# BerryDunn

# New Hampshire School Administrative Unit #15

Internal Control Assessment

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**Submitted On:**
September 26, 2025

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# 1.0 Introduction

The School Administrative Unit 15 (SAU-15) engaged Berry Dunn McNeil & Parker, LLC (BerryDunn) to conduct an internal control assessment for the SAU-15 administrative office, as well as the Auburn, Candia, and Hooksett School Districts (Districts). We agreed to evaluate the effectiveness of internal controls, identify opportunities for improvement and help to comply with applicable laws, regulations, and the policies of SAU-15 and the Districts.

The engagement consisted of the following three phases:

1. Project Planning

2. Review and Assessment, including interviews

3. Tested a limited number of transactions related to accounts payable, payroll, and expense reimbursement processes.

4. Development of Recommendations based on Opportunities for Improvement

Tasks within these phases included conducting fact-finding meetings with the Superintendent, Business Administrator, and other key staff members. BerryDunn also reviewed the current policies and procedures, system narratives, organizational chart, working trial balances, expenditure reports, adjusting journal entries, and bank reconciliations. BerryDunn considered the nature and complexity of SAU-15 and its Districts' business objectives, systems, and operations while developing the current status of each area review and the opportunities for improvement identified. We developed recommendations and provided those recommendations to the Superintendent.

BerryDunn's engagement was not designed to test or express an opinion on the accuracy of the SAU-15 and the Districts' internal procedures or financial reporting, and BerryDunn does not express such an opinion. The procedures that we performed did not constitute an audit made in accordance with auditing standards generally accepted in the United States of America. The work was performed in accordance with American Institute of Certified Public Accountants' Statement on Standards for Consulting Services.

This report presents the results of an internal controls audit conducted for SAU-15 and its member districts. The purpose of this engagement was to assess the design, implementation, and operating effectiveness of internal controls over the following areas:

1. Financial Reporting

2. Human Resources and Payroll

3. Accounts Payable and Cash Disbursements

4. Receivables and Revenues

5. Grants Management

6. Capital Assets

7. Food Services

8. Policies and Procedures

In addition, we conducted a compliance review and risk assessment. BerryDunn identified areas of risk and made recommendations based on these observations:

Table 1 summarizes the identified areas of risk.

**Table 1: Identified Areas of Risk**

| Area of Focus | Identified Areas of Risk |
|---|---|
| Financial Reporting | • Lack of structured year-end checklists increases the risk of overlooking or delaying key tasks. |
| Accounts Payable and Cash Disbursements | • Strengthening purchase order procedures can improve budget tracking and help to ensure proper authorization. |
| Receivables and Revenues | • Inherent risk of misappropriation or theft due to decentralized cash handling.<br>• Lack of centralized reconciliation increases the risk of undetected discrepancies. |
| Capital Assets | • Inconsistent asset tracking may lead to incomplete records and audit challenges.<br>• Lack of periodic review of useful life estimates may distort depreciation schedules. |
| Food Services | • Infrequent monitoring of financial sustainability risks long-term viability. |
| Policies and Procedures | • Outdated and decentralized policies increase the risk of non-compliance, inefficiency, and inconsistent practices across districts.<br>• Lack of centralized ownership hinders accountability and updates. |

## 1.1 Executive Summary

As part of our review, we noted that the District has established a foundation of financial management practices that mitigate key areas of risk and support accountability. Several strengths include:

- **Cash Reconciliations:** Regular and timely reconciliations support accurate financial reporting and safeguard District funds.
- **Purchasing Controls:** The required use of purchase orders provides clear authorization of expenditures, strengthens oversight of procurement activities, and enhances the budgeting process.
- **Segregation of Duties:** The District has implemented practical segregation of duties within the finance team that balances strong internal control with the realities of a leaner departmental structure.
- **Grant Accounting:** Policies and procedures are in place to support compliance with federal, state, and local requirements, while enabling accurate tracking and reporting of grant funds.

While these practices represent important strengths, opportunities remain to further enhance the District's control environment. Areas for potential improvement include strengthening documentation, leveraging technology to improve efficiency and monitoring, and formalizing periodic policy reviews to ensure continued alignment with best practices and evolving regulatory expectations.

Overall, the District's policies and practices provide a sound framework for financial management. Continued attention to enhancement opportunities will not only further reduce risk exposure but also reinforce the District's culture of fiscal responsibility and continuous improvement.

## 1.2 Report Format

This report is comprised of an introduction, current environment and the opportunities for improvement identified. See breakdown of the report format below:

1. **Introduction.** This section describes the background of the project, the format of the report, and the work performed in the development of the report.

2. **Financial Internal Control Review – Current Environment:** This section provides an executive level review of the SAU-15 and its Districts' current processes.

3. **Opportunities for Improvement.** This section includes the current financial procedures of any systems. It also identifies gaps and potential areas for improvement. This section also presents the recommendations for improvement in the current environment, and the necessary actions the SAU-15 and its Districts may take to improve the current environment.

## 1.3 Work Performed

BerryDunn remotely conducted an initial project planning meeting (kick-off meeting) with the Superintendent and the School Business Administrator. The purpose of this meeting was to clarify project goals and objectives, identify known project constraints, and refine dates and tasks. During the meeting, BerryDunn reviewed the approach for the project and identified SAU-15 as well as the District members with whom to conduct fact-finding meetings. Following the meeting, BerryDunn requested information from management to become more familiar with the current environment.

Following the project kickoff meeting, BerryDunn facilitated in-person meetings with select members of the SAU-15 management and staff to conduct observations of systems and processes. The purpose of these meetings was to follow up on information previously collected, document existing processes, and identify opportunities for improvement. Individuals involved in discussions included:

**School Administrative Unit 15 and the Districts**

- Business Administrator - Cindy Bourgeault

- Accounts Payable - Patti Jobin-Carey

- Payroll - Laura Duchesne

- Administrative Assistant to the Business Administrator - Karen Milo

- Human Resource Director - Kristen Bourgeault

- Accounting Consultant - Karen Lessard

- Nutrition Services Director – Hooksett School District - Cindy Nusbaum

After the in-person meetings were conducted, BerryDunn performed walkthroughs over the key financial processes to confirm the controls noted were appropriately designed and operating effectively.

# 2.0 Current Environment by Functional Area

This section identifies the current financial practices, procedures, and systems within the SAU-15 and the Districts. The section is divided into the eight functional areas of the SAU-15 and the Districts' financial operations: (1) financial reporting, (2) human resources and payroll, (3) accounts payable and cash disbursements, (4) accounts receivable and revenues, (5) grants management, (6) capital assets, (7) food services and, (8) policies and procedures

The tables below outline significant aspects of the current environment, emphasizing areas of operational focus.

| Financial Reporting | |
| --- | --- |
| **Organizational Structure** | |
| **Title** | **Role** |
| Superintendent | Oversight |
| Business Administrator | Current lead |
| Interim Accountant | Former Business Administrator; supports remotely |
| Administrative Assistant | Supports in revenue collections |
| **Month-end Close** | |
| <ul><li>**No formal closing calendar:** activities are handled informally</li><li>**Key Activities:**<ul><li>Reconciliations are performed by the Interim Accountant and the Business Administrator</li><li>Monthly budget-to-actual reports are prepared and presented to the Board</li><li>Journal entries are posted for routine accruals, payroll, and classification adjustments (expenditures)</li></ul></li></ul> | |
| **Year-end Close** | |
| <ul><li>**Occurs in July and August**, prior to audit</li><li>**Financial Statements:** prepared by external auditors, which is common with New Hampshire School Districts</li><li>**Key Activities:**<ul><li>Encumbrance review coincides with open purchase orders</li><li>Accrued payroll</li><li>Receivable reconciliations</li><li>Accounts payable reconciliations</li><li>Calculation of compensated absence liability (GASB 101 will be implemented in fiscal year 2025)</li><li>Deferred revenues</li></ul></li></ul> | |

- Accounts payable reconciliations
- Review of capital asset activity
- Inventory count by external auditors and adjusting entries as needed
- DOE-25 report is due September 1st

| Journal Entries |
| --- |

- Typically posted by School Business Administrator; reviewed by Interim Accountant
- Administrative Assistant posts receipts, reviewed by School Business Administrator
- Payroll entries (e.g. ACH and federal taxes) are done biweekly and are initiated by the Payroll Clerk and approved by the School Business Administrator
- Monthly entries include New Hampshire Retirement payment, accruals, interest income, ACH payments, and reclassification
- Documentation is printed and stored physically for six years

| Human Resources and Payroll |
| --- |
| **Organizational Structure** |

| Title | Role |
| --- | --- |
| Human Resource Director | Oversees HR compliance, benefits, and personnel files |
| Payroll Clerk | Manages payroll processing and system entries |

| Human Resources and Payroll Operations |
| --- |

**System:** Payroll is processed bi-weekly using eFinance Plus at the SAU-15 Administration Office

Processing:

- The payroll coordinator is responsible for processing payroll, using a separate payroll manifest. Payroll is paid from the general operating bank account. The School Board and the respective Treasurer's review payroll manifests before checks are released.
- Payroll software access is granted to the Payroll Coordinator, Human Resource Director, and the Business Administrator. Only the Payroll Coordinator can enter pay rates, deductions, and direct deposit details. Online banking access is secured with dual authentication; individuals cannot approve their own transactions.
- All rates of pay and bonuses are approved by the superintendent. Rates of pay are typically changed once a year before the start of the new fiscal year (July 1).
- Employees submit timesheets to department heads each Friday for approval. Salary employees do not complete timesheets. Approved timesheets are forwarded to the Payroll Coordinator for data entry into the payroll system. Attendance is entered into *Frontline* and is compared with the timesheet. The School Business Administrator will review timesheets as a "second set of eyes:" The payroll manifest is processed by the Accounts Payable clerk and will get emailed to their respective Treasurer.

| Accounts Payable | |
|---|---|
| **Organizational Structure** | |
| **Title** | **Role** |
| Superintendent | Final approver on requisitions |
| School Business Administrator | Reviewer |
| Accounts Payable Coordinator | Processes accounts payable |
| **Accounts Payable Operations** | |

**System:** The AP function is centralized within SAU-15 and managed through eFinance Plus, with access granted to the Accounts Payable Coordinator, Accountant, and the School Business Administrator.

**Purchase Orders:**

- Initiated at the school level by department heads.
- Routed through principals, school secretaries, and the superintendent before entry into eFinance.
- Blanket purchase orders are used for recurring expenses (e.g., propane, subscriptions) and monitored by the Business Administrator, Superintendent, and Accounts Payable Coordinator.

**Invoice and Payment Processing**

- Invoices are date-stamped and routed to the SAU-15 office.
- Invoices are entered into the general ledger and paid in weekly batches.
- Accounts Payable manifests require Board approval before checks are release.
- Checks are digitally signed and printed from blank stock stored securely in the Accounts Payable office.

**Credit Card Management**

- Each district holds credit cards (10 total), assigned to authorized staff.
- Purchases follow the same requisition and approval process as purchase orders.
- Monthly reconciliations are performed by the Accounts Payable Coordinator, who maintains detailed folders and follows up on missing receipts.

**Bank Reconciliations**

- Monthly reconciliations are performed independently by Treasurers and validated by the Business Administrator.
- Reviewed and approved by the Business Administrator.
- Discrepancies are investigated and resolved by the Business Administrator.

**Vendor Management**

- The Business Administrator and the Accounts Payable Coordinator can add vendors.
- Vendor list is reviewed on an ad hoc basis; inactive vendors are not systematically tracked.

**Payment Controls**

- Digital signatures are used via eFinance and email approvals; no physical stamps.
- ACH payments are initiated and approved through the banking portal with manifest oversight.
- Positive Pay is used via TD Bank.

**Reconciliation and Oversight**

- Accounts Payable summary is reconciled to the general ledger by the Business Administrator.
- Credit card reconciliations go through the accounts payable manifest process.
- Retention period for accounts payable, credit card, and corresponding reconciliations is six years.

| Receivables and Revenues | |
|---|---|
| **Organizational Structure** | |
| **Title** | **Role** |
| Business Administrator | Oversees deposits and revenue tracking |
| Administrative Assistant | Logs receipts and prepares deposits |
| **Cash Receipts and Logging** | |

- **Sources:** Receipts can come via the mail (checks), online payments, or ACH transfers.
- **Logging**: The Administrative Assistant will log each receipt with amount, purpose, account number, and date and enter revenues into eFinance.
- **Storage:** Checks and cash are stored in a locked safe at the SAU-15 School Business Office, accessible only to the Administrative Assistant.
- **Deposits:** Made timely at TD Bank; deposits slips are shared with Treasurers.

**Revenue Types**

- **School Lunch:** Deposits are made every three to four days and are deposited by each individual school. Each district maintains separate bank statements.
- **Technology and Chromebook Fees:** Payments for lost cords or devices are made via check or cash. The I.T. Department handles the billing.
- **Preschool Tuition:** The schools collect payments and forward them to the School Business Office. The Interim Accountant will make the deposits while the Business Administrator tracks the payments in a spreadsheet. The Administrative Assistant at each building performs the billing.

| Grants Management | |
| --- | --- |
| **Organizational Structure** | |
| **Title** | **Role** |
| Business Administrator | Oversees and tracks grant activity |
| Program Directors | Grant managers |
| **Grants Management Operations** | |

**Grant Lifecycle Management**

- **Initiation & Submission:** Project managers draft grant applications in the NH DOE Grants Management System (GMS). These are reviewed by the Business Administrator for accuracy (e.g., account codes, indirect cost rates) before submission by the Superintendent.

