

BOARD OF EDUCATION
SALEM COUNTY VOCATIONAL TECHNICAL
SCHOOL DISTRICT
COUNTY OF SALEM
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS-
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Special Services School District and Vocational School District
Of the County of Salem
Woodstown, New Jersey

We have audited, in accordance with generally accepted audit standards and **Government Auditing Standards** issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Salem County Vocational Technical School District in the County of Salem for the year ended June 30, 2018, and have issued our report thereon dated January 22, 2019.

As part of our audit, we performed procedures required by the District of Administration and Finance, New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is issued in conjunction with the Comprehensive Annual Financial Report of the Board of Education of the Salem County Vocational Technical School District for the fiscal year ending June 30, 2018 and is intended for the information of the School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915
January 22, 2019

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, the Treasurer of School Monies, activities of the Board of Education, the records of the Student Activity Fund, Food Service Fund, other Enterprise Funds, Special Revenue Fund and other Funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule, contained in the district's **CAFR**.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
John Bolil	School Bus. Administrator / Board Secretary	\$ 10,000
Dr. Frank Badessa	Treasurer of School Monies	175,000

Tuition Charges

A comparison of tentative charges and actual certified tuition charges was made. The actual costs were more than the estimated cost. The board made a proper adjustment to the billings and invoices to sending districts for the increase in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f) 3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the School Business Administrator/Board Secretary, and the Superintendent.

Payrolls were delivered to the secretary of the board who then deposited warrants in separate bank accounts for net payroll and withholdings.

Financial Planning, Accounting and Reporting (continued)

Payroll Accountand Position Control Roster (continued)

Salary withholdings were promptly remitted to the proper agencies including health benefits withholding due to the general fund.

Finding 2018-1

Bank transfers between the Regular Account and Payroll Agency, were frequently not in agreement with amounts reflected in the District's accounting software program.

Recommendation

Procedures to record bank transfers between the General Account and Payroll Agency should be reviewed and revised, in order to ensure that actual bank transfers agree to amounts recorded in the District's accounting software program.

Certification of Income Tax Compliance

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (Superintendent and Business Administrator) to the N.J. Department of Treasury appeared to be filed by the March 15 due date.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2017 for proper classification of orders as reserve for encumbrances and accounts payable, and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. This was accomplished through a review of unpaid purchase orders included on the balance as accounts payable for proprietary and to determine that goods were received and services rendered as of June 30, 2017.

Minutes

The monthly minutes of the Board were generally well prepared and budget transfers were noted in the minutes, with the exception of the following:

District Internal Control Policies

District boards of education and administration are responsible for developing internal controls policies and procedures and maintaining a strong internal control environment. NJAC 6A:23A-6.4 requires that the district's internal control policies include specific requirements at NJAC 6A:23A-6.5 through 6.13. Internal control policies were found in accordance with NJAC 6A:23A and no exceptions were noted during our review of travel expenditures.

Financial Planning, Accounting and Reporting (continued)

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with **N.J.A.C.** 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with **N.J.A.C.** 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of zero percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings- NONE

B. Administrative Classification Findings- NONE

Board Secretary's Records

The financial records, books of accounts maintained by the Secretary were in satisfactory condition, with the exception of the following:

Finding 2018-2

Numerous adjustments to the District General Ledger were presented as part of the audit, including the June 30, 2018 accrual of the TPAF Reimbursement.

Recommendation

Prior to the year-end close out of the accounting system, various adjustments should be identified and recorded in the general ledger.

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the minutes.

Monthly financial certificates of the Board Secretary and Board of Education for positive line item account status certifications (**N.J.A.C.** 6:2-2.13) were performed.

Budgetary line item account transfers were approved monthly to cover any anticipated deficits.

Treasurer's Records

The Treasurer prepared cash reconciliations for the general operating account, payroll account and payroll agency account per **N.J.S.A.** 18A:17-9. See **Finding 2018-1**

Cash receipts appear to be promptly deposited (**N.J.S.A.** 18A:17-34, 18A:17-9.1).

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (E.S.S.A)

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I, II-A, and IV of the Elementary and Secondary Education Act as amended and reauthorized.

Our audit of the E.S.E.A. funds, on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The District's special projects were approved as listed on Schedule A and Schedule B located in the **CAFR**.

Our audit of the federal and state funds, on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the **CAFR**. This section of the **CAFR** documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the charter school or for those employees whose salaries are identified as being paid from federal funds was made subsequent to the end of the 60 day grant liquidation period, but prior to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Report(s) for all federal awards.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general are available on the website: http://www.state.nj.us/dca/divisions/dlgs/programs/ps_contracts.html.

