



Proven Expertise and Integrity

February 14, 2019

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, 2018, 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, 2018, where we expressed an unmodified opinion on our independent auditors' report dated February 7, 2019.

Bank reconciliations & Bank Statements:

The District still experiences timeliness issues in reconciling its banks 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 supervisors name is still on the bank statements and she should be removed.

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.”

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. There were two unavailable which is better than in previous years. 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.

Other Post Employment Benefits (OPEB):

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 known that this amount approximates \$5,242,000.

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 \$8,659,000. We understand the District and City continue to review this obligation with its professional actuaries and other related professional parties, and that this liability has been decreasing.

Cash Receipting:

While performing the audit for the fiscal year noted above, it was noticed that some cash receipting were not timely deposited in the bank. Some deposits were in excess of two weeks. Best practices suggest that deposits should be made frequent and at a minimum of weekly. We also recommend that a threshold be implemented at the District to trigger the funds being deposited.

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:

- 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) 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.
- 5) It appears that student account balances are not closely monitored to ensure every account maintains a positive balance throughout the year.
- 6) It was noticed that on many occasions cash receipts (cash and checks) were held for as many as 30 days before depositing.
- 7) 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.
- 8) 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.

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.

The letter is intended solely for the information and use of management, those charged with governance, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank Nathan 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 & Company

Ron H.R. Smith, C.P.A.