- **Approval & Budget Entry:** Once approved by NH DOE, budgets are entered into eFinance by the Business Administrator. Each grant is tracked in its own set of accounts under Fund 2.

- **Expenditure Requests:** Initiated by project managers and routed through GMS. Approved purchases follow standard procurement procedures and are processed by the Business Administrator.

**Purchasing & Documentation**

- Requisitions and purchase orders are required for all purchases and are sequentially numbered.

- Invoices are retained by the Accounts Payable Coordinator and coded by grant and program number in eFinance.

**Cash Management**

- Grant funds are received via ACH and verified against reimbursement requests by the Business Administrator.

- The Business Administrator tracks revenue and expenditures monthly using a "Project Ledger Report" and reconciles it with an Excel spreadsheet.

**Time & Effort Reporting**

- Semi-annual certifications are completed for salaried staff; hourly staff submit timesheets.

- Project managers facilitate this process, and documentation is retained with payroll.

**Grant Compliance & Oversight**

- Grants are set up with clear documentation of terms, allowable costs, and reporting requirements.

- The Business Administrator monitors compliance and performs monthly reconciliations.

- Budget modifications are tracked in eFinance and GMS, with amendments reviewed by the Accountant and Business Administrator.

**Segregation of Duties**

- The Business Administrator enters and monitors grant data.
- The Accounts Payable Coordinator processes payments.
- Project managers initiate purchases, helping to ensure separation between authorization and execution.

**Recordkeeping & Retention**

- All grant-related records are retained for six years.
- Digital copies are stored securely and backed up.

**Single Audit Compliance**

- Only Hooksett exceeds the $750,000 federal expenditure threshold and undergoes a Single Audit.
- The most recent audit was submitted on time (March 31) with no findings.

| Capital Assets | |
|---|---|
| **Organizational Structure** | |
| **Title** | **Role** |
| School Business Administrator | Maintains capital asset schedule |
| **Capital Asset Operations** | |

**System**: Capital assets are tracked manually in Excel by the Business Administrator. Each of the three districts maintains its own schedule, with SAU-15 included under Hooksett due to building ownership.

- The School Business Administrator reviews invoices annually to identify additions, calculates depreciation in Excel, and provides schedules to auditors for government-wide entries.
- There is no formal disposal process; the Business Administrator flags fully depreciated items for review.
- Threshold Policy: Capitalization begins at $5,000 per item.
- Depreciation: Calculated annually in Excel.
- Additions: Identified via expenditure accounts in eFinance and supported by invoice copies.
- Useful Life: Determined based on historical precedent.
- Disposals: No structured process; informal review of depreciation status.

| Food Service | |
|---|---|
| **Organizational Structure** | |
| **Title** | **Role** |
| Food Service Directors | Oversees Food Service activities |

## Food Service Operations

**Revenue Collection & Deposit Workflow**

- **Point-of-Sale System:** Mosaic (Heartland School Solutions) is used to track student meal purchases, deposits, and balances.
- **Cash Handling**: Cashiers collect payments during meal service. Funds are verified, entered into Mosaic, and secured in a lockbox by the Food Service Directors until deposited.
- **Deposits:** Deposits are made weekly (or every three days if large amounts are collected), with supporting documentation retained. The Food Service Directors reconciles Mosaic reports with bank deposit slips and sends copies to SAU-15 and the bank.

**Meal Transactions & Student Accounts**

- Students use PINs to access accounts; negative balances are allowed for full meals only.
- Balances are monitored daily, and unpaid amounts are addressed before graduation. Refunds are processed through the Accounts Payable Coordinator and mailed to families.
- Prepayments are accepted via cash, checks, money orders, and the MySchoolBucks app. Teachers assist with collection for younger grades.
- Only the Food Service Directors can modify student balances in Mosaic. Adjustments require documentation and are tracked via account adjustment forms.

**Expenditures & Procurement**

- Purchases are initiated by the Food Service Directors and processed using standard procurement procedures.
- Purchase orders are used primarily for large equipment purchases.
- SAU-15 participates in the New Hampshire buying group for procurement and bids every two years.

**Inventory & Asset Control**

- Annual inventory counts are conducted in mid-June by the Auditors.
- Food storage areas and freezers are secured with locks and monitored by cameras. Only the Director and facilities staff have access.

**Free & Reduced Meal Program**

- Applications are reviewed and verified by the Food Service Directors.
- Monthly POS summary reports are submitted to the State and reviewed by the SAU Administrative Assistant. Discrepancies are investigated by the Food Service Directors.

**Write-Offs & Refunds**

- Unpaid balances at graduation are covered by the general fund.
- Refunds are processed through a documented workflow involving secretarial stamps, Accounts Payable Coordinator processing, and mailed checks.

# 3.0 Opportunities for Improvement

BerryDunn identified several opportunities for improvement related to the current systems and environment.

**Risk Ranking Definitions**

BerryDunn used a qualitative approach for financial internal control assessment, meaning that the assignment of risk ratings is subjective. Therefore, the risk rankings contained in this report serve as a baseline. SAU-15 should review the results and modify as needed to help support remediation efforts. To help reduce subjectivity, BerryDunn uses the risk rating definitions in Table 3.0 below.

**Table 3.0: Risk Ranking Definitions**

| Risk Ranking | Description |
|---|---|
| High | Represents an area of higher risk. There is a strong need for corrective action, and these items should be addressed as soon as possible. |
| Moderate | Represents and area of moderate risk. There is a need for corrective action, and these items should be addressed as part of operational plans within a reasonable period. |
| Low | Represents an area of lower risk. There is a process of best practice improvement that can help strengthen operations, and these items should be addressed at management's discretion. |

Below is a summary of the opportunities and the corresponding risk rating:

| Reference | Area of Focus | Observation | Risk Rating |
|---|---|---|---|
| 3.1.1 | Financial Reporting | Create a Formal Year-end Checklist | High |
| 3.2.1 | Accounts Payable | Enhance Controls over Purchase Orders | Medium |
| 3.3.1 | Capital Assets | Enhance Tracking of Disposals | Low |
| 3.3.2 | Capital Assets | Updates Policies over Useful Lives of Capital Assets | Medium |
| 3.3.3 | Capital Assets | Enhance Tracking of Additions | Low |
| 3.4.1 | Food Services | Continue to Monitor Food Service Deficits | Medium |
| 3.5.1 | Policies and Procedures | Accountability and Control Structure | Low |
| 3.5.2 | Policies and Procedures | Centralize the Procurement Function | Medium |
| 3.5.3 | Policies and Procedures | Update and Consolidate Outdated Policies | Medium |

The following section provides a more in-depth analysis of the opportunities for improvement that have been identified, including a detailed analysis of the underlying factors contributing to our observation. It also outlines a set of targeted recommendations designed to address the challenges and support meaningful improvement.

## 3.1 Financial Reporting

### 3.1.1 Create a Formal Year-End Checklist – Risk Rating: High

**Opportunity Identified:**

SAU-15 currently operates without a formalized year-end closing checklist, which presents a significant risk to the accuracy, consistency, and timeliness of its financial reporting. The absence of structured procedures increases the likelihood of missed reconciliations, delayed entries, and incomplete documentation—particularly during critical reporting periods. Without a standardized framework, staff may rely on ad hoc processes, which can lead to inefficiencies, audit findings, and reduced confidence in financial data used by management, the Board, and external stakeholders.

**Recommendation:**

We recommend that SAU-15 develop and implement comprehensive year-end closing checklist and schedules. These tools should clearly outline each required task, assign responsibility to specific individuals, and establish deadlines aligned with internal and external reporting needs—including those of management, the Board, and external auditors.

The checklists should serve as a centralized reference for all reconciliation and closing activities, ensuring consistency, accountability, and timeliness. Each item should include:

- A description of the task

- The responsible party (both the preparer and evidence of review)

- Due dates and completion dates

- Dependencies or prerequisites

- Status tracking

*Suggested Checklist Components*

Annual Tasks:

- Update capital asset schedules

- Obtain actuarial reports for pension and OPEB obligations

- Prepare compensated absences schedules (GASB 101 compliance)

- Update bond maturity schedules

- Reconcile accounts payable and receivable

- Record accrued payroll liabilities

- Establish reserves for encumbrances

- Conduct physical inventory counts

- Review fund balance accounts for direct entries

By formalizing these procedures, SAU-15 can strengthen internal controls, improve audit readiness, and enhance the accuracy and reliability of its financial reporting.

## 3.2 Accounts Payable and Cash Disbursements

### 3.2.1 Enhance Controls over Purchase Orders – Risk Rating: Medium

**Opportunity Identified:**

SAU-15's current practice of requiring purchase orders for many expenditures reflects a strong commitment to financial control and transparency. However, not all purchases are subject to this requirement, which presents an opportunity to further strengthen internal controls and reduce the risk of untracked or unauthorized spending. By expanding the scope of purchases that require formal purchase orders—particularly for recurring or high-cost items—the district can improve budget forecasting, enhance audit readiness, and help ensure consistent documentation across departments. Implementing a more comprehensive purchase order policy could complement existing monitoring efforts and reinforce the district's overall fiscal stewardship.

**Recommendation:**

SAU-15 should expand its purchase order policy to require formal purchase orders for all recurring, high-value, or contract-based expenditures. This enhancement will improve budget forecasting and expenditure tracking.

The policy should include, at a minimum:

- Pre-Approval Requirement: Mandate that purchase orders be completed and approved prior to placing any orders, including verbal or informal commitments.

- Vendor Communication: Ensure copies of purchase orders are sent to vendors to minimize errors or misunderstandings.

- Enforcement Protocols: Instruct receiving personnel not to accept goods or services without a valid, pre-approved purchase order.

- Documentation Standards: Require purchase orders to include key details such as authorizing signature, quantity, price, and vendor information.

If SAU-15 determines that certain transactions (e.g. emergency purchases) should be exempt from the above requirements, the policy should clearly outline these exceptions, including the rationale and criteria for exemption, to maintain clarity and consistency in application.

## 3.3  Capital Assets

### 3.3.1  Enhance Tracking of Disposals – Risk Rating: Low

**Opportunity Identified:**

The Business Administrator tracks capital assets for all three school districts but relies solely on invoice review and an annual list without receiving formal documentation of disposals from the districts. This limits the accuracy and completeness of the asset records.

**Recommendation:**

SAU-15 should implement a standardized, district-wide asset disposal reporting process. This process requiring each school district to submit formal documentation of asset disposals to the Business Administrator. The documentation could include the following:

- Asset ID number (if known)

- Description of item that was disposed

- Date of purchase (if known)

- Original cost (if known)

- Disposal method (e.g. sale, donation, scrapped, traded-in)

- Reason for disposal

This will improve the accuracy of asset tracking and help maintain timely updates to the capital asset records. Additionally, incorporating this into the capital asset policy would help the District be in compliance with GASB 34 and GASB 42 for impairment and write downs.

Please see below for an example Capital Asst Disposal Form:

*Example*

Capital Asset Disposal Form

| Section 1: Asset Information | |
|---|---|
| 1 Description of Item that was Disposed | |
| 2 Asset ID / Tax Number (if known): | |
| 3 Date of Purchase (if known) | XX/XX/XXXX |
| 4 Original Cost (if known) | $                                           - |

| Section 2: Disposal Details | |
|---|---|
| 1 Disposal Method (✓ one) | ☐ Sold ☐ Donated ☐ Scrapped ☐ Lost/Stolen ☐ Traded-in |
| 2 Date of Disposal | XX/XX/XXXX |
| 3 Proceeds (if any) | $                                           - |
| 4 Buyer / Recipient (if applicable) | |
| 5 Reason for Disposal (please be specific) | |

| Section 3: Approvals |
|---|

**Prepared By:**

_____
Name                                          Date

**Clerk/ Treasurer Office Signature and Date**

_____
Name                                          Date

| Section 4: Asset Register Updated | |
|---|---|
| 1 Asset Removed from Register | ☐ Yes ☐ No |
| 2 Accounting Entries Processed | ☐ Yes ☐ No |
| 3 Physical Tag Removed | ☐ Yes ☐ No |
| 4 Confirmed By / Date | |

_____
Name                                          Date

## 3.3.2   Updates Policies over Useful Lives of Capital Assets – Risk Rating: Medium

**Opportunity Identified:**

SAU-15's current practice for determining useful life relies on past precedent rather than standardized guidance, as the policy allows for a broad range. This approach may lead to inconsistent asset lifespans and affect the accuracy of depreciation calculations.

**Recommendation:**

SAU-15 should develop a standardized useful life schedule for capital assets to promote consistency and accuracy in depreciation. This schedule should be reviewed periodically and used as a reference during asset capitalization decisions.

### 3.3.3 Enhance Tracking of Additions – Risk Rating: Low

**Opportunity Identified:**

Capital assets are currently tracked annually by reviewing expenditure accounts, which may delay identification of additions. This approach limits the timeliness and accuracy of asset reporting throughout the year.

