

Resolution #2018-19-14

RESOLUTION ACCEPTING CORRECTIVE ACTION PLAN

Per the Attached Letter in the April Board Packet:

During our annual audit, the auditors noted one material weakness during the financial statement audit. The weakness was related to prepaid expenses which were not reported as prepaid expense at June 30, 2017.

The information below is pulled from the audit and includes an update from management:

MATERIAL WEAKNESS

2018-01

Condition and Criteria: The District prepaid liability, property, and workers compensation insurance in June 2017 and for 2018 fiscal year coverage, which should have been reported as a prepaid expense at June 30, 2017.

Effect: A prior period adjustment was required to correct the amounts reported as prepaid insurance at the beginning of the year.

Cause: The District has historically paid these amounts in June of each year and they have not been reported as a prepaid expense to maintain consistency of reporting. The insurance was paid in July of the current year causing a large change in balances and expenses.

Auditor's recommendation: We recommend that management continue their new policy of paying for insurance in July of each year instead of June or record a prepaid expense if it is paid prior to the fiscal year of coverage.

Corrective Action Plan: Management was new to the District in 2015-2016 and didn't fully have a grasp on the items being paid in June for following fiscal year. Management allowed the same payments in the 2016-2017 year. In 2018, management corrected its practice and paid insurance in the current year of coverage; however, we did not correct the balance sheet or expenses. Going forward, management will pay for insurance coverage in the fiscal year coverage is received. In addition, management will incorporate a review of expenses in the year-end process to ensure items are not overlooked.

Board Resolution:

Be it resolved, that the Morrow County SD school Board approve the Corrective Action Plan for the audit finding per the 2018 financial statement audit as presented.

Dated: April 8, 2019

Becky Kindle, Chairman of the Board

Dirk Dirksen, Superintendent