The current statute is posted on the New Jersey Legislature website at: <http://lis.njleg.state.nj.us>

School Purchasing Programs (continued)

Contracts and Agreements Requiring Advertisement for Bids(continued)

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000 for 2017-18.

The District Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Based on the results of our examination, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977; therefore, the extent of such purchases could not reasonably be ascertained. We did not identify any exceptions through the use of State contracts. In addition, the review of contracts and agreements did not disclose any areas of statutory noncompliance.

Although a particular contract is exempt from the formal requirements of public advertising and competitive bidding, N.J.S.A. 18A:18A-37 requires that quotations be obtained, whenever practical, for any contract over the statutory threshold amount of \$6,000 except for contracts for professional services. All contracts and agreements, which are subject to quotations, shall be awarded on the basis of the lowest responsible quotation received, which is most advantageous to the Board of Education, price and other factors considered. Our examination indicated that the Board of Education complied with these provisions.

School Food Service

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted. The Statement of Revenues, Expenses and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

Other Enterprise Funds

Cash receipts and bank records were reviewed for timely deposit. Expenditures were separately recorded based on line items deemed appropriate. Vendor invoices were available and examined. No exceptions were noted.

Student Body Activities

The Board has a policy, which clearly established the regulation of student activity funds. Receipts appeared to be deposited promptly in the bank and Cash receipts and disbursements records were maintained in satisfactory condition.

Vouchers and supporting invoices were maintained for the student activity fund purchases. All disbursements appeared to be supported by appropriate documentation.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2017 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped and low-income. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to the District workpapers. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollment.

Facilities and Capital Assets

Our procedures, if applicable, included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account. The District has one open capital project, as of June 30, 2018. The project is funded through Salem County bond proceeds and is designated for various improvements to the Career and Technical High School.

Fixed asset records were updated as of June 30, 2018 through contracting with an outside vendor.

Testing for Lead of all Drinking Water in Educational Facilities

The school district adhered to all the requirements of NJAC 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The test results were posted on the district's website as well as being available at the school facility.

Follow-up on Prior Years' Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations, which were all resolved with the exception of the following:

Finding 2017-1

Bank transfers between the Regular Account and Payroll Agency, were frequently not in agreement with amounts reflected in the District's accounting software program.

Acknowledgment

We received the complete cooperation of all the officials of the school district, and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

A handwritten signature in black ink, appearing to read "Raymond Colavita", written in a cursive style.

Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

SCHEDULE OF AUDITED ENROLLMENTS

**SALEM COUNTY VOCATIONAL TECHNICAL BOARD OF EDUCATION
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	2018-2019 APPLICATION FOR STATE SCHOOL AID (10/13/17 DATA)						SAMPLE FOR VERIFICATION						PRIVATE SCHOOLS FOR DISABLED			
	Reported On A.S.S.A. On Roll		Reported On Workpapers On Roll		Errors		Sample Selected From Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported On A.S.S.A. as			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools	Sample for Verification	Sample Verified	Sample Errors
Six																
Seven																
Eight																
Nine																
Ten																
Eleven																
Twelve																
Subtotal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special Ed - Elementary																
Special Ed - Middle																
Special Ed - High	75.0	103.0	75.0	103.0			19.0	26.0	19.0	26.0						
Subtotal	75.0	103.0	75.0	103.0	0.0	0.0	19.0	26.0	19.0	26.0	0.0	0.0	0.0	0.0	0.0	0.0
County Voc. - Regular	629.0	32.0	629.0	32.0			159.0	8.0	159.0	8.0						
County Voc. - FT Post Sec	78.0		78.0				20.0		20.0							
Totals	782.0	135.0	782.0	135.0	0.0	0.0	178.0	34.0	178.0	34.0	0.0	0.0	0.0	0.0	0.0	0.0
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

SCHEDULE OF AUDITED ENROLLMENTS

**SALEM COUNTY VOCATIONAL TECHNICAL BOARD OF EDUCATION
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	Reported On A.S.S.A. as Low Income	Reported On Workpapers as Low Income	Errors	Sample Selected From Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected From Workpapers	Verified to Test Score and Register	Sample Errors
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
Special Ed - Elementary												
Special Ed - Middle												
Special Ed - High	40.0	40.0		25	25							
Subtotal	40.0	40.0	0	25	25	0	0	0	0	0	0	0
Co. Voc. - Regular	127.5	127.5		79	79							
Co. Voc. Ft. Post Sec.												
Totals	167.5	167.5	0	104	104	0	0	0	0	0	0	0
Percentage Error		0.00%			0.00%							