**Recommendation:**

SAU-15 should implement an ongoing capital asset tracking process throughout the year, rather than relying solely on annual expenditure reviews. This will improve the timeliness and accuracy of asset records and support more efficient year-end reporting.

## 3.4 Food Services

### 3.4.1 Continued to Monitor School Lunch Deficits– Risk Rating: Medium

**Opportunity Identified:**

The continued monitoring of school lunch deficits presents a timely opportunity to reinforce fiscal accountability and safeguard student access to nutritious meals. With rising food costs and decreased federal funding placing added strain on school nutrition budgets, a structured review process enables the district to identify and respond to financial imbalances before they escalate. This approach allows for early detection of reimbursement gaps, participation declines, and cost overruns—factors that may necessitate a transfer from the general fund to cover current deficits. By performing on-going financial reviews into lunch program finances, SAU-15 can better anticipate funding needs and support strategic planning.

During our analysis of the School Lunch funds, we found that federal revenue saw a sharp increase during the pandemic years (80% – 97% of total revenue across all Districts). This was due to pandemic-era school lunch waivers. Starting in fiscal year 2022, federal revenue began to normalize and by fiscal year 2024, we saw federal revenues making up 27% – 30% of total revenues. This means that the school lunch programs now rely heavily on local sources and pricing strategies should be reviewed. **Figure 3.4.1A** shows total School Lunch Revenues by Source.
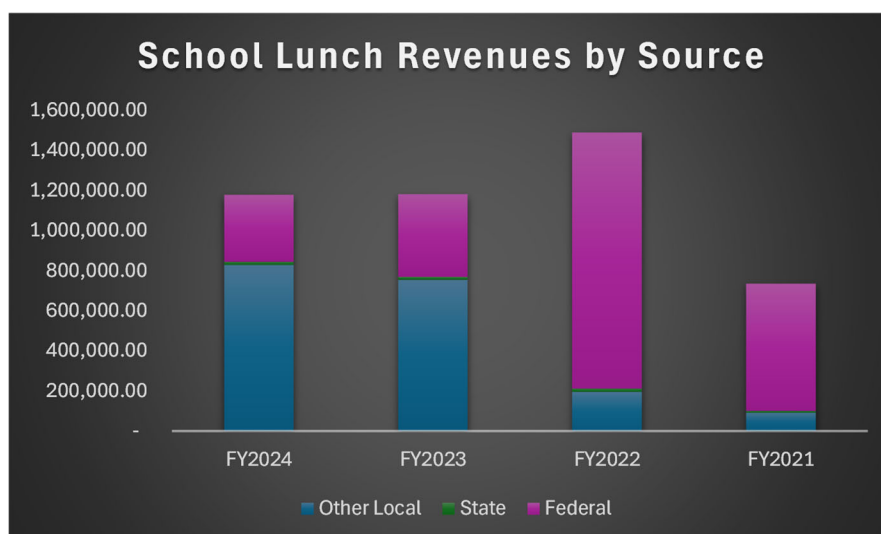
On the expenditure side, we saw expenditures increase between 65% – 82% from fiscal year 2021 to fiscal year 2024. Even as federal revenues normalize, expenditures continue to climb, due to salaries and benefits, and food costs. Please refer to **Figure 3.4.1B** below that shows total revenues and total expenditures from fiscal year 2021 to fiscal year 2024.
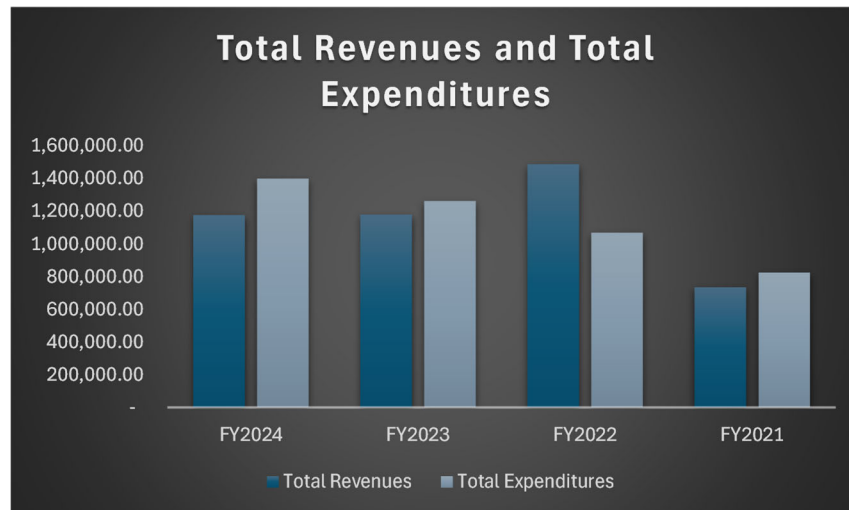


**Recommendation:**

Given the persistent financial pressures facing New Hampshire school districts and the evolving landscape of State and federal support for school nutrition programs, it is recommended that the district continue to closely monitor school lunch program deficits on a monthly basis throughout the fiscal year. To support this recommendation, the district should:

- Maintain a dedicated line item for food service monitoring in monthly financial reports.
- Require quarterly updates from food service administrators on participation rates, reimbursement trends, and cost variances.
- Prepare contingency plans for potential increases in food insecurity, especially if federal or state funding remains static.

By continuing to monitor school lunch deficits, the district can better safeguard its financial health while helping to ensure that all students have access to nutritious meals.

## 3.5  Policies and Procedures

### 3.5.1  Accountability and Control Structures – Risk Rating: Low

**Opportunity Identified:**

During our engagement, we learned that SAU-15 has not formally adapted an internal control policy framework such as that recommended by the Government Financial Officers Association (GFOA), which is based on a structure designed by the Committee of Sponsoring Organizations (COSO) Internal Control-Integrated Framework. Adopting the COSO internal control framework is a best financial management practice and a fundamental governance element in well-run school districts.

The COSO Framework is based on the five components and their associated guiding principles shown in Figure 3.5.1.

**Figure 3.5.1: Committee on Sponsoring Organizations Integrated Internal Control Framework**



While SAU-15's management system structure contains elements of the COSO framework, it may lack a formalized policy structure on integrated financial controls that help to safeguard agencies from risk. Adoption of the COSO framework and incorporation of the principles shown above into SAU-15's policies provide a reminder to staff members that SAU-15 values prudent fiscal management. Additional details on internal controls and the control environment can be found on the GFOA website:

**Recommendation:**

We recommend SAU-15 formally adopt an internal control policy framework as a basis for designing, implementing, operating, and evaluating internal controls. This internal control policy should emphasize the need for ongoing training and awareness of compliance standards.

### 3.5.2    Centralize the Procurement Function – Risk Rating: Medium

**Opportunity Identified:**

SAU-15's procurement function is decentralized with departments managing most aspects of the procurement cycle. Procurement is considered by the GFOA to be a core financial service, but is often not viewed as such by school districts.

SAU-15 does not have a procurement subject matter specialist on staff and has limited capacity to perform policy compliance checks, especially with procurement that involves federal funding. The combination of the procurement function being decentralized and limited capacity for compliance monitoring is inconsistent with prudent practices, creates more potential for non-compliance, and exposes SAU-15 to fraud, waste, and abuse.

**Recommendation:**

To streamline processes, improve controls and compliance, enhance strategic planning, and reduce risk and errors, we recommend the SAU-15 centralize the procurement function. As advocated by the GFOA, a centralized procurement enhances the efficiency, accountability and strategic oversight over the procurement process.

### 3.5.3 Update and Consolidate Outdated Policies – Risk Rating: Medium

**Opportunity Identified:**

SAU-15 and the Districts maintain a broad set of policies across various areas, many of which have not been reviewed or updated in several years. This has resulted in inconsistencies in language, outdated regulatory references, and redundant or conflicting guidance across documents. Although SAU-15 and the Districts maintain policies on their respective websites staff may find, it may not be inclusive and policies may be omitted from the website making it hard for staff to locate current policies and procedures.

**Recommendation:**

We recommend initiating a comprehensive policy review and consolidation initiative. This effort should begin with an inventory of all existing policies, followed by a gap analysis to identify outdated, duplicative, or conflicting content. Policies should be updated to reflect current regulatory requirements, best practices, and organizational priorities. Where feasible, related policies should be merged into unified documents to streamline governance and improve accessibility.

To support this initiative:

- Assign ownership of each policy to a responsible department or individual.

- Establish a centralized digital repository with version control and access permissions.

- Implement a recurring review cycle (e.g., every two – three years) to ensure policies remain current.

- Communicate updates organization-wide and provide training where necessary.

This recommendation is rated Medium Risk because while outdated policies may not pose an immediate threat, they can lead to compliance gaps, inconsistent practices, and reputational risk if not addressed in a timely manner.

Please refer to **Appendix I** for a summary of current policies including when they were last updated. Please refer to **Appendix II** for a chart that identifies opportunities for improvements over current SAU-15 policies. See **Appendix III** for a chart that identifies opportunities for improvements over District policies.

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We sincerely appreciate the cooperation, courtesy, and working environment provided to our personnel by management and the employees of the SAU-15 and its Districts during the engagement.

This communication is intended solely for the information and use of the SAU-15 and is not intended to be, and should not be, used by anyone other than these specified parties.

# Appendix I | Summary of Current Policies

✓ - Indicates that the entity has this policy listed on its website

× - Indicates that entity does not have this policy listed on its website

| Policy Name | School Administrative Unit #15 | Last Updated | Auburn School District | Last Updated | Candia School District | Last Updated | Hooksett School District | Last Updated |
|---|---|---|---|---|---|---|---|---|
| Administration of Federal Grant Funds | N/A | N/A | ✓ | 2/11/2025 | ✓ | 12/4/2024 | ✓ | 12/17/2024 |
| Annual Budget | × | N/A | ✓ | 6/10/2024 | ✓ | 2/3/2000 | ✓ | 11/20/2024 |
| Authorized Signatures/Check-Writing Services | × | N/A | × | N/A | ✓ | 2/10/2022 | ✓ | 3/22/2022 |
| Bidding Requirements | × | N/A | × | N/A | ✓ | 1/7/2010 | ✓ | 12/1/2009 |
| Bonded Employees | × | N/A | ✓ | 3/11/2025 | ✓ | 5/5/2022 | ✓ | 5/16/2023 |
| Budget Implementation | × | N/A | × | N/A | ✓ | 2/3/2000 | ✓ | 12/6/2005 |
| Budget Planning | × | N/A | × | N/A | ✓ | 2/3/2000 | ✓ | 5/16/2017 |
| Cash in the School Building | N/A | N/A | ✓ | 4/9/2024 | ✓ | 5/5/2022 | ✓ | 4/16/2024 |
| Check-Writing Services | × | N/A | × | N/A | × | N/A | ✓ | 2/20/2024 |
| Depository of Funds | ✓ | 9/21/2022 | ✓ | 2/8/2022 | ✓ | 2/10/2022 | ✓ | 3/22/2022 |
| Expense Reimbursements | ✓ | 9/21/2022 | ✓ | 2/8/2022 | ✓ | 2/10/2022 | ✓ | 3/22/2022 |
| Fiscal Accounting and Reporting | ✓ | 9/21/2022 | ✓ | 2/8/2022 | ✓ | 2/10/2022 | ✓ | 3/22/2022 |
| Fiscal Management Plan | × | N/A | ✓ | 6/10/2024 | × | N/A | ✓ | 8/15/2023 |
| Capital Assets | N/A | N/A | ✓ | 12/12/2017 | ✓ | 11/2/2017 | ✓ | 1/2/2018 |
| Fraud Prevention and Fiscal Management | ✓ | 9/21/2022 | ✓ | 6/10/2024 | ✓ | 3/7/2018 | ✓ | 1/16/2018 |
| Fund Balance Policy | ✓ | 9/21/2022 | ✓ | 2/11/2025 | ✓ | 12/4/2024 | ✓ | 12/17/2024 |
| Funding Proposals & Application | N/A | N/A | ✓ | 3/11/2025 | ✓ | 5/5/2022 | ✓ | 6/6/2017 |
| Investment | ✓ | 5/29/2025 | ✓ | 6/10/2025 | ✓ | 6/5/2025 | ✓ | 6/17/2025 |
| Payment Procedures | × | N/A | × | N/A | ✓ | 5/5/2022 | ✓ | 12/21/1999 |
| Payroll Procedures | ✓ | 9/21/2022 | ✓ | 2/13/2018 | ✓ | 3/7/2018 | ✓ | 1/16/2018 |
| Purchasing Procedures | × | N/A | × | N/A | ✓ | 5/5/2022 | ✓ | 5/16/2023 |
| Purchasing | × | N/A | × | N/A | ✓ | 5/5/2022 | ✓ | 5/16/2023 |
| Revenues From Local Tax Sources | N/A | N/A | × | N/A | ✓ | 5/5/2022 | ✓ | 6/6/2017 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| School Properties Disposal Procedure | N/A | N/A | ✓ | 2/8/2000 | ✓ | 11/6/2024 | ✓ | 9/17/2013 |
| Vendor Relations | ✕ | N/A | ✕ | N/A | ✕ | N/A | ✓ | 12/21/1999 |
| Budget Management Goals | ✕ | N/A | ✕ | N/A | ✓ | 5/5/2022 | ✕ | N/A |
| Transfer of Appropriation | N/A | N/A | ✓ | 2/8/2000 | ✓ | 11/7/2019 | ✕ | N/A |
| Cooperative Purchasing | N/A | N/A | ✕ | N/A | ✓ | 5/5/2022 | ✕ | N/A |
| Purchasing & Payment Procedures | ✕ | N/A | ✓ | 6/10/2024 | ✕ | N/A | ✓ | N/A |

# Appendix II | Opportunity for Improvement over SAU–15 Policies

The following tables present identified opportunities for improvement together with corresponding recommendations intended to enhance existing policies and procedures. These recommendations are designed to promote consistency, strengthen internal controls, and support the effective and efficient operation of SAU-15 and their districts.

