

*****UNOFFICIAL MINUTES*****
Williamson Central School
Board of Education Audit Committee Meeting
Virtual Meeting Transcription for June 17, 2020

I like to call a meeting to order the pledge of allegiance.

I pledge allegiance to the flag of the United States of America and to the Republic for which it stands one nation under God, indivisible with Liberty and justice for all.

Okay. Do you have any public comments? Stuff, Kelly? Nope. Okay. Any announcements? Nope. All right. Jump right into the report from the internal claims auditor. Okay. So Kelly sent you guys all this electronically. Yes. Okay. So the period ran from September 1st, 2019 until March 31st, 2020. Um, the first group are voided checks and that, but they were, um, there was a resolution made on the air.

So those are listed there. The second batch kind of the second section is checks, continued for payments made. And if everyone doesn't know what check over on do to print, because I certainly didn't. I took a picture or a copy of what it is and you probably can't see it, but it's when there's so many lines on here that they have to go to the second check in order to actually put the total.

So that's what it means when I wrote that. And then the first check is just worded during printing because it's not actually passed. The second one is, so does anyone have any questions for him?

Um, I don't. Okay.

Uh, thank you, Kimi. You do a really good job. Yeah. And, um, as we've seen in the past, um, with our claims audit reports, I just want to say that overall, you know, there's no, nothing major, nothing striking here. And this covers a seven month period, and it's just kind of minor routine stuff that the hundreds and hundreds of checks that get processed each.

Each month, actually the thousands over, over a year, um, that this is, um, thoroughly checked by Amy, our claims auditor. And, uh, I always like to give credit at this time to, uh, Jessica Berger graph for, um, the good job that she really does do, um, and accounts payable. So, um, let me have any other questions on the claims audit report.

Okay. Um, Amy, you're welcome to stick around if you want to listen to our, um, ocular Tom Zuber, who I'd like to introduce, um, Tom, I think he was this group before, correct? Yeah. I've, I've been out with the district before, and I think I came with Ray last year and yeah. Yup. And I've worked with Ray for 26 years.

So I've been doing this now for a long time. Um, and he's, uh, he's definitely not a zoom fan, so, uh, but wasn't available today. I remember a race technical, you know, um, Spirit, I guess. So, um, so yeah, but, uh, I, I see him quite a bit, so we try and chit chat and, and, uh, catch up and, and he was, uh, in fact, he was able to participate this afternoon on, uh, an airboat presentation that, that he and I did together.

So, um, Um, you know, uh, she is running around, but tonight he just didn't have the availability. So you sorry about that. Um, but like I said, I've been working with him for quite a while. And, um, I know we're just here to talk a little bit about the audit process and, um, I was going to share my screen, um, with just the, uh, Uh, the PowerPoint handout, uh, and just, just to, to kind of walk through the process and, and, and I won't spend a lot of time on, on the handouts.

There's a, there's a lot of information in here. Um, you know, some of the information in here is something that we, we talk about each and every year, um, you know, for any audit, there are certain things that are very similar, um, from one year to the next. Uh, you know, so I won't, I won't spend a lot of time on those slides.

Um, certainly if you have questions, feel free to ask them. Um, but, but we'll, we'll spend a little more time on, on things that are a little different each and every year. Um, but for the most part, the first two bullet points, the scope of services, management responsibilities. Those are, are the same from one year to the next stuff.

Um, the, the audit reports, we're doing the audit of the base of financial statements. The single audit, if you receive over 700%. Thousand in federal money. Um, and then the student activity funds and then management's roles and responsibilities, you know, checks and balances doing journal entries, your internal controls, checks, and balances.

So really those, those, um, areas are very similar. From one year to the next, but where the audit varies a little bit each and every year a really comes into the audit approach and it's a risk based audit and, you know, so it means we really end up doing more work in, in areas that have high high risks. So that really is the idea.

So the more risks, the more work we do. Um, and again, there's a lot of unusual things that have happened this year that really have. Have to be addressed as part of the audit, obviously, uh, we're we're doing this meeting virtually, right. Um, and, uh, not only are we doing meetings virtually, but there's a lot of work that's being done virtually, um, fact, uh, many of the audit steps we're doing are preliminary on accepts where we're going, um, is being done remotely right now.