TRANSPORTATION								
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors	Reported	Re-Calculated
Reg. - Public Schools		0			0			
Reg. - Special Ed.		0			0			
Transported - Non-Public		0			0			
Special Needs - Public		0			0			
Totals	0	0	0	0	0	0		
Percentage Error					0.00%			

Avg. Mileage - Regular Including Grade PK students
Avg. Mileage - Regular Excluding Grade PK students
Avg. Mileage - Special Ed with Special Needs

SCHEDULE OF AUDITED ENROLLMENTS

SALEM COUNTY VOCATIONAL TECHNICAL BOARD OF EDUCATION
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Report On</u>	<u>Report On</u>		<u>Sample</u>	<u>Verified to</u>	<u>Sample</u>
	<u>A.S.S.A. as</u>	<u>Workpapers as</u>		<u>Selected From</u>	<u>Application</u>	<u>Errors</u>
	<u>NOT Low</u>	<u>NOT Low</u>		<u>Workpapers</u>	<u>and Register</u>	
	<u>Income</u>	<u>Income</u>	<u>Errors</u>			
Six						
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Subtotal	0	0	0	0	0	0
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal	0	0	0	0	0	0
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	0	0	0	0	0	0
Percentage Error		<u>0.00%</u>			<u>0.00%</u>	

SALEM COUNTY VOCATIONAL TECHNICAL TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION

Footnotes:

- * Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) be utilized when applicable for:
 - (H) Federal Impact Aid. The passage of P.L. 2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve-General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
 - (I) Sale & Lease-Back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid.
- Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-Back	_____	(I)
Extraordinary Aid	_____	(J1)
Additional Nonpublic School Transportation Aid	_____	(J2)
Current Year School Bus Advertising Revenue Recognized	_____	(J3)
Family Crisis Transportation Aid	_____	(J4)
Total Adjustments [(H) + (I) + (J1) + (J2) + (J3) + (J4)]	\$ _____ -	(K)

- ** This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary V
- *** Amounts must agree to the June 30, 2018 CAFR and must agree to Audit Summary Worksheet Line 90030.
- **** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation only that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch or local government. District requests should be submitted to the Division of Finance and Regulatory Control to September 30.
- ***** Increase in Assigned Fund Balance - Unreserved - Designated for Subsequent Year's expenditures July 1, 2018 to August 1, 2018 resulting from decrease in state aid after adoption of 2018-19 district budget. Refer to Commissioner's Broadcast and to page 1-4.2 of this Audit Program.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	_____
Capital reserve	_____ 12,200
Maintenance reserve	_____
Emergency Reserve	_____
Tuition reserve	_____
School Bus Advertising 50% Fuel Offset Reserve - Current Year	_____
School Bus Advertising 50% Fuel Offset Reserve - Prior Year	_____
Impact Aid General Fund Reserve (Sections 8007 and 8008)	_____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	_____
Other state/government mandated reserve	_____
[Other Restricted Fund Balance not noted above] ****	_____
Total Other Restricted Fund Balance	\$ _____ 12,200 (C4)



SIGNATURE OF PUBLIC SCHOOL ACCOUNTANT - No. 915

AUDIT RECOMMENDATIONS SUMMARY

For the Fiscal Year Ended June 30, 2018

SALEM COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT

RECOMMENDATIONS:

1. Administrative Practices and Procedures - None
2. Financial Planning, Accounting and Reporting

Payroll Account

Finding 2018-1

Recommendation

Procedures to record bank transfers between the General Account and Payroll Agency should be reviewed and revised, in order to ensure that actual bank transfers agree to amounts recorded in the District's accounting software program.

Board Secretary's Records

Finding 2018-2

Recommendation

Prior to the year-end close out of the accounting system, various adjustments should be identified and recorded in the general ledger.

3. School Purchasing Programs - None
4. School Food Service - None
5. Student Body Activities - None
6. Application for State School Aid - None
7. Charter School Enrollment System(CHE) (Applicable to audits of charter schools) None
8. Pupil Transportation - None
9. Facilities and Capital Assets - None
10. Miscellaneous - None

11. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings, with the exception of the following:

Finding 2017-1

Procedures to record bank transfers between the General Account and Payroll Agency should be reviewed and revised, in order to ensure that actual bank transfers agree to amounts recorded in the District's accounting software program.