



VERGENNES UNION ELEMENTARY SCHOOL

ADDITIONAL REQUIRED REPORT

JUNE 30, 2014



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A.M. PEISCH & COMPANY, LLP
AMP
SINCE 1920

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of School Directors
Vergennes Union Elementary School
Addison, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Vergennes Union Elementary School as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Vergennes Union Elementary School's basic financial statements and have issued our report thereon dated February 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vergennes Union Elementary School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vergennes Union Elementary School's internal control. Accordingly, we do not express an opinion on the effectiveness of Vergennes Union Elementary School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vergennes Union Elementary School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Vergennes Union Elementary School's Response to Findings

Vergennes Union Elementary School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Vergennes Union Elementary School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AM. Peisch & Company, LLP

St. Albans, Vermont
February 23, 2015
VT Reg. No. 92-0000102

**Vergennes Union Elementary School
Schedule of Findings and Responses
June 30, 2014**

A-1 Capital Assets Records

Condition: Vergennes Union Elementary School does not maintain a record of the capital assets used in its governmental activities.

Criteria: U.S. generally accepted accounting principles require that capital assets be recorded in the governmental activities.

Effect: The School is not in compliance with U.S. generally accepted accounting principles.

Recommendation: Vergennes Union Elementary School should develop a detailed listing of its capital assets in the governmental activities to meet the reporting requirements under U.S. generally accepted accounting principles. Capital assets should be identified and inventoried. Amounts should be recorded at historical cost whenever possible. Extrapolated amounts may be used when exact historical acquisition and installation costs can not be obtained. In addition to reporting purposes, the list of capital assets may be useful in determining insurance needs, planning for future acquisitions, and keeping track of those assets susceptible to loss or theft.

Response: The School plans on establishing and maintaining capital asset records and bring financial statements in to compliance with GASB 34 in fiscal year 2015.

A-2 Lack of Segregation of Duties for Hot Lunch Fund Cash

Condition: There exists a lack of segregation of duties over cash receipts and disbursements for the Hot Lunch Fund. Currently, the food service manager receives lunch money, brings the deposit to the bank, mails signed checks, maintains the checkbook, and performs the bank reconciliation.

Criteria: The School is responsible for implementing internal control procedures to ensure that all cash is received and disbursed properly, recorded, and protected from misappropriation.

Effect: Assets could be misappropriated and cash could be misstated due to error or fraud.

Recommendation: We recommend that cash procedures be reviewed and duties segregated to minimize the risk of misappropriation or misstatement.

Response: In fiscal year 2015, procedures have been implemented to address the segregation of duties over the hot lunch fund. They consist of: one person counts the cash and gets the deposit ready, another person verifies the count and makes the deposit, and the reconciliation of the bank account is done at the central office.

A-3 Lack of Segregation of Duties for Agency Fund Cash

Condition: There exists a lack of segregation of duties over cash for the Student Activities Fund and the Principal's Account. The school secretary receives cash, prepares and brings the deposit to the bank, prepares and mails checks, maintains the accounting for the funds, and prepares the monthly bank statement reconciliations.

Criteria: The School is responsible for implementing internal control procedures to ensure that all cash is received and recorded, that all cash is disbursed for valid expenses, and that assets are not misappropriated.

Effect: Cash could be misstated due to error or fraud and cash could be disbursed for unauthorized purposes.

Recommendation: We recommend that cash procedures be reviewed and duties be segregated to minimize the risk of misappropriation or misstatement.

Response: In fiscal year 2015, procedures will be implemented to address the existence of lack of segregation of duties over agency funds.

A-4 Lack of Approval of Purchase Orders

Condition: During the audit, we noted several instances between April 2014 and June 2014 where there was no indication of review or approval of purchase orders.

Criteria: The review and approval of purchase orders is an integral part of internal control to ensure that only legitimate expenditures are made.

Effect: Expenditures could be paid out of incorrect funds. Expenditures not related to the School could be paid out of the School's checkbook.

Recommendation: We recommend that purchase orders be reviewed and documented as approved in a timely fashion.

Response: In fiscal year 2015, we will implement procedures for the approval of purchase orders. They will be entered into the accounting software, ADS. They then will be approved by the administration. At this point they can be printed and signed by the administrator.

A-5 Lack of Approval for Cash Transfers

Condition: We noted one individual has the authority to perform wire transfers with no approval by another individual.

Criteria: Dual authorization of wire transfers is an integral part of internal control to ensure that only legitimate transfers are made.

Effect: Unauthorized transfers from cash accounts could occur. Funds could be transferred out of a cash account for unauthorized purposes.

Recommendation: We recommend that the School adopt a policy for authorizing bank transfers. We also recommend that limits be placed on the amount an individual is authorized to transfer without approval. For transfers over the limit, we recommend that a second individual be required to provide approval to the bank before the transfer is executed.

Response: In fiscal year 2016, the process for transferring funds will be the responsibility of the elected Treasurer of the district. The School Board will adopt a policy outlining the requirements of these bank transfers.