## Investment

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Explicit Permitted Investment Types | The policy mentions following statutes and FDIC-insured instruments, but does not specify allowable investment types (e.g., U.S. Treasury securities, CDs, municipal bonds, investment pools). | List allowable investment instruments and city RSA 197:23-a and RSA 383:22. Specify exclusions (e.g., derivatives, equities). |
| No Stated Maximum Maturities or Diversification Guidelines | There is no cap on maturity terms or requirements for portfolio diversification. | Set maximum maturity. Include a policy on diversification by issuer, type, or amount. |
| No Clear Delegation of Authority or Backup Procedures | The Superintendent and Treasurer are identified, but no alternates or backup protocols are established for absences or transitions. | Name backup designees for the Treasurer and Superintendent. Document who can act in their absence. |
| Insufficient Details on Monitoring & Reporting | No mention of frequency or format for investment performance reporting, compliance monitoring, or variance analysis. | Require quarterly reports to the Board summarizing holdings, market value, maturity, and compliance. |
| Limited Separation of Duties Beyond Reconciliation | Some internal controls responsibilities are shared between the Treasurer and Business Office, but there is no formal description of segregation of duties in investment authorization, execution, and recordkeeping. | Establish that different individuals should authorize, execute, and record transactions. Reconciliations should be done independently. |

## Depository of Funds

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| No Criteria for Selecting Depositories | There is no mention of qualifications, collateralization, or FDIC insurance requirements when choosing a depository, exposing funds to unnecessary risk. | Define criteria for selecting depositories. "All SAU funds must be deposited in institutions approved by the Board and insured by the FDIC. For amounts exceeding coverage, collateralization must be arranged per RSA 383:22". |

| No Authorized Bank Account Listing or Controls | The policy does not require: (a) a list of approved bank accounts (b) procedures for opening/closing accounts (c) limitations on who can open accounts on behalf of the SAU. | Formalize bank account controls. Require: (a) board approval before opening/closing accounts (b) annual review of all active bank accounts (c) maintenance of a master list of all depository institutions and accounts. |
|---|---|---|
| No Dual Custody or Deposit Process Controls | There are no procedures defined for: (a) who handles deposits (b) dual custody or segregation of duties for cash/check handling (c) frequency and timing of deposits. | Implement dual custody and deposit procedures. Require: (a) two employees to be present when handling cash/checks (b) daily or next-day deposit of funds (c) use of tamper-evident bank bags or digital deposit logs. |
| No Cash Receipt or Deposit Reconciliation Requirements | The policy does not address: (a) matching receipts with general ledger postings (b) monthly reconciliation of bank deposits to accounting records. | Implement deposit reconciliation. Monthly reconciliation of: (a) bank deposits to accounting system entries (b) general ledger to bank statements (ideally by someone not involved in deposit processing). |
| No Monitoring or Reporting to the Board | There is no requirement for reporting depository activity, such as: (a) bank balances (b) interest earned (c) changes to authorized accounts. | Board Oversight and Monitoring. Require periodic reporting to the Board that includes: (a) cash and bank balances by institution (b) interest income (c) recent account activity like opened/closed accounts. |

## Fiscal Accounting & Reporting

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Defined Reporting Frequency | The policy mentions that reports will be issued on a "scheduled basis" but does not define frequency (e.g., monthly, quarterly), leaving reporting expectations vague. | Define reporting frequency and schedule. "The Finance Office shall provide financial statements to the School Board on a monthly basis, with year-to-date actuals, encumbrances, and variance analysis." |
| No Description of Report Content or Format | There are no details on the minimum required content of reports such as: (a) budget vs actual comparisons (b) variance analysis (c) cash flow summaries (d) fund balance projections. | Require reports to include: (a) budget vs actual expenditures (b) current fund balances (c) forecasted year-end variances (d) narrative explaining major deviations. |
| No Defined Responsibilities | The policy does not state who is responsible for preparing the reports (e.g., Business Admin, Finance, etc.), nor who reviews them. | Assign roles and responsibilities. "The Finance Office shall prepare all financial reports. The Superintendent or designee shall review reports before presentation to the Board." |

| No Reconciliation or Closing Procedures | There is no mention of monthly or year-end closing procedures, bank reconciliations, or how financial accuracy and completeness is verified. | Include closing and reconciliation requirements. Establish monthly procedures for: (a) general ledger reconciliation to bank statements (b) accrual entries and adjustment reviews (c) documentation and sign-off by the Finance Office. |

## Fund Balance

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Fund Balance Targets or Minimum Levels | The policy does not define reserve targets (e.g., "at least 5% of annual expenditures) for Unassigned Fund Balance, which is important for fiscal sustainability and emergency preparedness. | Establish minimum unassigned fund balance targets. "The SAU shall maintain an Unassigned Fund Balance of 8-15% of annual operating expenditures to provide for emergencies, cash flow, and fiscal stability." |
| No Triggers for Use of Fund Balances | There are no criteria for when and how the SAU may draw on Committed, Assigned, or Unassigned Fund Balances. | Add spending criteria for each fund type. Define when and how each fund category may be used. For example: (a) committed funds may only be spent for the original purpose by Board vote (b) assigned funds may only be reclassified by the Superintendent if under $XX,XXX and report to the Board quarterly. |
| No Monitoring or Reporting Requirements | The policy lacks provisions for ongoing monitoring, such as: frequency of fund balance reviews, board reporting requirements, and integration with budget planning and year-end close out. | Include monitoring and reporting provisions. "The Business Administrator shall present a fund balance report to the SAU Board quarterly, showing current balances, changes, and any assignment or commitment activity." |
| No Controls for Delegated Assignments | While the Board delegates authority to the Superintendent/Business Administrator for Assigned Fund Balances, the policy does not define dollar thresholds, require documentation, and reporting back to the Board for transparency. | Define limits for delegated assignments. Assignments by the Superintendent/Business Admin must not exceed a defined dollar amount (e.g., $25,000) without Board review. All assignments must be documented and included in year-end reports. |
| No Contingency Planning or Replenishment Guidelines | There are no replenishment strategies if fund balances fall below safe levels, which is important for recovery after economic downturns or emergencies. | Add replenishment and restoration procedures. "If the Unassigned Fund Balance falls below the minimum threshold, the SAU shall develop a replenishment plan with 60 days, with a goal to restore the balance within two fiscal years." |

## Fraud Prevention & Fiscal Management

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Formal Whistleblower Protections Beyond Non-Retaliation | The policy affirms no retaliation but lacks a structured whistleblower framework, such as anonymous reporting channels (hotline, third-party service, or secure email). | Create a hotline, third-party whistleblower platform, or anonymous web portal. Publish clear instructions for use and handling of reports. |
| No Specific Investigation Timeliness or Documentation Standards | The policy assigns the Superintendent to lead investigations but provides no required timeliness, documentation standards, or investigation protocols. | Standardize fraud investigation procedures to include expected response timeliness, required investigation documentation and retention of investigation records. |
| No Mandatory Reporting to the Board on Investigation Outcomes | While it allows the Superintendent to report findings, it does not mandate Board oversight of all substantiated cases or systematic risks discovered. | Require board notification of all substantiated fraud cases. Any substantiated case should be formally reported to the Board in closed session and documented for follow-up and risk mitigation planning. |

## Payroll Procedures

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| No Payroll Authorization or Review Process Defined | The policy does not identify who reviews and approves payroll before processing. | Require dual approval of each payroll run: HR verifies employee status and time records and finance reviews final payroll register before release. |
| No Mention of Segregation of Duties | There is no indication that different staff are responsible for inputting, approving, and reconciling payroll, increasing the risk of fraud or error if one person handles multiple steps. | Ensure separate roles for: data entry, payroll approval, funds disbursement, and reconciliation and reporting. |
| Absence of Payroll Reconciliation Process | There is no mention or requirement for monthly reconciliation between payroll records and GL or bank statements. | Monthly reconciliation between payroll register, bank statements, and GL. Require independent review and sign off. |
| No Mention of Overtime or Leave Time Approval Policies | The policy does not define controls over OT approval, leave tracking, or comp time. | Include requirements for: written or electronic pre-approval of OT, systematic accrual and approval of vacation and sick leave. |
| No Timekeeping System Standards | While it references attendance and time tracking, it does not define acceptable timekeeping methods, edits, or audit trails. | Standardize use of badge-in/out systems or digital timekeeping tools, and restrictions on manual edits without supervisor approval. |

| | | |
|---|---|---|
| No Policy on Direct Deposit vs. Physical Checks | There is non clarity on preferred payroll disbursement method, handling of physical checks, or addressing unclaimed wages. | Encourage direct deposit for control and efficiency, define secure process for distributing and tracking paper checks, and document how unclaimed or returned wages are handled. |

## Expense Reimbursements

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Defined Approval Hierarchy | The policy states that vouchers must be "approved" but does not define who specifically approves expenses. | Include language requiring that all reimbursement requests be approved by: (a) the employee's direct supervisor and (b) designated finance/business administrator before processing. |
| No Timeliness or Submission Deadline | There is no mention of a requirement for when reimbursement requests must be submitted (like within 30 days of the expense), increasing the risk of delayed claims. | Establish timely submission requirements. Such as, "Reimbursement requests must be submitted within 30 days of incurring the expense." |
| No Clear Receipt and Documentation Requirements | It vaguely states "supporting receipts" but lacks clarity on:<br>A.) What documentation is required for different expense types<br>B.) What happens if receipts are lost or unavailable | Set documentation standards. Require: (a) original itemized receipts (b) proof of payment like CC or bank statement, (c) completed reimbursement form signed by the requestor. |
| No Mention of Restrictions on Types of Reimbursable Expenses | The policy does not list non-reimbursable items or put limits on type of expenses such as meals, lodging, per diem, or incidental purchases. | Provide examples of allowed expenses (lodging, meals, registration fees) and disallowed ones. Implement per diem and/or spending limits. |
| No Mention of Pre-Approval Requirement for In-State Travel | While out-of-state travel requires Superintendent approval, in-state travel does not require pre-authorization, potentially leading to excessive or unnecessary travel. | Implement a travel pre-approval form for any travel (in or out of state) with estimated cost breakdowns. |

## Procurement Procedure

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Segregation of Duties | The Superintendent or designee manages approval, purchasing, and potentially oversight, creating a risk of concentration of authority. | Establish clear segregation of duties. Ensure different individuals handle request initiation, purchasing decision, approval, and payment. Introduce periodic management or board-level review of procurement activity. |

| Lack of Clear Threshold Enforcement | While thresholds (micro and simplified acquisition) are stated, there is no procedure or internal control to verify and enforce that purchases are not artificially split to stay under limits. | Require procurement software or manual checklists to flag: (1). Transactions near micro/simplified thresholds (2). Purchases made by the same requester/vendor within a short time frame. |
|---|---|---|
| Vendor Evaluation and Monitoring | The policy lacks a requirement for: (1). Post-award vendor performance reviews (2). Ongoing vendor risk assessments (3). Tracking historical vendor issues or performance. | Maintain a central vendor file with: (1) performance evaluations (2). Suspension or complaint history (3). Contractual issues or terminations. Perform annual vendor reviews. |
| Training and Oversight | No mention of staff training, periodic policy reviews, or oversight by an independent party. | Conduct annual procurement training for relevant staff. Review policy every two to three years or when federal rules change. |
| Conflict of Interest Process | While conflicts are referenced, there is no defined process to disclose, document, or mitigate them. | Require annual conflict of interest disclosures for all procurement staff. Use a conflict-of-interest form for every procurement above a threshold. |
| Retention and Audit Trail | Retention of procurement records is not defined. Lack of requirement for audit trails for all procurement steps. Like no logs of who approved what and when. | Retain procurement records for at least three to five years (in line with federal requirements). Require all approvals to be documented and traceable through initials, electronic logs, etc. |
| Emergency Procurement Controls | Though "emergency purchases" are allowed, there is no control or definition of what qualifies as an emergency, nor is there a requirement for post-event documentation or board notification. | Define what qualifies as an emergency. Require written documentation within three to five days after the emergency procurement. Require board or Superintendent approval. |
| Risk of Inadequate Price/Cost Analysis | The policy does not require: (1). Cost/price analysis for large purchases (above the simplified acquisition threshold) (2). Independent estimates to support fair pricing. | For purchases above the simplified threshold, require: (1). Written cost or price analysis (2). Market research or third-party estimates. Require use of independent estimates where possible. |

