

*State of New Jersey
Office of the State Comptroller
Audit Division*



***A PERFORMANCE AUDIT OF SALEM
COUNTY SPECIAL SERVICES AND
SALEM COUNTY VOCATIONAL
TECHNICAL SCHOOL DISTRICTS***

For the period July 1, 2013 through June 30, 2016

Kevin D. Walsh
Acting State Comptroller

September 17, 2020

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BACKGROUND

The Board of Education for the Special Services School District and the Vocational Technical School District of the County of Salem (Board), which consists of seven members, governs and oversees both the Salem County Special Services School District (Special Services) and the Salem County Vocational Technical School District (VoTech), as allowed by *N.J.S.A.* 18A:46-47. The two Districts share policies and procedures and certain positions, including a superintendent of schools, a school business administrator (SBA), and administrative support staff.¹ The Districts also share curriculum and professional staff development functions. The Board appoints a superintendent of schools responsible for the establishment of a management team and the administration of both Districts. The management team is responsible for establishing and maintaining an internal control structure, including policies and procedures, to ensure that the assets of both Districts are protected from theft, loss, or misuse.

VoTech is one of the 21 county vocational-technical school districts in New Jersey. VoTech's mission is to prepare students for employment. Its services consist of career and technical education; arts, science, and technology academies; special needs programs; post-secondary and community education programs; and child care services.

Special Services provides special educational services for children from birth to age 21. Specifically, Special Services offers programs that include pre-school, alternative high and middle schools, transitional career programs, and services for students with disabilities.

In Fiscal Year (FY) 2016, the two Districts collectively served approximately 1,165 students and employed 172 full-time equivalent employees. Their combined total revenue was approximately \$18.9 million. State aid accounted for 35 percent of that revenue.

¹After the completion of our audit fieldwork, in May 2019, the Board appointed an SBA for each District.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our performance audit was to review both Districts' controls over selected fiscal and operating practices. We also reviewed selected information system security controls. Our audit covered the period July 1, 2013 to June 30, 2016.

To accomplish our objectives, we reviewed relevant statutes, regulations, and the Districts' policies and procedures. We examined Board meeting minutes, financial reports, purchase orders, tuition agreements, Treasurer and Secretary Reports, child care attendance records, payroll records, and other relevant supporting documents. We interviewed the Districts' personnel to obtain an understanding of their job responsibilities and observed business practices and controls to obtain an understanding of the Districts' overall operations and internal controls.

Unless otherwise noted in this report, we selected samples for testing based on professional judgment. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination. Our sample selections were designed to provide conclusions about the validity of the sampled transactions and the adequacy of internal controls and compliance with applicable statutes, regulations, and policies and procedures with regard to the same. Because we used non-statistical sampling, the results of our testing cannot be projected over the entire population of like transactions.

We performed this audit pursuant to the State Comptroller's authority set forth in *N.J.S.A. 52:15C-1 et seq.* We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SUMMARY OF AUDIT RESULTS

Our audit identified the following internal control weaknesses: inadequate accounting system security controls; a lack of segregation of duties for the purchasing and accounts payable functions; noncompliance with certain statutory requirements; and inadequate management review and oversight over selected operations and business practices. These weaknesses resulted in unauthorized transactions and potentially lost revenue. Specifically, the audit found that both Districts:

- Lacked adequate accounting system security controls.
- Failed to ensure that the Treasurer and Secretary Reports were completed pursuant to the regulations specified in *N.J.S.A.* 18A:17-9 and 18A:17-36.
- Lacked appropriate accounting controls and segregation of duties.

The audit also found that VoTech lacked adequate internal controls for the billing and collection of payment for child care services.

The Districts must improve their current practices, revise and develop policies and procedures, and increase management oversight to achieve greater operational effectiveness and improve compliance with state regulations and internal policies and procedures.

We make eight recommendations that the Districts should implement to address the control weaknesses we identify in this report.

AUDIT FINDINGS AND RECOMMENDATIONS

Accounting System Security Controls

The Districts failed to implement policies and procedures and adequate controls to prevent unauthorized user access to the accounting system. In addition, the Districts did not monitor user account access privileges, which, in some instances, violated controls requiring appropriate segregation of duties.

