



# McGRAW CENTRAL SCHOOL DISTRICT

10 West Academy St.

McGraw, New York 13101-9479

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**Troy Bilodeau**

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To: Melinda McCool, Superintendent  
From: Troy Bilodeau, Assistant Superintendent of Business & Instruction  
Re: Corrective Action Plan for 2021-22  
Date: October 7, 2022

The 2021-22 fiscal year external audit for the McGraw Central School District was performed by the firm of Port, Kashdin & McSherry, Certified Public Accountants. The firm identified three significant deficiencies. The district's responses to the findings are stated in italics.

**Bank Statement Review:** We previously commented on the bank statement review process in our findings and recommendations from the prior fiscal year. Part of the controls that should be in place at the District include having the Business manager review the bank reconciliations upon completion by the Central Business office; this review is noted by signing the bank reconciliation next to where the District Treasurer also signs as completed. This system of controls is set up to provide segregation of duties for the District and to ensure that someone outside of the Central Business Office is reviewing all activities with the account. Our testing for bank statements indicated that this was not being performed consistently during the current fiscal year, and that there were several months that did not have any signatures present from the Business manager. We also noted that not all adjustments and reconciling items were presented as part of the review. We recommend that all bank reconciliations are reviewed in the subsequent month (30 days), and that all adjustments and reconciling items be presented as part of the bank reconciliation process.

*The district agrees with this recommendation. The OCM BOCES Central Business Office treasurer previously assigned to the district resigned mid-year in 2021-22. The position has now been filled and the district anticipates that these previously reported issues will be resolved moving forward. The Treasurer, contracted through the OCM BOCES Central Business Office, will send all prior bank statements that have not yet been reviewed by the Assistant Superintendent to him by November 30, 2022 for his review. From that point on, the Treasurer will send all bank reconciliations to the Assistant Superintendent for his review within 30 days, beginning December 1, 2022.*

**Accounting Disputes:** Our prior findings and recommendations discussed delays and the inability to obtain a complete and accurate final general ledger was problematic and caused significant setbacks in finalizing the year-end financial statements, as well as calculations of fund balances throughout the year. During the current fiscal year audit, we noted that the accounting and reporting processes were smoother than in the past, however, there were still some delays in commencing the audit and obtaining final information. We continue to strongly recommend that the District, who hires the Central Business Office Treasurer through their local BOCES, establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly and/or quarterly reconciliations of all accounts, making various adjustments throughout the year that have typically been performed at year-end only, and performing more frequent reviews of the general ledger throughout the year.

*The district agrees with this recommendation. Monthly meetings with the Assistant Superintendent, the Central Business Office Treasurer, and the Central Business Office Manager will be held, beginning September 2022. By October 31, 2022, the Assistant Superintendent will work with the Treasurer and Central Business Office Manager to*

*develop a schedule of monthly and quarterly tasks, reconciliations, and reviews to provide more accurate accounting information throughout the year, as well as to alleviate the task load at the end of the fiscal year. These tasks will be completed as scheduled moving forward, beginning November 1, 2022.*

**Interfund Accounting and Reconciliation:** We have noted in previous audit findings and recommendations that the interfund balances between the various funds maintained by the District has continued to increase over the years, and at the end of this fiscal year, were approximately \$3.9 million, an increase of over \$600,000 over the prior year balances. According to General Municipal Law, §9-a, “A [District] may temporarily advance moneys held in any fund to any other fund of the [District]... Moneys temporarily advanced pursuant to this section shall be repaid to the fund from which they were advanced as soon as available, but in no event later than the close of the fiscal year in which the advance was made”. We recommend that the interfund accounts be reviewed and amounts be transferred to satisfy prior year loans or that net amounts be cancelled out between the various funds as able, and that going forward, these accounts be reviewed on a quarterly basis to ensure that they do not continue to grow as they have. Additionally, in the current year audit, it was noted that the interfund balances were out of balance at year end and has been out of balance since August 2021. Had the District been reviewing on a quarterly basis, this would have been noted prior to the audit, and could have been adjusted prior to fiscal year end.

*In part, these balances have grown due to receivables associated with the Smart Schools Bond Act and the district’s federal stimulus funds. The district does not receive timely Smart Schools Bond Act reimbursements, and typically has to wait several months for payments to be processed. To the greatest extent possible, existing interfund balances will be reconciled by the District Treasurer, contracted through the OCM BOCES Central Business Office, by December 31, 2022 at which time interfund balances will be reconciled by the treasurer quarterly, but no later than December 31, March 31, June 30, and September 30 of each year. The District Treasurer will also complete FS-25 reports to request reimbursement for grant expenditures at least quarterly to allow these balances to be repaid as soon as possible.*

**Cc:** Board of Education