Uh, and you know, our firm has been very. Um, you know, I'm up to date with technology. So I think for the most part, uh, this process has gone. Fairly smoothly. We've made a pretty significant investment in technology over time, and it really has paid off and it does seem to work very well. I am, we're getting some pretty positive feedback from appliance too.

So I think that's very positive. But the other thing that's changed now is, is what has changed in your daily routines, um, as a result of the pandemic. And, and we will, we have to make sure that we adjust our procedures. Based on the types of things that you've changed on, you know, new programs and activities.

Uh, so we focused on the key controls, the key checks and balances, um, you know, what's changed as part of the COVID, um, process. So again, uh, that's one of the areas of focus. Um, part of that focuses on compliance. And again, as we look at the bottom half of the page, it's some of the areas that, that truly have had some significant modifications, you know, in terms of your school lunch, claiming procedures, all of the different waivers that districts had to have, have to obtain for the school lunch program.

So, you know, so you'll have some new federal valors in those programs, uh, uh, as you know, um, um, Um, you continue to serve children, um, during the pandemic and, and those lunches that you were served are now being reimbursed, uh, at a free rate. Um, so, so you'll receive additional federal dollars, you know, obviously.

The type a sales, the charged meals go away, but you will get some additional federal dollars based on the meals that you're serving. So understanding the process that you went through to distribute the meals and the corresponding waiver. So spend some time there. Uh, there's tears act. It's money. Um, the majority of that money won't come until 2021.

Um, but, but it's there, uh, we're working on that. We're understanding that, uh, but then there will be some other unemployment relief, uh, again, um, that's something fairly new, uh, that relates to, um, um, the, the amount that you paid in New York state. So, you know, there's that \$600. That the federal government is paying a hundred percent of.

And then, then there's the normal unemployment that you've paid in New York state. Well, one half of whatever you paid in New York state is potentially reimbursable as part of the, this, this relief that the federal government is providing. So, um, so you'll, you'll be able to get reimbursement for that. So again, a lot of.

Unusual or new items that we're staying on top of and working with the districts to make sure we're communicating, um, the, the risk of fraud. Again, that's part of the audit process. We have to talk to folks both in, in management and outside management. So we're having those conversations. So that's very.

You know that that's something we're doing part of the remote work. Uh, we've got video conferencing. We can do we keep them, we can also do, um, phone interviews and, and these are just some of the, the topics that we continue to talk with clients. Um, you know, we, we call it the F word, but we have to talk about it with clients and, and, you know, if there's any concern from the board or the audit community, certainly that that's something that we'd want to be, be made aware of.

So we can make sure that we're addressing it. As party. And so again, um, you management, the board has fraud prevention and detection procedures. Uh, the primarily that's the, um, uh, your whistleblower policy. Uh, so just some things that you do internally. And again, we always have to brainstorm as part of that process, but.

You know, the most important area to just kind of review and talk a little bit about this year really ends up being the reserve funds. Um, you know, and I know Gary does an excellent job in communicating with the audit committee, with the board as to the reserves, the status of the reserves, uh, um, and you really have done a very good job over the years, uh, with this.

And it's really going to pay off right now. Cause it, as, you know, uh, uh, the districts, they really didn't look and monitor their longterm reserves and, and understand their reserves are really gonna face some pretty, pretty, pretty difficult times over the next couple of years. Um, you know, this. The challenges that you're going to face are really, you know, uh, it's going to be a three to five year challenge and, and, you know, uh, utilizing your reserves and fund balance will be part of that process.

Understanding what reserves are flexible. Um, you know, you can see the district is using reserves. She used a little over 485,000 between the general fund reserves and that, that service money, um, to balance your budget. Right. So, so that means you have to generate surplus equal to that this year, just to break even.

And so, so really having these reserves, um, they've been beneficial for school districts and, and will be very beneficial over the next few years to help offset any of the state aid shortfalls, any of the increases and other costs that are associated with it. You know, the. The TRS ERs reserves. Those are our two reserves that may not be utilized immediately, but as you know, there, the state dictates what those rates are and, um, you know, they're, they're based on the market returns.