The Districts' management team is responsible for the establishment of internal controls that provide reasonable assurance that only authorized transactions are executed and recorded. Districts are required to establish access controls "for key elements of financial systems to ensure a single person does not have the ability to make system edits that would violate segregation of duties controls." *N.J.A.C. 6A:23A-6.7(c)*. All changes in user access, including "creating, modifying, and deleting" must be documented and approved by the SBA using a "user access request form." *N.J.A.C. 6A:23A-6.7(c)(1) and (2)*.

The objectives of our audit of the Districts' accounting system security controls were to determine (1) whether the accounting system users had appropriate access based on their job duties and responsibilities; (2) if proper segregation of duties had been maintained; and (3) if the users had complied with the password complexity policies and procedures. We relied on the Federal Information System Controls Audit Manual (FISCAM),² which provides a methodology for performing information system audits. With respect to user account access controls, "an entity should institute policies and procedures for authorizing logical access to information resources and document such authorizations." Access controls should enforce segregation of duties. The control process can be simplified by developing standard profiles that describe access needs for groups of users with similar duties, such as accounts payable clerks. FISCAM AC-3.1, pp. 222-23.

²<https://www.gao.gov/assets/80/77142.pdf>

As part of an effective system of controls, an entity should monitor, maintain, and continually adjust access authorizations and related controls to accommodate new and departing employees and changes in users' responsibilities and related access needs. FISCAM 3.2, pp. 198-99.

Our audit found that the Districts' accounting system security controls were not adequate. Specifically, the Districts did not implement formal policies and procedures for assigning, documenting, or tracking access changes for system users. By failing to monitor user account access privileges, the Districts did not establish the appropriate segregation of duties as required by *N.J.A.C. 6A:23A-6.7(c)*.

System Access Controls

We obtained and reviewed a list of all accounting system users at both Districts as of June 15, 2016. We noted five employees had unrestricted access to the accounting system's security module. With such access, these employees could view the passwords and edit system access privileges for all users. The Districts improperly provided security access privileges to three of the five employees, including an administrative assistant. We found that these three employees had access to systems that were not necessary to fulfill their job duties. In doing so, the Districts failed to implement basic internal controls and maintain segregation of duties.

An employee with unrestricted security access has the ability to execute transactions outside the scope of the employee's responsibilities, without management approval, and to make unauthorized system modifications. The Districts' inadequate system access controls diminish the reliability of the financial data and increase the risk of theft, loss, destruction, and inappropriate disclosure of data. Such inadequate controls create the risk that the Districts' employees may process erroneous or fraudulent transactions.

User Privileges

Effective segregation of duties starts with effective entity-wide policies and procedures that are implemented at the system and application levels. FISCAM 3.4, p. 301. The District should segregate employee work responsibilities to prevent any single employee from having the authority to control all critical stages of a process.

We confirmed that the user access privileges the Districts implemented for some employees did not properly segregate duties. Our audit found that the Districts granted administrative assistants user privileges to access the accounts payable system, although such access was beyond their job title, duties, and responsibilities. In addition, the Districts' accounts payable clerks had unrestricted access to all aspects of the Districts' payment process. The clerks were able to initiate, change, approve, and issue a payment without any oversight or approval, in violation of segregation of duties controls.

Accounting System Password Complexity

The Department of Education requires districts to implement proper protocols to address password expiration and complexity. *N.J.A.C. 6A:23A-6.7(c)*. Typical password security controls include, but are not limited to, the requirements that passwords never be the same as user IDs or words that are easily guessed (such as "password") and that passwords contain a minimum of eight characters including both alphanumeric and special characters. FISCAM AC-2.1, p. 216.

The Districts' IT Acceptable Usage Policy, which provides guidance on the use of the information systems, did not include instructions or requirements for password management. The Policy's lack of password requirements, including appropriate complexity restrictions and periodic change, create risks that could be easily minimized or eliminated.

We tested the password complexity for the Districts' active system users as of July 14, 2016. Our audit found the Districts' employees used passwords that lacked complexity. Simple, obvious, and easy-to-guess passwords make the Districts' information systems vulnerable. We reviewed all 58 unique user accounts. Our audit found that 18 user accounts had passwords that matched the employee's first or last name, the employee's user name, or the accounting system name. Thirty-eight user accounts had passwords that failed to include both characters and numbers. Forty-four user accounts had passwords with less than eight characters.

Recommendations

1. Develop policies and procedures and appropriate controls for the accounting system user access, including segregation of duties, to address the requirements of *N.J.A.C. 6A:23A-6.7(c)*.