# Appendix III | Opportunity for Improvement over School District Current Policies

## Administration of Federal Grant Funds

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Formalized Written Procedures | The policy delegates responsibility to the Superintendent or designee to develop administrative procedures, but it does not include the actual procedures or ensure their standardization. | Develop and implement a Federal Grants Procedures Manual that includes step-by-step procedures for: a. Expense approvals and documentation b. Procurement methods and thresholds c. Drawdown and disbursement timing d. Grant reconciliation and closeout e. Recordkeeping and retention requirements |
| Infrequent Inventory Reviews | Physical inventory is required only every two years, which may be insufficient for tracking high-risk items. | Increase inventory frequency to annually, particularly for assets purchased with federal funds more than $10,000. Use inventory management software and asset tags to improve tracking and control. |
| Unclear Training Standards for Grant Personnel | Although training is mentioned, there are no defined minimum requirements, frequency, or documentation standards for staff involved in federal grant administration. | Require annual mandatory training for all relevant personnel. Training should cover: a. Uniform Grant Guidance (2 CFR Part 200) b. Procurement standards c. Time and effort reporting d. Cash management and timely drawdowns e. Maintain training logs with completion dates and topics covered. |

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Written Internal Control Procedures for Budget Development | The policy states that the Superintendent is responsible for budget preparation, with input from Principals and administrators, but it lacks detailed procedures or internal control mechanisms for: (i). Budget compilation (ii). Review process (iii). Approval workflows | Develop and document standard operating procedures (SOPs) for budget development that include:<br>▪ i). Defined roles and responsibilities for budget input and review<br>▪ ii). Checklists for departmental budget submissions<br>▪ iii). Review and sign-off procedures by administrators and the Superintendent |
| No Mention of Internal Review or Reconciliation Controls | There is no reference to internal verification or reconciliation steps to ensure that submitted budget figures are accurate, supported by data, and aligned with actual historical expenditures. | Implement a budget review process that includes:<br>▪ i). Reconciliation of department requests against prior year actuals and current year projections<br>▪ ii). Finance team review for consistency, anomalies, or unsupported figures<br>▪ iii). Written documentation of any adjustments made and the rationale |
| Absence of Monitoring or Mid-Year Review Controls | The policy does not address how the district will monitor the execution of the adopted budget throughout the fiscal year, nor whether there will be mid-year budget-to-actual comparisons. | Establish a budget monitoring and variance analysis procedure, including:<br>▪ i). Monthly or quarterly budget-to-actual reports to the Board<br>▪ ii). Required variance explanations from responsible departments for deviations exceeding a set threshold (10%)<br>▪ iii). Corrective action plans if variances are significant |
| No Risk Assessment or Contingency Planning | There is no mention of assessing potential financial risks or planning contingencies during the budget formulation process. | Incorporate risk analysis and contingency planning, including:<br>▪ i). Identifying high-risk budget areas<br>▪ ii). Setting aside contingency reserves or flexible budget lines<br>▪ iii). Including a sensitivity analysis for variable cost drivers |

## Authorized Signatures & Check Writing Services

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Dual Signature Requirement for Checks | The policy states that checks from the general and special funds require only one signature (the Treasurer or designee), and activity fund checks require only one signature after approval, creating a single point of control. | Require dual signatures for checks above a specified threshold ($5,000) or for any disbursement from special-purpose funds. |
| Unrestricted Use of Facsimile Signature Stamp | The Hooksett policy allows the use of a facsimile stamp by the Treasurer or designee but does not define when, how, or under what safeguards it may be used. | If a facsimile signature stamp is currently not being used by the Hooksett School District, consider removing this language from the policy. |
| No Explicit Internal Controls Over Check Issuance Process | There is no mention of procedures for check preparation, review, or reconciliation. Without controls, the check issuance process may be vulnerable to: (i). Duplicate payments (ii). Payments without supporting documentation (iii). Errors or misappropriation | Consider documenting current controls over the check issuance process. |
| Student Activity Fund Disbursements Lack Detail | The policy states that student activity fund checks require only one signature following approval by an advisor and building administrator, but does not define approval documentation, thresholds, or audit practices. | Strengthen controls over student activity funds by:<br>▪ i). Requiring standardized disbursement request forms<br>▪ ii). Setting dollar thresholds for requiring dual signatures<br>▪ iii). Conducting quarterly reviews of activity fund expenditures and reconciliations |
| No Reference to Electronic Payments or ACH Transfers | The policy does not address EFTs, ACH payments, or online banking, which are common and carry unique risks. | Update the policy to include:<br>▪ i). Authorization protocols for initiating EFTs/ACH payments<br>▪ ii). Dual authorization for transfers above a set amount<br>▪ iii). Security protocols (multi-factor authentication)<br>▪ iv). Regular review of ACH transactions by the Treasurer or an independent reviewer |

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Absence of Formal Documentation and Retention Requirements | The policy outlines thresholds for quotes and bids but does not require formal documentation of quotes or a retention policy for bid records. | Require that all bid and quote documentation be retained in a centralized procurement file, including:<br>▪ i). Copies of all bids/quotes received<br>▪ ii). Bid summaries<br>▪ iii). Justifications for vendor selection<br>▪ iv). Retention period aligned with current best practices (three to seven years) |
| No Clear Segregation of Duties | The policy does not define who initiates, evaluates, and approves bids and purchases. | Establish a segregation of duties matrix for procurement activities, ensuring that:<br>▪ i). One person initiates the purchase<br>▪ ii). A separate party evaluates bids<br>▪ iii). A third party (Superintendent or Board) approves and finalizes the contract |
| No Vendor Evaluation or Responsibility Criteria Defined | While the Board retains the right to reject bids, the policy does not identify criteria for evaluating vendor responsibility. | Include vendor evaluation standards in the policy, such as:<br>▪ i). Proof of licensing and insurance<br>▪ ii). Demonstrated capacity and experience<br>▪ iii). History of timely and successful contract fulfillment |
| Lack of Internal Control Over "Negotiated Awards" | The policy allows the Board to negotiate if all bids exceed appropriations but provides no controls or transparency over how negotiations are conducted or documented. | Require that:<br>▪ i). All negotiations be approved in writing by the Board or Superintendent<br>▪ ii). A summary of negotiated terms and rationale be retained with the bid documentation<br>▪ iii). Post-negotiation pricing be reviewed for fairness and compliance with procurement goals |

| No Reference to Conflict of Interest or Ethical Standards | The policy does not include any reference to conflict-of-interest disclosures or ethical standards during procurement, even though competitive bidding is a high-risk area. | Add language requiring:<br>▪ i). Staff and board members involved in the procurement process to sign annual conflict-of-interest statements<br>▪ ii). Any known relationships with vendors to be disclosed and mitigated prior to bid evaluation<br>▪ iii). Exclusion of conflicted individuals from participating in award decisions |

## Bonded Employees

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Bonding Policy Lacks Role | The policy mandates bonding for the Treasurer and those who administer funds (including student activity funds), but it does not specify how bonding amounts are determined based on the level of risk or exposure by role. | Conduct a risk-based assessment of positions to determine appropriate bonding levels. Update the policy to reflect:<br>▪ i). Varying bond amounts for higher-risk roles<br>▪ ii). Criteria for assessing exposure (access to cash, check-writing authority, electronic fund transfers) |
| Lack of Defined Procedures for Administering and Verifying Bonds | The policy does not establish how bonding is tracked, verified, or managed for new or existing employees who handle district or student funds. | Develop procedures that:<br>▪ i). Require HR or the Business Office to verify and document bond coverage before employees assume fiduciary duties<br>▪ ii). Maintain a bond register listing all bonded individuals, roles, coverage amounts, and bond expiration dates<br>▪ iii). Reassess bonding needs when employees change positions or responsibilities |
| No Link Between Bonding Policy and Fraud Risk Management | While bonding is a key financial safeguard, the policy does not tie bonding to broader fraud prevention practices, such as whistleblower protections, ethics training, or internal audits. | Integrate bonding policy into the district's overall fraud risk management framework by:<br>▪ i). Requiring all bonded employees to undergo annual training on ethical handling of funds<br>▪ ii). Ensuring incidents involving potential fraud or misappropriation trigger a review of bond coverage and claims procedures |

| | | ▪ iii). Referencing related policies (whistleblower, financial procedures, audit requirements) |
|---|---|---|

## Budget Implementation

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Defined Oversight for Routine Budget Monitoring | The policy only addresses overspending more than $10,000 and does not require routine monitoring of budget-to-actual performance by functional area or department. | Establish a monthly or quarterly budget monitoring process, including:<br>▪ i). Reports comparing actual expenditures to budget by function code<br>▪ ii). Required variance explanations for line items exceeding a set percentage (±10%)<br>▪ iii). Internal finance review before Board reporting |
| No Clearly Defined Authority or Approval Process for Budget Transfers Below $10,000 | The policy specifies Board notification for $10,000+ overruns requiring cross-function transfers, but does not clarify authority for lesser amounts, creating ambiguity in approval thresholds and accountability. | Define tiered approval thresholds for budget transfers as follows:<br>▪ i). <$2,500: School/department head approval<br>▪ ii). $2,500–$10,000: Business Administrator and Superintendent approval<br>▪ iii). $10,000 or any inter-function transfer: School Board approval |
| No Documentation or Audit Trail Requirement for Budget Transfers | The policy does not require that transfers be documented or tracked in a consistent, reviewable manner. | Implement a Budget Transfer Request Form that includes:<br>▪ i). Justification for the transfer<br>▪ ii). Source and destination account codes<br>▪ iii). Approval signatures<br>▪ iv). Date of transaction<br>▪ v). Maintain a transfer log reviewed by the Business Administrator and shared with the Board quarterly |
| No Internal Control Safeguards Against Unauthorized Overspending | There is no mention of system-based or procedural controls that prevent or flag expenditures exceeding budget authority. | Utilize financial software to:<br>▪ i). Flag or restrict transactions exceeding available budget balances<br>▪ ii). Require pre-approval for large purchases or fund transfers |

## Budget Planning

| Opportunity for Improvement | Issue | Recommendation |
| --- | --- | --- |
| No Requirement for Formalized, Documented Budget Planning Procedures | The policy allows the Superintendent to establish procedures but does not require the creation or use of formal, written budget planning procedures or a standardized template. | Require the Superintendent to annually publish a Budget Planning Manual that includes:<br>• i). Timeline and due dates for departmental submissions<br>• ii). Budget request templates<br>• iii). Instructions on prioritization and justification<br>• iv). Roles and responsibilities of involved personnel |
| Lack of Internal Controls for Reviewing Budget Requests | The policy does not outline review mechanisms or require checks to validate that submitted budgets align with Board goals, district priorities, or historical data. | Introduce a multi-tiered review process where:<br>• i). Department heads validate requests based on need and alignment with goals<br>• ii). Business Administrator or finance team performs a comparative analysis against prior years |

## Cash in the School Building

| Opportunity for Improvement | Issue | Recommendation |
| --- | --- | --- |
| Lack of Specific Procedures for Cash Handling and Safekeeping | The policy states that monies must be handled with "sound business procedures" but does not define specific handling practices, such as who can collect cash, how it should be stored, or how it must be documented. | Establish a detailed cash handling procedure manual including:<br>• i). Who is authorized to collect and handle cash<br>• ii). Use of pre-numbered receipt books or electronic receipting systems<br>• iii). Secure storage requirements (locked safes, limited access)<br>• iv). End-of-day reconciliation of collections with receipt logs |
| No Segregation of Duties in Cash Collection and Deposit Process | There is no mention of internal control safeguards such as segregating responsibilities between those who collect cash, record it, and deposit it, which is essential to prevent theft or misappropriation. | Implement segregation of duties by requiring:<br>• i). One staff member to collect and document funds<br>• ii). Another staff member to verify and prepare the deposit<br>• iii). A third party (school secretary or business office) to reconcile deposits against receipts |

| No Requirement for Timeliness or Frequency of Deposits | The policy vaguely references avoiding large sums of money stored overnight but provides no specific timeframes for deposits. | Require that:<br>▪ i). All cash over a set threshold ($250) be deposited within one business day<br>▪ ii). All funds, regardless of amount, be deposited at least weekly<br>▪ iii). A deposit log be maintained and reviewed monthly by the Business Administrator |
|---|---|---|
| No Defined Oversight or Reconciliation Procedures | The policy assigns oversight to the Principal but does not describe how cash-handling activities are monitored and reconciled. | Introduce routine internal controls, including:<br>▪ i). Monthly reconciliation of receipts, deposit slips, and bank statements by office staff<br>▪ ii). Use of standardized reconciliation forms signed by both preparer and reviewer |
| No Policy on Use of Personal Storage or Cash Boxes | There is no language prohibiting the storage of cash in personal desks, unlocked drawers, or unauthorized areas, which increases risk. | Implement a rule that:<br>▪ i). All cash must be stored in a locked, fire-resistant safe approved by the district<br>▪ ii). Personal storage of school funds is strictly prohibited<br>▪ iii). Keys or combinations to safes must be restricted and rotated annually |