There's a three to five year delay or a couple year delay. And. And when they factor those into the rates. So, you know, those reserves are going to be important in the next few years. So again, understanding what your reserve plans are having good long range planning, having good discussions about your reserves and the status, your reserves, um, you know, all, all things you want to continue to do.

And I know you did. He'd do a good job of that. So that's, that's really, really positive. Um, um, you know, we have heard some rumblings of a waiver of the 4% requirement for schools this year, but I don't think that's really gone anywhere. I think it was some initial conversations, but really it's just kind of stopped at the door.

Um, so, but if we hear anything, we'll let you know. Um, but we're monitoring it, but, but really the most important bullet point is that last one. As, as you're going through the next few years and using reserves and fund balance to balance your budget, you know, as you begin to erode those reserves and fund balance, you just have to make sure you have a plan on how you're going to reduce the reliance on that mess.

You know, that's an area that, that yet, you know, yet. Yeah, you do a good job of monitoring that. Um, but again, that's just something we continue to talk to districts about and make sure that if you begin to go down their path, you know, make sure you have a plan on how you're going to wean yourself off because that's, that's, that's going to be the challenge as districts begin to move in that direction.

Uh, how do you, how do you, how do you slow that down? How do you pause that? So, um, couple of the other items that are kind of touched on already, um, You know, the cares act money again, it's new federal revenues. So unfortunately there's been limited guidance put out there by the state and exactly how to handle it.

We think if you go back to 2009, 10, 10, 11, there was the old era money that school districts received. And we really think the way that the governor rolled it out. Um, it's going to be very similar to that. So there was a budget school districts had to prepare. There was a they had to draw the money, final cost report she had to submit.

So we think it's going to be very similar to that still handled through the general fund. But again, we're, we're still waiting to hear the guidance and see the guidance, uh, and you know, it's, uh, mid June and we still haven't seen it yet. So, um, you know, I think that's the other challenge. I'm on a school lunch.

Losses deficits again. Uh, um, some districts are seeing some challenges in that area. Uh, so just if you know, we're, we're also hearing districts, maybe having some surpluses at the end of this year, you know? So, so just taking a look at that and seeing if there's anything you can do to offsetting those losses.

If in fact that's the case here, um, you know, to do it now versus waiting a year or two. So again, they're ordinary contingents. Oh items. So the board can transfer money over. I think they, the, if they want to offset any deficits or losses this year, really the other area that we've been really talking with districts about the student activity funds, again, as a result of the pandemic, um, the schools really, they, they closed down fairly quickly.

Uh, and, and, you know, so, so I'm sure there were some fundraisers that were in process, you know, so what's the status of those fundraisers? Uh, what happened to any unsold inventory? What about funds? Has everything been collected from the advisors and the students had been deposited? So they're just having some conversations with your advisors, taking a look at a financial report.

No year to date report to make sure there's no anomalies in there. So, so again, just with districts about that as part of the upcoming audit, to make sure we're looking at that, um, Yeah. And then a couple of the things that we've talked about in the past that continue to be challenges, you know, the uniform grant guidance.

So, so federal procedural manuals, maintenance of efforts really related to your ID EA programs. Um, so just continuing to monitor those smart school bond act STDs, doing audits of these areas, uh, um, with the bandaid, what we're hearing that the STDs finding is that. There, if you were buying computers as CDs going out and actually picking computers and saying, where are they?

And districts are having some challenges and finding those computers. So if you, if you are purchasing computers with those dollars, just to make sure you have good monitoring of those. Cause again, that's, that's what STD seems to be talking about right now. The cyber risk. Again, that's an area we continue to talk about.

Always challenging, uh, retiree health, other post employment benefits, you know, again, that stuff, uh, the, the unfunded costs of health insurance that you practice, I miss, you know, based on your contracts that you have in place. Um, so, you know, it's something that you have to report, uh, you can't fund, uh, but you know, you have done things to control those costs in the past.

So again, that's a fairly substantial number for most districts on, you know, how do you compare to other districts? You know, those are gonna be some questions that. That I'm sure you'll hear about over the next few years. Um, so, uh, just other areas that we've been talking about then the last really bullet point, um, really ends up being things that you were supposed to do this year, but, you know, Gatsby's delayed some implementation.