The Districts should consider recognized authoritative guidance, such as FISCAM, in drafting its policies and procedures.

2. Develop policies and procedures for the assignment and modification of system user access and privileges. The Districts' procedures should grant the employees user and system access based on job duties and responsibilities and include monitoring of user access and periodic review of privileges. The Districts also should use a formal user access request form to document management review and approval.
3. Establish a password management process for the accounting system using recognized authoritative guidance, such as FISCAM. At a minimum, the password process should require all users to create complex passwords and to change those passwords on a regular basis.

Treasurer and Secretary Reports

The Districts did not submit Treasurer and Secretary Reports to the Board in accordance with State law. Monthly Treasurer and Secretary Reports were not completed in the proper order, Secretary Reports did not include required information, and annual Treasurer's reports were not completed.

In FY 2016, the Board employed a treasurer for the Districts. The treasurer is required to prepare and submit to the Board monthly and annual reports (Treasurer's Reports) for each District that contain a detailed statement of reconciled accounts. *N.J.S.A. 18A:17-36*. The treasurer is also required to provide the report to the Board secretary and to assist the secretary in further reconciling the cash record balance to the reconciled bank balance. Such reconciliations must occur prior to the secretary reporting to the Board. *N.J.S.A. 18A:17-9*. The secretary must then report to the Board a detailed summary for each District of the appropriations, cash receipts, and warrants of payment for all accounts (Secretary's Reports).

Reporting Requirements Not Met

We tested whether the Districts reconciled all of their bank accounts monthly for FY 2016 and whether the treasurer had prepared and submitted the Treasurer's Reports to the Board prior to the submission of the Secretary's Reports.

Our audit found that the Districts reconciled all bank accounts. However, for FY 2016, the treasurer did not complete the annual Treasurer's Reports for both Districts. Our audit also found that the Board secretary submitted the Secretary's Reports to the Board several months before the Treasurer's Reports, contrary to *N.J.S.A. 18A:17-9*. In addition, the Secretary's Reports did not include the agency fund bank accounts, which are used to account for student activity funds, or the Districts' payroll transactions. Although the SBA advised us that the District does not have to reconcile the payroll account because it is performed by an outside entity, we found that the treasurer performed the monthly reconciliations of the payroll account and the cash summary report for all accounts, as required by *N.J.S.A. 18A:17-9*.

Recommendation

4. Develop procedures to ensure that the submission of required Treasurer's and Secretary's Reports for all accounts occur in the right order and on time in accordance with the provisions of *N.J.S.A.* 18A:17-9 and 18A:17-36.

Accounting Controls

The Districts lacked proper internal controls and failed to provide adequate oversight over segregating duties, authorizing payments, safeguarding assets, approving purchase requests, allocating shared services, and borrowing from student funds. These weaknesses allowed inappropriate transactions to occur and created the opportunity for misappropriation of District assets.

In order to receive State aid, each school district and county vocational school district must establish specific policies and procedures on internal controls designed to provide administrators reasonable assurance that the school district's goals and objectives will be met. *N.J.A.C. 6A:23A-6.4*. Such internal controls “promote operational efficiency and effectiveness, provide reliable financial information, safeguard assets and records, encourage adherence to prescribed policies, and comply with law and regulation.” School districts must also meet the requirements of *N.J.A.C. 6A:23A-6.5* through 6.13, which include, among other requirements, the establishment of a strong control environment, segregation of duties, and access controls for financial systems. We tested selected areas for the existence and adequacy of, and the adherence to, policies and procedures on internal controls.

Lack of Management Review and Segregation of Duties

The SBA is required to identify functions performed by the same individual that constitute a violation of sound segregation of duties and to segregate those duties based on available resources. *N.J.A.C. 6A:23A-6.5*. In accordance with the requirement to follow Generally Accepted Accounting Principles (GAAP), districts should apply best practices in designing and implementing internal controls. Such best practices for governmental entities include the U.S. Government Accounting Office’s *Standards for Internal Control in the Federal Government (Green Book)*.³ The *Green Book* notes that proper segregation of duties prevents fraud, waste, and abuse in the internal control system. However, if segregation of duties is not practical within an operational process because of limited personnel or other factors, management should design alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