## Check-Writing Services

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| No Dual Signature Requirement for High-Risk Transactions | The policy allows only the Treasurer to sign checks, including for general and special funds, and only one signature for activity fund checks. This creates a single point of failure and increases the risk of misappropriation. | Require dual signatures for:<br>▪ i). All checks above a defined threshold ($5,000 or $10,000)<br>▪ ii). Any check disbursed from special-purpose or grant-related funds<br>▪ Suggested signatories: Treasurer plus either the Superintendent or Business Administrator. Activity fund disbursements should also require documented approval before issuance |

| No Mention of Check Security or Storage Controls | While the policy states that checks are pre-numbered, it does not address how blank checks are secured, who has access to them, or how unused checks are tracked. | Implement written procedures requiring:<br>▪ i). Storage of blank checks in a locked, restricted-access location<br>▪ ii). A check issuance log that tracks check numbers, amounts, and payees<br>▪ iii). Immediate reporting and documentation of any voided, damaged, or lost checks |
|---|---|---|
| No System-Based Control or Oversight Mentioned | The policy does not describe the use of accounting system controls for generating, approving, or reconciling check payments, potentially allowing unauthorized payments to go undetected. | Strengthen controls by requiring:<br>▪ i). Use of financial management software with segregated user roles<br>▪ ii). System-based check printing only after payment approval<br>▪ iii). Automated flagging for duplicate payments, unusual amounts, or out-of-sequence checks<br>▪ iv). Ensure that only authorized personnel have rights to initiate, approve, and print checks |
| No Reconciliation or Post-Issuance Review Requirements | There is no mention of how checks are reconciled to bank statements or how post-issuance reviews are conducted to ensure accuracy and detect errors or fraud. | Implement a monthly reconciliation process that includes:<br>▪ i). Cross-checking issued checks against approved manifests<br>▪ ii). Investigating any discrepancies (missing checks, altered amounts)<br>▪ iii). Requiring sign-off by someone not involved in check issuance |
| No Specific Controls for Activity Fund Check Issuance | Checks drawn on activity funds require only one signature and lack accompanying controls over approvals or fund use, which presents a risk given the decentralized nature of these funds. | Require the following for activity fund checks:<br>▪ i). All disbursements must be pre-approved using a standardized request form<br>▪ ii). Maintain a log of all activity fund disbursements with purpose, amount, payee, and supporting documentation<br>▪ iii). Require at least two levels of review before check issuance |

## Depository of Funds

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Defined Procedures for Depositing Funds | The policy mentions that income and revenue will be forwarded to the Treasurer and posted to the general ledger, but it lacks details on how and when deposits must occur, who is responsible, and the expected timeline for doing so. | Establish a formal cash and check deposit procedure, requiring:<br>▪ i). Deposits to be made within a specified timeframe (within one to two business days of receipt)<br>▪ ii). Use of tamper-evident deposit bags and pre-numbered deposit slips<br>▪ iii). Deposit log maintained by the business office, reconcilable to bank statements and the general ledger |
| No Controls for Segregation of Duties | There is no mention of segregation of duties between individuals collecting, recording, depositing, and reconciling funds, increasing the risk of fraud or misappropriation. | Assign separate personnel to the following functions:<br>▪ i). Collection and receipt of funds<br>▪ ii). Ledger entry and revenue recognition<br>▪ iii). Bank deposit preparation and transport<br>▪ iv). Reconciliation of deposits and bank statements<br>▪ v). Require periodic independent reviews of deposit activity |
| No Mention of Deposit Reconciliation or Oversight Procedures | The policy does not require regular reconciliation between deposits, bank statements, and general ledger entries, leaving gaps in oversight. | Require monthly reconciliations by the finance department that include:<br>▪ i). Comparison of deposit slips to bank statements and revenue ledgers<br>▪ ii). Documentation of discrepancies and corrective actions<br>▪ iii). Supervisory review and approval of reconciliations |
| No Security Controls Over Physical or Electronic Deposits | The policy does not define security measures for handling funds, such as overnight cash storage, transport protocols, or controls over electronic transfers. | Implement safeguards such as:<br>▪ i). Storing funds in a locked safe with limited access until deposit<br>▪ ii). Requiring dual custody for bank deposit transport<br>▪ iii). Enforcing multi-factor authentication and role-based access for online banking platforms<br>▪ iv). Develop a formal cash handling and deposit security protocol |

## Expense Reimbursements

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| No Standardized Reimbursement Form or Approval Workflow Defined | The policy requires submission of a "properly filled out and approved voucher," but it does not define a standard form, or the steps required for review and approval. | Create a standardized Expense Reimbursement Form that includes:<br>▪ i). Employee name, date of request, purpose of expense<br>▪ ii). Itemized expenses with supporting receipts<br>▪ iii). Signature lines for the employee, supervisor, and Business Administrator<br>▪ iv). Establish a clearly documented workflow for approval and submission deadlines |
| No Defined Timeframe for Submitting Reimbursement Requests | The policy does not state a deadline by which employees must submit reimbursement claims, which can lead to late, forgotten, or improperly recorded expenses. | Require that reimbursement requests be submitted within 30 days of the expense being incurred. Late submissions should require written justification and approval from the Superintendent or designee. |
| No Clarification on Allowable vs. Non-Allowable Expenses | The policy lacks clear guidelines or examples of what types of expenses are reimbursable, which could result in inconsistent reimbursements or disputes. | Publish an Allowable Expense Guidelines document that clarifies:<br>▪ i). Meals, lodging, mileage, registration fees, tolls, parking (typically reimbursable)<br>▪ ii). Alcohol, personal entertainment, spouse/guest expenses (non-reimbursable)<br>▪ iii). Per diem limits if applicable (GSA rates for meals and lodging) |
| No Guidance on Electronic Submission or Recordkeeping | The policy does not mention whether reimbursement forms and receipts may be submitted electronically, nor does it provide guidance on document retention. | Modernize the policy by allowing:<br>▪ i). Electronic submission of scanned receipts and forms via a secure platform<br>▪ ii). Clear rules on digital record retention (three–seven years per IRS/state guidelines)<br>▪ iii). Mandatory storage of reimbursement records in a centralized system accessible to the Business Office |

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Defined Frequency and Deadlines for Financial Reporting | The policy vaguely references that financial reports are to be provided "on a scheduled basis" during the year, but does not specify the frequency (monthly, quarterly) or submission deadlines. | Establish a formal reporting schedule, such as:<br>▪ i). Monthly budget-to-actual reports submitted to the Board by the 15th of the following month<br>▪ ii). Quarterly reports including encumbrance projections and year-end forecasts<br>▪ iii). Clearly assign responsibility for report preparation (Business Administrator) |
| No Requirement for Standardized Financial Report Content | The policy does not describe what must be included in financial reports, leading to inconsistent or incomplete information for oversight. | Define required content for each financial report, such as:<br>▪ i). Revenues vs. expenditures by fund and function<br>▪ ii). Variance analysis and explanations<br>▪ iii). Encumbrances and projected year-end balances<br>▪ iv). Fund balance updates and comparison to budget |
| No Documented Internal Controls for Review and Approval of Financial Reports | The policy states reports shall be submitted to the School Board but does not require internal validation or approval by financial administrators before presentation. | Require a multi-level review process, including:<br>▪ i). Preliminary review by the finance team for accuracy and completeness<br>▪ ii). Sign-off by the Business Administrator prior to distribution |
| No Mention of Reconciliation Procedures | There is no reference to monthly reconciliations of general ledger accounts, bank accounts, or subsidiary ledgers, which are critical for accurate reporting. | Require the Business Office to:<br>▪ i). Complete bank and general ledger reconciliations monthly<br>▪ ii). Resolve discrepancies within a set timeframe (10 business days)<br>▪ iii). Retain reconciliation logs for audit purposes |

## Fiscal Management Plan

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Policy Lacks Specific, Measurable Controls Across Functional Areas | While the policy outlines general fiscal management goals (budgeting, accounting, purchasing), it does not define specific internal controls, procedures, or standards for each area. | Expand the policy or adopt supporting procedures that explicitly address:<br>▪ i). Segregation of duties in finance functions<br>▪ ii). Checklists or SOPs for core functions like payroll, vendor payments, and purchasing |
| No Mention of Oversight Roles or Accountability Structure | The policy does not assign specific responsibility or oversight roles for fiscal functions, leading to ambiguity in accountability. | Clearly define the fiscal governance structure, such as:<br>▪ i). School Board: Policy oversight and approval of budgets, audits<br>▪ ii). Superintendent: Implementation and reporting to the Board<br>▪ iii). Business Administrator: Day-to-day fiscal operations and internal controls |
| No Mention of Monitoring or Evaluation of Fiscal Management Practices | The plan sets broad goals but does not include a mechanism to evaluate progress, performance, or control effectiveness over time. | Implement an annual Fiscal Review, which includes:<br>▪ i). Audit findings and corrective actions<br>▪ ii). Budget variance summaries and explanations<br>▪ iii). Review of process improvements<br>▪ iv). Present this review to the Board |
| No Specific Guidance on Timeliness of Information Sharing | The policy states that "timely and appropriate information" will be provided, but offers no deadlines, cadence, or reporting formats for fiscal data. | Set expectations for the frequency and format of financial reporting, such as:<br>▪ i). Monthly/Quarterly financial reports |

## Capital (Fixed) Assets

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Detailed Roles and Responsibilities | The policy states the Superintendent will designate a person to manage capital assets, but it lacks a clearly defined accountability structure, job titles, or backup protocols for asset oversight. | Define specific responsibilities by role (Business Administrator, Facilities Director) for:<br>▪ i). Maintaining the fixed asset register<br>▪ ii). Performing annual physical inventories<br>▪ iii). Recording acquisitions, disposals, and depreciation |

| No Internal Control Procedures for Physical Inventory | The policy requires an annual evaluation of assets but does not specify how physical inventories will be conducted, nor who is responsible for verification and reconciliation. | Develop formal asset inventory procedures that include:<br>▪ i). Annual physical count of all tagged assets above the $10,000 threshold<br>▪ ii). Use of standardized asset inventory forms or scanning software<br>▪ iii). Cross-checks with the fixed asset ledger to reconcile discrepancies<br>▪ iv). Require dual verification and principal/business office sign-off |
|---|---|---|
| No Mention of Asset Tagging or Identification Methods | There is no reference to asset tagging, barcoding, or labeling, which is crucial for tracking and preventing loss or theft. | Implement an asset tagging system for all capital assets, including:<br>▪ i). Pre-numbered tags with asset IDs linked to the fixed asset register<br>▪ ii). Asset location, custodian, and acquisition details recorded in the inventory system<br>▪ iii). Annual tag verification during physical inventory reviews |
| No Control Procedures for Asset Acquisition or Capitalization Review | The policy lacks internal controls for ensuring that acquisitions are properly capitalized and comply with the $10,000 threshold and GASB 34 standards. | Establish acquisition review controls, including:<br>▪ i). A capital asset request form requiring justification, funding source, and superintendent/business office approval<br>▪ ii). A checklist to verify whether purchases should be capitalized or expensed<br>▪ iii). Review of large purchases in accounts payable for missed capitalization |
| No Process for Disposition Approval or Documentation | Although the policy outlines that disposed assets will be removed during the annual update, it does not include procedures for approving or documenting disposals. | Require a Disposition Request Form that includes:<br>▪ i). Asset ID, reason for disposal, and method of disposal<br>▪ ii). Signatures from the asset custodian and Business Administrator<br>▪ iii). Documentation retained for audit purposes, including any proceeds |

## Fraud Prevention & Fiscal Management

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Internal Control Procedures Are General, Not Operationalized | The policy references internal controls like segregation of duties, check processing, and bank reconciliations, but it lacks detailed procedures or operational guidance to ensure consistent implementation across departments. | Develop and implement SOPs to support each listed internal control. For example:<br>▪ i). Segregation of duties matrix by position<br>▪ ii). Step-by-step cash disbursement workflow<br>▪ iii). Monthly bank reconciliation checklist with signoffs<br>▪ iv). These SOPs should be reviewed annually and updated as processes or personnel change |
| No Formal Risk Assessment or Monitoring Framework in Place | Although the policy places responsibility on the Superintendent to manage risk, there is no reference to a formal fraud risk assessment process or periodic monitoring system. | Establish a fraud risk assessment protocol, conducted annually by the business office and reviewed by the Superintendent. It should include:<br>▪ i). Identification of high-risk processes or departments<br>▪ ii). Evaluation of control effectiveness<br>▪ iii). Prioritized mitigation actions<br>▪ iv). Consider using a risk rating scale (low/medium/high) and documenting assessment results for audit readiness |
| No Whistleblower Hotline or Anonymous Reporting Mechanism | Employees are encouraged to report fraud to the Superintendent or Board Chair, but the policy lacks an anonymous or third-party reporting option, which can limit detection of sensitive or retaliatory concerns. | Implement an anonymous fraud reporting system, such as:<br>▪ i). A third-party ethics hotline or online reporting tool<br>▪ ii). A locked drop-box in a secure location<br>▪ iii). Include communication and training so employees are aware of their options and protections from retaliation |
| No Timelines for Investigation or Resolution | While the policy states that the Superintendent (or Board Chair) will conduct or coordinate investigations, it does not set clear timelines for completing investigations or reporting outcomes. | Define procedural benchmarks for investigations, such as:<br>▪ i). Preliminary review completed within 5 business days<br>▪ ii). Full investigation completed within 30 calendar days (unless extended)<br>▪ iii). Report delivered to the Board at the next regular meeting or within 10 days of completion<br>▪ iv). Document any exceptions or delays with justification |

| Capital Asset Controls Not Aligned with Asset Management Procedures | The fraud policy briefly mentions maintaining a list of capital assets but lacks any connection to the fixed asset policy (File: DID), including tagging, inventory, or disposal controls. | Integrate or reference detailed procedures from the Capital Assets Policy and ensure:<br>▪ i). Consistent physical inventory conducted annually<br>▪ ii). Verified disposal documentation and approvals<br>▪ iii). Reconciliation of the asset list to financial records |
|---|---|---|
| Training Requirements are Broad but Not Defined or Tracked | The policy states that administrators are responsible for ensuring fraud prevention training but does not outline frequency, content, or compliance tracking. | Develop a fraud prevention training program that includes:<br>▪ i). Annual required training for all staff involved in financial or asset-related tasks<br>▪ ii). Training logs maintained by HR or the Business Office<br>▪ iii). Refresher modules in case of control failures or significant changes in procedures |
| No Explicit Documentation Retention Schedule | Although the policy requires maintaining records for investigations, it lacks a defined retention period or documentation procedure, which is critical for legal compliance and audit readiness. | Align with state and federal guidelines by including a retention schedule, such as:<br>▪ i). Investigation records retained for seven years<br>▪ ii). Fraud reports, communications, and logs stored securely (electronic and physical)<br>▪ iii). Access restricted to personnel with a legitimate need-to-know |

