleared at year end. (This was also reported in the previous three years.)

Follow Up Completed – The Board of Education had thoroughly reviewed their yearend encumbrances for June 30, 2016 and had reduced the yearend balance to approximately \$125,000, compared to over a million in prior years. The Board of Education has also developed policies to assure the encumbrances are not overstated in future years.

5. **Pay Date on the Last Day of the Pay Period** – Hourly employees complete time cards to report their actual hours and leave time. The Board of Education payroll is paid semi-monthly on the last day of the pay period. The payroll is based on the expected time worked and not the actual time worked. Overtime is adjusted in the next pay period.

Follow Up – This continues to be the case in the current year. Hourly employees are paid on a salary basis as per employee agreements. We would recommend that these procedures be reviewed with a labor attorney to ascertain that they are appropriate.

6. **Accounting Policies and Procedures** – The Board of Education has accounting policies and accounting procedures. The accounting policies are formally approved and retained. The accounting procedures are not formally approved and retained. This has caused the new administration to not know the accounting procedures.

Follow Up Completed – The Board of Education has established a protocol for approving policies and procedures. They have developed a number of new policies and procedures and are following that protocol to have them reviewed and approved.

7. **Accounts Receivable** – The Board of Education has several revenue streams that are based on billings. The Board of Education does not have a system to record accounts receivable and as a result does not record and track them.

Follow Up Completed – The Board of Education has developed a system to track receivables. We noted no issues as a result of our testing this year.