³<https://www.gao.gov/assets/670/665712.pdf>

The Districts did not implement adequate management review and oversight of the accounts payable process. In addition, the process lacked segregation of duties. We found that two accounts payable clerks were able to access the blank check supply, print signed checks, and issue payments without any authorization controls. For example, in FY 2014, the Department of Education provided grant funds to VoTech to support career and education programs. Because grant funds exceeded expenditures by \$16,800, the District was directed to reimburse the unspent funds to the Department of Education. Rather than reimburse the requested amount, VoTech issued a reimbursement of \$563,000, the full amount of grant funds, to the Department of Education. The error occurred because the SBA requested the clerk issue the refund check by leaving a note on the clerk's desk, but was not available for questions or approval. The payable clerk misinterpreted the note and, due to a lack of segregation of duties and insufficient accounting controls identified later in this report, was able to generate and issue the payment to the Department of Education. The error was identified when the Department of Education returned the check to VoTech instead of depositing it. As a result of such weaknesses evident through this example, the Districts were not likely to detect errors or fraud.

Board Authorization of Payments

The Board secretary, acting as general accountant of the Board, must present all payments for approval to the Board and identify in writing which payments had been approved. *N.J.S.A. 18A:17-8*. The District requires that "all claims shall be fully itemized, verified, and shall be submitted for Board review and approval or ratification." District Policy 6470.

We reviewed the Board meeting minutes for all payments approved by the Board for both Districts during the audit period. We compared the approved payments to checks recorded in the Districts' accounting system. We found the details of 1,037 checks - totaling nearly \$3.4 million - that were required to be presented to the Board for review and approval were not. The Districts' failure to obtain Board approval was the result of the gap in time between when the Districts generated the list of payments to be presented and when the Board meetings occurred.

The Districts' lack of controls over check access and disbursements, combined with the Boards' poor oversight of the issuance of such checks, contributes to a weak control environment in which the opportunity for misappropriation of assets due to fraud or error is substantial.

Safeguarding Assets

The Districts did not have adequate physical controls to safeguard its blank check supply. Our audit found that the District did not secure the safe room nor the safes where the Districts' check supply was stored. While observing the accounts payable process, we observed a clerk obtain the safe room key from an unlocked desk drawer, and the safe combination, written on a post-it note, from an unsecured rolling cart in the business office. The clerk then retrieved blank checks from the safe for printing. In view of the inadequate physical controls, we also reviewed check sequences from FYs 2014 through 2016. The Districts could not account for four checks in the accounting system, but subsequently accounted for them through bank confirmation.

The Districts' lack of appropriate physical controls to secure its blank check supply weakens the control environment and increases the opportunity for waste, fraud, and abuse.

Requisitions and Purchasing Controls

School districts are required to establish standard operating procedures for each function of business operations, including purchasing and the preparation of purchase requisitions. *N.J.A.C. 6A:23A-6.6*. The Districts have policies and procedures that establish the purchasing process, including a provision requiring the request for goods and services to be approved through a purchase requisition. Our audit found that these policies and procedures were not consistently followed.

Our review of the Districts' purchase order registers for FY 2015 and 2016 found that the Districts created more than half of the purchase orders without an approved requisition. The purchase requisition process ensures management approval for the purchased goods and services and is an important part of purchasing controls.

Purchase Order Creation and Supporting Documentation

The Districts' accounting system allows for the creation and issuance of purchase orders with approval signatures even though they have not been authorized by the appropriate management officials, the Superintendent, and the SBA. We observed accounts payable clerks at both Districts create signed purchase orders without the authorized signatories' knowledge or approval. The

Districts' failure to implement adequate controls compromises the internal controls by removing proper accountability and creates the opportunity for error or fraud.

From FYs 2014 through 2016, Special Services and VoTech processed 4,393 and 2,954 checks, respectively. We selected a random sample from Special Services of 132 checks issued for 163 transactions, and from VoTech 88 checks issued for 101 transactions. Our audit testing involved confirming the existence of documents to substantiate the payments, including the purchase requisition, signed purchase order, receiving report, and vendor invoice. For Special Services, we found missing documents in 31 of the 163 transactions, an error rate of about 19 percent, and in two of the 101 transactions for VoTech.

The payments issued with missing documents included transactions without signed purchase orders, transactions in which the District did not provide an invoice or other supporting documentation, and invoices that did not reconcile to the purchase order. In one instance, Special Services did not have a signed copy of a purchase order for approximately \$15,000 of goods and services. Additionally, the vendor invoices provided were approximately \$3,000 more than the amount on the purchase order. Special Services did not provide invoices for five purchase orders totaling approximately \$14,000. VoTech did not provide invoices for two purchase orders totaling approximately \$1,000.

