

MANAGEMENT COMMENT LETTER

Board of Education
Otselic Valley Central School District
South Otselic, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otselic Valley Central School District (the School District) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of other matters and items for discussion. This letter summarizes these comments and recommendations regarding these matters. This letter does not affect our report dated September 19, 2019 on the financial statements of Otselic Valley Central School District.

OTHER MATTERS

Current and Prior Year Findings

Extracurricular Appointments

Finding:

During our current and prior year audits, the Board approved an appointed position without a corresponding stipend defined in the current agreement. School District management was able to verify the staff member was performing assigned duties as specified in the original job description. The current year appointment was prior to this finding being reported in the prior year audit. The Board did not appoint a person to this position for the 2020 fiscal year.

INSERO & Co. CPAs, LLP

Recommendation:

We recommend School District management review extracurricular appointments and ensure positions and related benefits are defined in the School District's current agreements or outlined in the resolutions approving said appointments.

Purchasing Policy - Quotes

Finding:

During our current and prior year examination of the cash disbursements cycle, no quote requirements were specified in the School District purchasing policy.

Recommendation:

We continue to recommend the Board review the purchasing policy and determine what dollar threshold requires quotes, how many quotes should be solicited, and specify when written or verbal quotes are required. We further recommend the Board review General Municipal Law and Uniform Guidance to ensure the updates are in compliance with applicable requirements.

Claims Auditor Reports/Purchase Orders

Finding:

During our current and prior year review of Claims Auditors' reports, we noted several instances where requisitions and/or purchase orders were created after the purchase, service, or invoice date. To a lesser degree, instances of incorrect dollar amounts, invoice numbers, account codes, vendors and/or remittance addresses were noted by the Claims Auditor and corrected.

Recommendation:

We continue to recommend requisitions and purchase orders be completed and authorized prior to purchase. We further recommend Claims Auditors' findings be reviewed and a corrective action plan be implemented to reduce the number of errors found during the claims audit process.

DISCUSSION ITEMS

Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

The School District is in the process of assessing the future effects of each of the following:

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 90, "Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61," effective for the year ending June 30, 2020.

- GASB has issued Statement No. 91, “Conduit Debt Obligations,” effective for the year ending June 30, 2022.

School District Management will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

General Fund Reserves

During the 2019 fiscal year, General Municipal Law was amended to allow employers to establish and to fund a New York State Teachers Retirement System (NYSTRS) contribution reserve sub-fund of the New York State Employees Retirement System (NYSERS) reserve. The purpose of the sub-fund is to set aside funds in one year to defray the costs of future employer contributions. Employers are able to fund the reserve up to a maximum of 2% of the total NYSTRS members compensation for the immediately preceding fiscal year, with an overall reserve sub-fund balance cap of 10% of the same over a five year period.

We would encourage the School District to consider this reserve in developing and formalizing a reserve policy. Additionally, we recommend the existing reserves be reviewed to determine appropriate funding levels to meet the projected future needs of the School District.

Compliance with Federal Grant Requirements

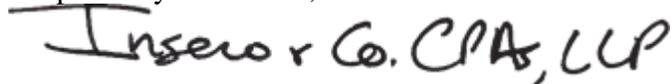
This spring, we became aware New York State Department of Education (NYSED) began auditing compliance over the IDEA grant program and had similar findings among the school districts audited. In general, the audits found not all school district policies were in compliance with Uniform Grant guidance and there is a lack of written procedures to administer the grant.

New York State Association of School Business Officials (NYSASBO) formed a working group to formulate a template school districts can use for that purpose, and for all federal grants.

We are recommending our school district clients evaluate their policies and procedures and use the NYSASBO templates when they become available to develop their own written procedures for administering federal grants.

This communication is intended solely for the information and use of management, the Audit Committee, the Board of Education, and others within the School District, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 19, 2019