## Fund Balance Policy

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| No Procedure for Documenting or Tracking Assignments and Commitments | The policy explains how committed and assigned fund balances are established, but it lacks any reference to documentation protocols, tracking mechanisms, or audit trail requirements. | Require:<br>▪ i). Written documentation (Board minutes, memos) supporting all committed and assigned fund balances<br>▪ ii). Use of a centralized fund balance tracking sheet reconciled monthly<br>▪ iii). A fund balance status report presented to the Board quarterly and at fiscal year-end |
| No Internal Control for Transfers to Cover Fund Deficits | The policy authorizes the Superintendent to transfer general funds to cover special revenue fund deficits but lacks a formal approval process or documentation requirements for such transfers. | Implement a formal Interfund Transfer Authorization Form, which includes:<br>▪ i). Amount, justification, and funding source<br>▪ ii). Signatures from both the Business Administrator and Superintendent |

| | | |
|---|---|---|
| No Contingency Plan or Minimum Fund Balance Target | There is no language addressing a minimum unassigned general fund balance target or contingency reserve. | Adopt a minimum fund balance policy, such as:<br>▪ i). Maintain at least 5–10% of annual general fund expenditures in unassigned fund balance<br>▪ ii). If below target, require a multi-year plan to rebuild the reserve<br>▪ iii). Justify any deviations as part of annual budget presentations |
| Annual Review Process Lacks Defined Accountability | The policy states that fund balance policy compliance will be reviewed during budget adoption, but it doesn't specify who is responsible, what the review entails, or how findings will be reported. | Formalize the annual review process by requiring:<br>▪ i). The Business Administrator to prepare a fund balance compliance memo annually<br>▪ ii). Presentation to the Board during budget workshops<br>▪ iii). Documentation of compliance or corrective action in meeting minutes |

## Funding Proposals & Application

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| No Formal Procedure for Grant Identification or Application Review | The policy requires the Superintendent to inform the Board of possible funding sources and recommend actions, but does not outline a process for researching, evaluating, or approving funding opportunities. | Establish a formal grant management procedure, including:<br>▪ i). A centralized system for monitoring grant opportunities<br>▪ ii). Initial internal screening and feasibility analysis by finance and program staff<br>▪ iii). A grant approval form requiring administrative and Board sign-off before application submission |
| No Delegation of Roles for Grant Development and Submission | The policy does not specify who prepares, reviews, and submits funding applications, which can lead to missed deadlines, incomplete submissions, or compliance gaps. | Designate roles, such as:<br>▪ i). Business Administrator: reviews financial components and compliance<br>▪ ii). Superintendent: final approver and Board liaison |
| No Requirements for Post-Award Oversight or Compliance Monitoring | The policy ends with the application stage and does not address grant management after funds are awarded (implementation, reporting, allowable use). | Expand the policy or implement supporting procedures that require:<br>▪ i). Use of a grant compliance checklist to track deadlines, spending, and reporting<br>▪ ii). Periodic financial and programmatic reviews, including reconciliation to the general ledger |

| No Controls for Communication or Documentation of Board Actions | The policy states the Superintendent must recommend Board actions but doesn't require formal documentation or communication protocols for approvals, updates, or decisions. | Require:<br>▪ i). All Board actions related to grants to be recorded in meeting minutes<br>▪ ii). Submission of a Grant Summary Sheet with each recommendation, outlining purpose, duration, cost sharing, and administrative impact<br>▪ iii). A quarterly grant update report to the Board summarizing status of applications and active awards |
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## Investment

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| No Defined List of Permissible Investment Instruments | The policy references limiting investments to those "stipulated by statute," but does not clearly list allowable investment types (U.S. Treasuries, CDs, municipal bonds). | Include a defined list of permissible investment vehicles, such as:<br>▪ i). U.S. Treasury obligations<br>▪ ii). Fully insured or collateralized Certificates of Deposit (CDs)<br>▪ iii). NH Public Deposit Investment Pool<br>▪ iv). This list should be reviewed annually and updated in line with state statutes and best practices |
| No Requirement for Ongoing Monitoring or Quarterly Investment Reporting | The policy does not require periodic reporting of investment activity or portfolio performance, which can limit Board oversight and transparency. | Implement formal reporting standards that require:<br>▪ i). Quarterly investment reports to the School Board<br>▪ ii). Reports to include balances, maturities, interest earned<br>▪ iii). A signed statement by the Treasurer attesting to adherence with policy |
| Lack of Detail Around Internal Controls Beyond Check Issuance | The internal controls section focuses primarily on check approval and reconciliations but lacks broader investment-specific controls (separation of duties and custody of investments). | Expand internal control procedures to include:<br>▪ i). Segregation of responsibilities between those who initiate, approve, and reconcile investments<br>▪ ii). Dual approval for transfers between accounts or purchases over a set threshold |
| No Designated Custodian or Secure Investment Custody Protocols | The policy does not identify where or how investments are safeguarded, nor does it require use of a third-party custodian for holding assets. | Require all investments to be held by a qualified third-party custodian, with:<br>▪ i). Monthly confirmations of holdings sent directly to the School Board<br>▪ ii). Restrictions on staff access to modify or redeem investments without dual authorization |

| Absence of Defined Training or Competency Requirements for Investment Officials | While the "prudent person" standard is referenced, the policy does not mandate any training or qualifications for the Treasurer or other investment staff. | Require annual or biennial training on: <br> ▪ i). NH investment statutes, GASB guidance, and GFOA best practices <br> ▪ ii). Market risk awareness and internal control safeguards <br> ▪ iii). Maintain documentation of completed training |
| --- | --- | --- |
| No Procedure for Updating or Approving Investment Strategies | The policy states it will be reviewed annually, but provides no guidance on how updates are proposed, reviewed, or adopted by the Board. | Establish a formal review procedure, including: <br> ▪ i). Annual presentation by the Treasurer or Business Administrator with performance summary and policy recommendations <br> ▪ ii). Board adoption of revisions via resolution or motion |

## Payment Procedures

| Opportunity for Improvement | Issue | Recommendation |
| --- | --- | --- |
| Payment Process Lacks Clear Segregation of Duties | The policy does not identify who is responsible for invoice verification, authorization, check preparation, or reconciliation, creating potential for a single individual to perform multiple functions without oversight. | Establish clear segregation of duties, ensuring: <br> ▪ i). One staff member verifies invoices against purchase orders and receipts <br> ▪ ii). A different individual prepares the check or payment <br> ▪ iii). Another party (Business Administrator) performs bank reconciliations <br> ▪ iv). Treasurer and School Board approve payments independently |
| No Procedure for Invoice Verification or Matching | The policy only requires that manifests be supported by original invoices but does not mandate 3-way matching (invoice, purchase order, and receiving documentation) prior to payment. | Require 3-way matching for all payments: <br> ▪ i). Match original invoice to corresponding purchase order and receiving report <br> ▪ ii). Discrepancies must be resolved before payment is processed <br> ▪ iii). Documentation should be attached to the payment manifest and retained for audit |

| No Timelines or Frequency Defined for Payment Processing | The policy does not indicate how often payments are processed, whether on a weekly, bi-weekly, or monthly basis. | Define and communicate a standard payment schedule, such as:<br>▪ i). Payment manifests prepared bi-weekly<br>▪ ii). Deadline for submitting invoices for inclusion<br>▪ iii). Emergency or off-cycle payment procedures |
|---|---|---|
| Lack of Policy on Electronic Payments or Check Safeguards | The policy mandates paper checks signed by the Treasurer but does not account for electronic funds transfers (EFTs), which are now common and carry unique risks and controls. | Update the policy to:<br>▪ i). Include EFT protocols and approval steps<br>▪ ii). Require dual authorization for EFTs above a designated threshold<br>▪ iii). Log and reconcile EFT transactions separately<br>▪ iv). Maintain check stock in a secure, access-controlled location with numbered logs |
| No Requirement for Payment Authorization Thresholds | The policy does not identify who is authorized to approve payments below the School Board level or whether certain dollar amounts require different levels of approval. | Implement an authorization matrix, such as:<br>▪ i). <$2,500: School/department head approval<br>▪ ii). $2,500–$10,000: Business Administrator approval<br>▪ iii). $10,000: School Board approval<br>▪ iv). All approvals should be documented and retained in payment records |

## Payroll Procedures

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Detailed Payroll Process Controls and Segregation of Duties | The policy does not describe who is responsible for payroll preparation, approval, and reconciliation, nor does it indicate how responsibilities are separated. | Define and document payroll roles and segregate duties:<br>▪ i). Payroll initiation by HR or department head<br>▪ ii). Payroll processing by the Business Office<br>▪ iii). Review and approval by the Superintendent or Business Administrator<br>▪ iv). Independent reconciliation by a different staff member |

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|---|---|---|
| No Documented Procedure for Verifying Attendance or Hours Before Payroll Processing | The policy briefly mentions that payroll depends on attendance and sign-in/sign-out logs for hourly and part-time workers but does not mandate a verification process to ensure accuracy before payroll is issued. | Require time validation procedures:<br>▪ i). Supervisors must review and approve all timesheets<br>▪ ii). Timecards should be submitted and verified before payroll deadlines<br>▪ iii). Electronic timekeeping systems should include an audit trail |
| Absence of Payroll Reconciliation or Audit Procedures | The policy does not require or mention periodic payroll reconciliations, independent reviews, or audits to identify discrepancies such as overpayments, or duplicate payments. | Implement a monthly payroll-to-employee roster reconciliation:<br>▪ i). Compare active payroll list to HR records<br>▪ ii). Investigate variances such as terminated employees still on payroll<br>▪ iii). Document findings and retain for audit purposes |
| No Mention of Security Protocols for Payroll Systems or Data | There is no reference to data protection, access controls, or cybersecurity standards for payroll systems, which is essential for preventing unauthorized access or data breaches. | Implement I.T. controls such as:<br>▪ i). Role-based access to payroll software<br>▪ ii). Password protection and encryption of payroll data |
| No Process for Monitoring Salary Deductions or Compliance | The policy states that deductions must be employee-authorized but lacks a process for tracking and verifying accuracy of those deductions or ensuring timely remittance to third parties. | Require:<br>▪ i). A master list of all employee-authorized deductions with signed forms<br>▪ ii). Monthly reconciliation of deducted amounts vs. remitted amounts |
| Lack of Policy on Payroll Overpayments and Recovery | There is no procedure for identifying and recovering payroll overpayments, which can be difficult to reclaim after extended periods. | Develop a formal overpayment recovery policy:<br>▪ i). Overpayments must be reported and documented<br>▪ ii). Employees must be notified and repayment schedules arranged<br>▪ iii). Adjustments must be recorded in the accounting system |

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Formalized Purchasing Thresholds and Approval Levels | The policy does not specify dollar thresholds that determine the type of procurement method required (informal quotes vs. formal bids) or who must approve different levels of purchases. | Establish clear purchasing thresholds and an authorization matrix, such as:<br>▪ i). <$2,500: Department head approval with 1 quote<br>▪ ii). $2,500–$10,000: Business Administrator approval with 3 quotes<br>▪ iii). $10,000: Formal bidding process and School Board approval<br>▪ iv). Document all thresholds in a purchasing manual or as an appendix to the policy |
| No Requirement for Documenting Competitive Price Quotes | The policy requires that price quotations be solicited when items are not put to bid, but it does not specify how many quotes are needed or how the quotations should be documented and retained. | Require:<br>▪ i). A minimum of three written quotes for applicable purchases<br>▪ ii). Use of a Purchase Quote Comparison Form<br>▪ iii). All quotes to be attached to the purchase requisition and retained for audit |
| No Process Defined for Special Arrangements (Perishable or Emergency Items) | The policy allows "special arrangements" for perishable and emergency items but does not define criteria or controls for such exceptions. | Define:<br>▪ i). What qualifies as a perishable or emergency purchase<br>▪ ii). Required written justification for exceptions |
| No Mention of Conflict-of-Interest Controls or Vendor Ethics | The policy does not address conflict of interest, vendor relationships, or ethical purchasing standards, which are critical to ensuring integrity in procurement. | Include language that:<br>▪ i). Prohibits purchases from vendors with a personal or financial relationship to staff<br>▪ ii). Requires employees involved in purchasing to sign an annual conflict-of-interest statement<br>▪ iii). Encourages fair and open competition without favoritism |
| No Requirement for Purchase Order Verification Before Payment | While the policy states that all purchases must be made with an approved purchase order, it doesn't mandate verification of receipt or match with invoices before payment. | Implement a 3-way match requirement:<br>▪ i). Approved purchase order<br>▪ ii). Verified receipt of goods/services<br>▪ iii). Invoice matching quantity and price<br>▪ iv). Require that all three documents be reviewed before payment is authorized |