Payments Exceeding Approved Purchase Order

A school district must establish an approval process for any payment that exceeds the approved purchase order amount. *N.J.A.C. 6A:23A-6.10*. The Districts' policies and procedures require the SBA to identify and, as necessary, to investigate the reason for the additional charge and permit an amendment to the purchase order. Our objective was to verify the Districts' compliance with its policies and procedures.

We found that the SBA did not investigate or authorize charges greater than the purchase order amounts. The Districts' policy specified that the accounting systems must be programmed to limit system access so that only appropriate business office staff may adjust purchase orders, reject adjustments above any approval thresholds, and prevent unauthorized changes from being processed. Although the accounting software vendor informed us that it is possible to create

system limits for purchase order changes, such as percent or dollar value limits, the Districts did not implement such limits.

In FYs 2015 and 2016, the Districts paid 564 purchase orders that exceeded the authorized amount: 424 for Special Services and 140 for VoTech. We selected a judgmental sample of 30 purchase orders - 20 from Special Services and 10 from VoTech - that had the largest percentage excess payment to verify whether the SBA approved the increased amount before payment was issued. Our audit found that the SBA approved none of the 30 purchase orders sampled for the increased invoice amounts.

The Districts' lack of management review and oversight of the purchasing process may lead to waste, fraud, and abuse. However, despite the lack of management review, we did not identify waste, fraud, or abuse in the 30 purchase orders we reviewed.

Allocation

A district that provides a shared service to another district must account for the shared service costs in an internal service fund, in accordance with GAAP, and must allocate the costs based on user-charges to all participating entities at least annually. *N.J.A.C. 6A:23A-16.11*.

The Districts shared administrative staff but did not properly account for the shared services. Our review of the Districts' FYs 2016 financial statements found that the Districts did not use an internal service fund. Instead, the Districts tracked the shared costs in spreadsheets to support the billings of shared services between them.

We reviewed the FY 2016 payroll expenditures for the shared personnel, summarized in the spreadsheets. We identified multiple calculation errors and certain payroll tax expenditures that had not been included in the billing. As a result of these errors, VoTech overcharged Special Services by more than \$103,000. We note that the errors were not the result of incorrect payroll filings or payments; they were limited to the shared service billings.

The Districts' use of the internal service fund and monthly accounting reimbursements would allow for accurate and timely reporting of operations and for monitoring of each district's cash flow.

Prohibited Borrowing of Student Funds

During our audit, we found that VoTech, in FY 2015, at the direction of the SBA, paid a District expense of approximately \$4,000 from the student activity account due to a cash flow shortfall. Although the account was reimbursed eight days later for the expense from VoTech's general fund, the District's actions did not comply with *N.J.A.C. 6A:23A-16.12*, which prohibits borrowing from student activity accounts.

Recommendations

5. Review and evaluate the accounts payable process to establish appropriate policies and procedures and internal controls requiring adequate segregation of duties, proper authorization of accounts payable transactions, secure blank check supply, and appropriate management review and Board oversight before checks are issued.
6. Develop and implement policies and procedures to account for the shared services in compliance with *N.J.A.C. 6A:23A-16.11*.
7. VoTech should develop adequate controls to prevent it from borrowing from student activity accounts in compliance with *N.J.A.C. 6A:23A-16.12*.

Billing and Collection of Service Fees

VoTech's billing and collection of child care service fees lacks internal controls. VoTech's poor recordkeeping for attendance, inconsistent billing, and failure to reconcile its billings with payments received for services rendered may have resulted in lost revenue.

Through its Learning Center, VoTech offers child care services for children ages 2½ to 5 years old during the school year and for school-aged children during the summer months. The Learning Center's daily capacity is 33 children. The Board sets child care rates based on the child's age and on whether the child attends full- or part-time. The Board has authorized an employee discount and a multi-child discount. In FY 2015, 17 children attended the Learning Center throughout the year. In FY 2016, attendance grew to 18.

VoTech provides child care services to families that pay the full rate and to families eligible for child care assistance through the Department of Human Services, Division of Family Development's Child Care Subsidy Program. Those eligible for child care assistance must pay the difference between the Board's rate and the state subsidy, as well as any applicable co-payments. In FY 2015, eight families received child care assistance. Only four families received assistance in FY 2016.