Criteria this year, just because of the whole pandemic they're realizing districts really don't have the ability to meet, implement these new requirements. So, um, they've delayed both Gatsby, 84 and 87. So you'll have a little more time to do that. And we'll set up some implementation meetings with the business officials and.

And, um, you know, Gary, uh, uh, to just kind of talk about, uh, how to implement those as we go into the next year. Uh, so we'll set some meetings up in the fall. Um, Timeframe to kind of review where we're at with that. So, um, but again, it's positive, at least they're acknowledging that it's something that that's off your plate now that you don't have to worry about right now.

So I think that's very positive. So, so again, I think you're doing a great job. It's the reserves and fund balance, probably the most important piece in this document, your reserve plans. And I know you're doing a great job on that. Um, but if you have any questions, I'll be happy to kind of ask or, or react to those.

Um, I'll just jump in quickly. Anybody else can also, uh, uh, I want to say thank you very much, Tom. Um, not just also want to, um, just summarize quickly, like this is, we're just starting our preliminary audit, uh, steps and that's usually taken out, look, look at our controls and transactions. Um, And at this point, and we're doing most of that remote.

Well, the, actually it was sending files to your office today time. Um, just to say that this is the time, uh, when the auditor comes, speaks to the audit committee, before the audit ex the real audit actually starts, right? So we have our preliminary audit, usually takes place in the spring. And then we have our regular audit work where you're actually, um, Um, coming in, um, looking at all of our accounts, uh, putting together the financial report, which, um, will, uh, be summarized, uh, probably that September, October timeframe, right time and presented to the board, uh, to approve that.

And at that time, um, I believe we'll be asking you to come back right time. Yup. Yup. So typically we meet with the audit committee and read the review of the financial statements in that salary. And I did that last year, um, usually around September, October timeframe. Um, cause you know, it's due to the stay ground, October 15th.

Okay. And I just want to let the board know that, um, we will plan on having, um, uh, another audit slash finance committee meeting in August when we go to set the levy. So, um, you know, that'll, you know, the books will be coming to a close probably, um, uh, in August, hopefully, uh, her first meeting in September, don't remember the date, uh, you know, we'll have the, uh, The June treasurer's report.

And that gives yeah, you know, a summary of the general fund revenues expenditure report, as well as all the cash as usual. So that's kind of the process. I just wanted to kind of re reiterate, this is the beginning process of the audit. Then Tom will be back in the fall to kind of, um, summarize the results of the audit.

I have one question too, regarding the student funds. I know Greg that you indicated you're going to go over this a little later, but what have you been seeing in terms of other districts for the senior extracurricular funds and what they've been doing and.

um, we've gotten a lot of questions on, on the senior counts, you know, because there's been some significant balances, uh, left in them and really have to start with what your policies say and, and, and procedures and, and, you know, the, you know, making sure that the students are involved in those decisions.

Obviously, if, if parents paid into, um, into those funds, uh, Money for student trip, you know, those should be refunded back to the parents. Um, but you know, then you're, you end up with a pool of money that, that, you know, uh, the students were planning to spend on something. So really that that's where you have to be very involved in the conversations of that.

And what makes sense, what doesn't make sense, what are the students want to do with that? So we've seen some things, uh, uh, around, uh, those, those transactions. We've seen some scholarships given out, um, We've heard some groups talking about doing some, some, some, um, you know, some things that, you know, in the summer, early summer with, with graduation, something in that line.

So there's been a lot of discussion, but you really have to take a look at it. And how does it fit well with your district? Thank you. Thank you. Yeah. Thanks Tom. Any other questions for Tom?

Like you said, Tom, there's a, there's a lot of stuff in here and you, you, you, you touched, uh, you did a good job getting through it all in a short amount of time. So, um, appreciate it. And you know, anybody does have questions. They can always ask me and I can, well, always getting, get in touch with Tom or anybody in his office.

So we always appreciate our auditors.

Thanks a lot of time.

Yeah.

We need a motion to adjourn.

Alright. Thank you. Thanks Tom. Yeah. Thank you. Have a good night. You too. Bye.