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| Policy Does Not Mention Use of Technology | The policy lacks references to modern procurement systems or digital workflows (online requisitions, automated approvals), which can improve control and efficiency. | Update the policy to include: <br>■ i). Use of an electronic procurement system for requisition submission and approval routing <br>■ ii). Digital recordkeeping requirements for audit trails <br>■ iii). Role-based access to procurement systems to prevent unauthorized purchases |

## Purchasing

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Centralization Not Supported by Internal Control Protocols | The policy states that all purchasing is centralized in the business office under the Superintendent's oversight but does not outline any internal controls to support that centralization (checks and balances, documentation requirements). | Establish and document internal controls that include: <br>■ i). Segregation of duties (one person requests, another approves, and a third verifies) <br>■ ii). Required use of standardized purchase requisition forms <br>■ iii). Routing of all purchase requests through an automated or manual workflow with approval logs |
| No Mention of Competitive Procurement or Quotation Requirements | There is no requirement to obtain multiple quotes or conduct competitive bidding. | Add thresholds and quotation/bid procedures such as: <br>■ i). <$2,500: minimum 1 quote <br>■ ii). $2,500–$10,000: minimum 3 written quotes <br>■ iii). $10,000: formal competitive bidding <br>■ iv). Include documentation and retention procedures for all pricing comparisons |
| Sole Final Approval by Superintendent May Create Bottlenecks or Control Risks | The Superintendent is stated to have sole final authority for approving all purchases, which may lead to process delays and increased risk of inadequate review or unchecked authority. | Delegate approval authority based on dollar thresholds while retaining oversight: <br>■ i). Department head: up to $2,500 <br>■ ii). Business Administrator: up to $10,000 <br>■ iii). Superintendent: $10,000 and above <br>■ iv). Require dual approvals for high-value purchases or emergency exceptions |

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| No Mention of Post-Purchase Monitoring or Review | The policy does not include post-purchase controls such as delivery confirmation, invoice matching, or purchase audits, leaving room for unauthorized or incomplete transactions. | Require a 3-way match before payment:<br>▪ i). Purchase order<br>▪ ii). Receiving documentation<br>▪ iii). Vendor invoice |
| No Conflict-of-Interest Statement or Ethical Purchasing Clause | The policy lacks language around ethics, vendor relationships, or conflict-of-interest, which is essential for maintaining transparency and compliance in public procurement. | Add provisions requiring:<br>▪ i). Annual conflict-of-interest declarations from staff involved in purchasing<br>▪ ii). Prohibition on accepting gifts or favors from vendors |

## Revenues from Local Tax Sources

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Defined Internal Controls for Receiving and Recording Revenues | The policy outlines the responsibility of the School Board to explain financial needs and accept various revenue sources but does not describe internal control procedures for the receipt, recording, and reconciliation of local tax revenues. | Develop and implement formal internal controls that:<br>▪ i). Ensure segregation of duties in revenue collection and recording<br>▪ ii). Require dual verification when receiving tax revenue from municipal authorities<br>▪ iii). Maintain detailed receipts and reconciliation logs reviewed monthly by finance personnel and the Business Administrator |
| No Process for Monitoring Compliance with RSA 198:20-b (Unanticipated Funds) | While the policy references RSA 198:20-b, it does not outline how the district will track, approve, and account for unanticipated revenues received during the year. | Implement a procedure that:<br>▪ i). Requires Board approval for the acceptance and use of unanticipated funds<br>▪ ii). Includes documentation of the source and purpose of such funds<br>▪ iii). Ensures timely amendment of the budget or allocation plan, if needed, with supporting Board minutes |
| Acceptance of State and Federal Funds Not Tied to Documentation of Specific Need or Matching Availability | The policy allows acceptance of federal and state funds but does not require documentation of specific programmatic need or verification that matching funds are secured before acceptance. | Add requirements that:<br>▪ i). Departments submit a justification memo for the acceptance of such funds<br>▪ ii). The Business Administrator confirms availability of matching funds in the current year's budget<br>▪ iii). Records are maintained for audit showing fund purpose, amount, conditions, and Board approval |

| Policy Does Not Address Use or Restriction of Revenue Sources | The policy does not distinguish between general fund revenues and restricted revenues. | Include procedures for:<br>▪ i). Identifying and segregating restricted vs. unrestricted funds<br>▪ ii). Ensuring that restricted revenues are used in accordance with donor or statutory intent<br>▪ iii). Tracking expenditures to ensure compliance and avoid commingling of funds |
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## School Properties Disposal Procedure

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Lack of Formal Asset Disposal Documentation and Tracking Procedures | The policy describes disposal methods but does not require documentation to track what was disposed of, how it was disposed, and who approved it. | Implement a Fixed Asset Disposal Form that captures:<br>▪ i). Asset description, tag number, condition, and location<br>▪ ii). Method of disposal (sale, trade-in, donation, discard)<br>▪ iii). Approvals by designated personnel (Facilities Director, Business Administrator)<br>▪ iv). Any sale proceeds received |
| No Mention of Segregation of Duties in Disposal Process | The policy allows the Superintendent to determine surplus status and authorize disposal but does not require segregation of responsibilities (determination, approval, execution). | Strengthen internal controls by:<br>▪ i). Assigning asset evaluation to one role<br>▪ ii). Requiring disposal approval from a different official<br>▪ iii). Ensuring recording and reconciliation is handled from a different official |
| No Mention of Updating the Capital Asset Register | The policy does not reference the need to update the capital asset inventory when items are disposed. | After disposal:<br>▪ i). Notify the Finance Department to remove the asset from the capital asset register<br>▪ ii). Record any gain or loss on disposal as appropriate |

## Vendor Relations

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Policy Lacks Conflict-of-Interest Disclosures and Ethics Enforcement Mechanisms | The policy discourages the acceptance of gifts but does not include conflict-of-interest declarations, procedures for reporting violations, or guidelines for handling vendor relationships that involve potential bias or favoritism. | Strengthen the policy by:<br>▪ i). Requiring annual conflict-of-interest disclosure forms from all staff involved in procurement<br>▪ ii). Establishing a code of ethics for purchasing personnel<br>▪ iii). Defining consequences for violations and a process for reporting unethical vendor interactions anonymously |

| No Vendor Selection Criteria or Documentation Requirements | The policy references evaluating whether vendor products meet specifications but lacks formal criteria for selection, documentation protocols, or evaluation procedures. | Implement formal vendor evaluation procedures, including:<br>▪ i). Use of a vendor evaluation sheet based on price, quality, reliability, and service<br>▪ ii). Required written documentation of evaluation results |
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| No Procedures for Maintaining a Qualified Vendor List | The policy does not establish a process for creating or maintaining a list of pre-approved or qualified vendors. | Develop a Qualified Vendor List process:<br>▪ i). Conduct periodic vendor qualification assessments<br>▪ ii). Review and update the list annually based on performance and compliance history |
| No Monitoring or Vendor Performance Review Requirements | There is no mechanism for post-award performance monitoring. | Establish a vendor performance management system:<br>▪ i). Require departments to complete performance evaluations at the end of each contract or annually<br>▪ ii). Include key metrics like timeliness, quality, responsiveness, and compliance with contract terms |

## Budget Management Goals

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| No Internal Controls Defined to Ensure Efficient Fund Usage | The policy does not describe any internal control procedures or oversight mechanisms to guide the use of funds and ensure efficient, compliant, and transparent spending. | Establish controls and expectations such as:<br>▪ i). Segregation of duties in budget preparation, authorization, and spending<br>▪ ii). Required justification and documentation for budget amendments<br>▪ iii). Annual internal review of budget adherence and fund utilization |

## Transfer of Appropriation

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Limited Internal Control Structure for Transfer Approval | The policy notes that the Superintendent or designee may propose function-level transfers, but it does not define the approval thresholds, documentation requirements, or controls for transfers below Board level. | Implement a tiered approval matrix based on dollar thresholds:<br>▪ i). Transfers <$2,500: Approved by department head and Business Administrator<br>▪ ii). Transfers $2,500–$10,000: Approved by Business Administrator and Superintendent<br>▪ iii). Transfers >$10,000 or between functions: Require full School Board approval |
| No Defined Documentation Process or Audit Trail | The policy does not require documentation of transfer requests, approvals, or rationale. | Establish a Budget Transfer Request Form that includes:<br>▪ i). Transfer amount and account codes<br>▪ ii). Reason for transfer<br>▪ iii). Signatures of authorizing personnel<br>▪ iv). Date of transaction |
| Lack of Real-Time Reporting to the School Board | The policy states that the Board will be "kept apprised" of discretionary transfers, but it does not define the timing, frequency, or format of reporting. | Adopt a policy that requires:<br>▪ i). Monthly or quarterly reports to the Board summarizing all transfers<br>▪ ii). Inclusion of explanations for major reallocations and trends<br>▪ iii). Annual reconciliation of total transfers to ensure compliance with budgetary controls |

## Cooperative Purchasing

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| No Formal Procedure for Participation in Cooperative Agreements | The policy allows for joint purchasing with other schools in SAU-15 but lacks a defined process or criteria for entering into cooperative purchasing agreements. | Establish a formal procedure for entering cooperative arrangements:<br>▪ i). Require a written agreement outlining responsibilities, payment terms, and dispute resolution<br>▪ ii). Include review and approval by the Business Administrator and Superintendent |

| No Documentation Requirements for Cost Savings or Procurement Decisions | The policy encourages cost savings but does not require supporting documentation or comparative analysis to demonstrate that cooperative purchasing is the most economical and compliant method. | Require:<br>▪ i). A cost-benefit analysis comparing cooperative pricing to independent procurement pricing<br>▪ ii). Documentation of vendor selection criteria and bid compliance |
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| No Defined Roles or Responsibilities for Oversight | While the Superintendent is directed to maximize opportunities, the policy lacks clarity on who is responsible for implementation, monitoring, and reporting of cooperative purchasing activities. | Assign roles as follows:<br>▪ i). Business Administrator: Coordinates cooperative efforts, maintains records, and ensures procurement compliance<br>▪ ii). Department heads or principals: Identify purchasing needs and report participation outcomes<br>▪ iii). Superintendent: Approves participation and reports to the School Board |
| No Monitoring or Evaluation of Cooperative Purchasing Outcomes | The policy does not require ongoing assessment of whether cooperative purchasing efforts are achieving intended cost savings or service improvements. | Implement an annual evaluation process:<br>▪ i). Analyze overall savings achieved through cooperative purchasing<br>▪ ii). Solicit feedback from staff on effectiveness and satisfaction<br>▪ iii). Present results to the School Board in a summary report with recommendations for continuation or modification |

## Purchasing & Payment Procedures

| Opportunity for Improvement | Issue | Recommendation |
|---|---|---|
| Absence of Documented Procedures for Special Purchasing Exceptions | The policy briefly allows "special arrangements" for perishable and emergency supplies but does not define what qualifies as such or outline who can approve these exceptions. | Develop specific criteria and procedures for emergency/perishable purchases, including:<br>▪ i). Definitions of "emergency" and "perishable"<br>▪ ii). Authorization levels (Business Administrator or Superintendent only) |
| No Written Procurement Procedures Supporting Policy Execution | The policy states that procedures "will be developed" by the Superintendent or designee, but no actual procedures are embedded or referenced. | Create and publish detailed SOPs for:<br>▪ i). Requisition process<br>▪ ii). Quote solicitation and comparison<br>▪ iii). Purchase order workflow<br>▪ iv). Record retention and segregation of duties |

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| Limited Internal Controls over Low-Dollar Purchases (<$10,000) | While purchases under $5,000 require "careful pricing and good purchasing practices," there is no requirement for documentation or approvals. | Require:<br>▪ i). At least two verbal quotes documented on a simplified form<br>▪ ii). Approval by a designated administrator or business office staff |
| Lack of Segregation and Role Clarity in Purchasing Process | The Superintendent or designee appears to hold centralized control over the purchasing process, but no mention is made of segregating duties among requestors, approvers, receivers, and payers. | Design an internal control framework that:<br>▪ i). Separates purchasing request (school principal) from approval (Business Administrator)<br>▪ ii). Requires goods/services to be verified as received by a party other than the requester<br>▪ iii). Uses software controls to enforce approval workflows |
| Inadequate Vendor Management and Conflict of Interest Controls | While the policy promotes fairness and value, it does not require documentation of vendor selection, verification of eligibility, or declaration of potential conflicts of interest by employees involved in purchasing. | Strengthen vendor management by:<br>▪ i). Requiring all vendors to complete a W-9 and conflict-of-interest disclosure<br>▪ ii). Maintaining a preferred vendor list vetted for compliance |