As previously stated, each school district and county vocational school district must establish specific policies and procedures on internal controls designed to provide management with reasonable assurance that the district's goals and objectives will be met. *N.J.A.C. 6A:23A-6.4*. School districts must also establish policies and procedures for the business operations of the district, including for accounts receivable. *N.J.A.C. 6A:23A-6.6*.

Our audit found that VoTech did not establish internal controls or formal policies and procedures for billing or collecting payment for its child care services. In addition, VoTech's accounting of its child care services lacked adequate monitoring and oversight.

We reviewed all available documents, including invoices, attendance, and payment records for VoTech's child care services. We found that VoTech did not maintain accurate or complete

records that documented daily attendance, invoicing of services, or collection of payment. In addition, the District did not reconcile the attendance records to the invoices and payments received to ensure that all child care services provided were properly billed and paid. VoTech's lack of controls and written policies and procedures for its child care services likely caused inaccurate billing, uncollected payments, incorrect rates, and lost revenue.

Recommendation

8. VoTech should develop and implement policies and procedures for record keeping, billing, and collection of payment for its child care services.

REPORTING REQUIREMENTS

We provided a draft copy of this report to the Special Services School District and the Vocational Technical School District officials for their review and comment. The Districts' officials agreed with our audit findings and conclusions, and its response indicated they intend to implement corrective actions to address our recommendations. The Districts' comments were considered in preparing our final report and are attached as Appendix A.

We are required by statute to monitor the implementation of our recommendations. In accordance with *N.J.A.C. 17:44-2.8(a)*, within 90 days following the distribution of the final audit report, the Districts are required to provide a report detailing the corrective action taken or underway to implement the recommendations contained in the report and, if not implemented, the reason therefore. We will review the implementation of the corrective action plan to evaluate whether the steps taken by the Districts effectively implement our recommendations.

We thank the management and staff of the Districts for the courtesies and cooperation extended to our auditors during this engagement.



John R. Swain
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Jennifer K. Bates, Ed.D.
Assistant Superintendent/
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July 31, 2020
Ms. Yvonne Tierney
Audit Director
Office of the State Comptroller
P.O. Box 024
Trenton, NJ 08625-0024

Dear Ms. Tierney:

The Salem County Vocational Technical School District and Salem County Special Services School District (the "District") is in receipt of and has reviewed the Performance Audit of Selected Fiscal and Operating Procedures (the "Audit") for the period July 1, 2013 through June 30, 2016 prepared by the State of New Jersey, Office of the State Comptroller ("OSC"), Audit Division. The Audit noted four Findings to which this letter serves as the District's response.

The District accepts all findings and has proactively addressed many of the findings through a change in leadership. The Board of Education has modified its organizational chart beginning June 1, 2019, and is operating the business office with two Business Administrators, one for each District. Although this is not the long term goal of the Districts, it has proven very successful in addressing many of the findings and I am confident the business operations have been drastically improved since this audit.

Finding: Lacked adequate accounting system security controls.

Response: The District migrated to a new business software platform in July 2018. New security controls were established and password protection and proper access are being maintained.

Finding: Failed to ensure that the Treasurer and Secretary Reports were completed pursuant to the regulations specified in N.J.S.A. 18A:17-9 and 18A:17-36.

Response: Since May 2019, both Districts Treasurer and Secretary Reports have been submitted monthly. All accounts, including general fund, grant funds, enterprise funds, and student activity funds are successfully reconciled monthly.

Finding: Lacked appropriate accounting controls and segregation of duties.

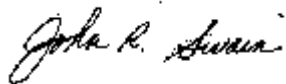
Response: A full review of job descriptions and responsibilities has taken place where tasks have been aligned to ensure consistency in the process for both Districts. The same process and procedures are in place for the entire business office staff as to not have separate processes for each District. Additionally, with the change in leadership of the Business office, chain of command has been revised and staff have been cross trained in each person's role in the process.

Finding: The audit also found that VoTech lacked adequate internal controls for the billing and collection of payment for child care services.

Response: Internal controls are now in place for our employees who utilize our child care services. These balances are reconciled monthly.

I thank you for working with our schools and appreciate the feedback.

Regards,

A handwritten signature in black ink that reads "John R. Swain". The signature is written in a cursive style with a large initial "J" and "S".

John, R. Swain

Superintendent

SCVTS/SCSSSD