



*Proven Expertise and Integrity*

January 12, 2018

Board of Commissioners  
Burlington School District  
150 Colchester Avenue  
Burlington, Vermont 05401

#### MANAGEMENT LETTER

In planning and performing the Audit of the Burlington School District for the year ended June 30, 2017, we considered the District's internal control. We did so to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for expressing our opinion on the effectiveness of the Burlington School District's internal control over financial reporting or compliance.

During our audit we became aware of several matters referred to as "management letter comments" that offer opportunities for strengthening internal control and improving operating procedures of the Burlington School District. The following pages summarize our comments and suggestions on those matters.

This report is intended solely for the information and use of the District, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

These matters do not modify our opinion on the financial statements for the year ended June 30, 2017, where we expressed an unmodified opinion on our independent auditors' report dated January 30, 2018.

**Bank reconciliations & Bank Statements:**

The District still experiences timeliness issues in reconciling its bank statements. It should be noted that this has improved dramatically over previous years. We recommend that the District perform all cash reconciliations on its financial software within 15 days of month end. It should also be noted that the prior accounting supervisor's name is still on the bank statements and she should be removed.

**Old Outstanding Checks:**

While performing the audit for the above mentioned year end, it was noticed that the District was still carrying outstanding checks that dated well beyond the current fiscal period being audited. We recommend that management review the outstanding check list and address outstanding checks extending beyond the current fiscal period.

**Investment Policies:**

The District does not have any clear guidance to invest its excess cash dollars during the fiscal year. The District can and does have excess cash at any time in general funds, grant funds, and other reserve funds. We recommend the District establish policies and procedures governing all dollars including reserves in order to comply with state and federal regulations ensuring the following standards of safety, liquidity and yield.

**Purchase Orders**

While performing the audit for the fiscal year noted above, we found that several purchase orders were entered after the invoices and products had already been received. Management should review its current purchase order system and make adjustments where necessary. If this practice continues, we recommend to management to call these purchase orders “accounts payable approval voucher.”

**Stipends:**

While performing the audit for the above mentioned year end, we understand that the District pays stipends to various employees within the District. We understand Stipends to be additional compensation to the employee for responsibilities performed by that employee in addition to the employee's everyday job. We understand that the District has a process for granting stipends, but adherence to this process is not sufficiently uniform. We recommend the District review this practice and consider adjustments to ensure every stipend is accompanied by formal documentation.

**I-9's:**

We noted during the above mentioned year audited that while performing our payroll test that certain selected I-9's were not on file for the employee. All employees being compensated should be paid from a time sheet or contract approved by the employees' direct supervisor. All employees before hiring should fill out an I-9 form certified by the District with all applicable identification verified. Subsequent to year end, the District is verifying and will complete necessary information.

**Accrued Benefit Payable:**

While performing the audit for the above mentioned year end, it was noticed while reviewing various District personnel policies and bargaining agreements, that employees who satisfy certain work requirements, are eligible after working for a certain number of years to be eligible for health insurance coverage by the District upon retirement. It appears the District has not fully funded this obligation for as of June 30, 2017. The District should continue to review this matter in more detail and address in the next fiscal year. It should be know that this amount approximates \$2,990,000.

**Unfunded Pension Obligation:**

While performing the audit for the above mentioned year end, it was noticed that the District had an unfunded pension obligation in excess of \$12,360,000. We understand the District and City continue to review this obligation with its professional actuaries and other related professional parties. The City and District are in hopes of a plan to fund this obligation.

**Existing Bank Accounts Not on District's Books**

While performing our test work on cash receipting, we became aware of at least one bank account that uses the District's federal tax identification number and that, was being maintained separate from the District and as of June 30, 2017, was not on the District's computerized accounting system. It should also be noted that this account has existed for some period of time. We recommend that the District review all accounts for propriety and include all accounts on the Districts internal financial software. All signature cards should be updated for authority as well.

**Authority to Sign Contracts:**

While performing the audit for the above mentioned year end, it was noticed that a principal signed a lease agreement binding the District. We caution the District to review its practice of approval of contracts with third party vendors and verify that only authorized representatives of the District be allowed to execute such contracts.

**Student Accounts – All:**

After reviewing student activity accounts at all schools the following is a summary of our findings. You will find many of these are repeat findings of the previous year – most all repeats of prior years:

- 1) Lack of oversight and approval of monthly bank reconciliations is being performed. In many cases monthly reconciliations are still not being performed timely.
- 2) During the year large amounts of money sits in a very low yield interest bearing account. The District should look at different investment vehicles.
- 3) Void after 90 days should be placed on all checks to eliminate a stale dated check not being cashed.
- 4) It appears that compensation was being paid from student accounts for employees and non-employees providing services to the District. All compensation checks should be paid from the District's general fund checking account for tracking purposes.

**Student Accounts – All (continued):**

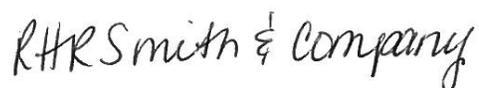
- 5) Vendors were paid from statements. It appears some vendors were also paid in cash. Please be advised that all vendors should be paid from an invoice and by check only.
- 6) It appears that student account balances are not closely monitored to ensure every account maintains a positive balance throughout the year.
- 7) It was noticed that on many occasions cash receipts (cash and checks) were held for as many as 30 days before depositing.
- 8) It appears that many of these accounts paid sales tax during the year. We caution the district that it is exempt from paying sales tax on business related matters.
- 9) It appears that disbursements were made from various student accounts for numerous services of which we are not sure how they are related to the student activity. In many cases there is no documentation on what that student activity is for.
- 10) It appears that Gift Cards are being purchased with student account monies. We are unsure as to why and whether or not some of the gift cards purchased are for employees. If they are employees, it should be considered as compensation to that employee.

While there has been some continued progress in this dealing with student account issues, it has been slow and inconsistent. We recommend that the District immediately review all existing student accounts at the respective schools and modify where necessary. The District should also consider written student account policies and procedures for all schools. Furthermore, the District should consider bringing all student accounts in house and performed by central office.

We would like to thank Nate and all of the staff at the District for all of their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,



RHR Smith and Company, CPAs