



Financial Audited Statements Update Report

CHESTER UPLAND SCHOOL DISTRICT
DELAWARE COUNTY, PENNSYLVANIA

The information contained in this report was gathered from internal Chester-Upland School District Staff, the engaged auditor, Maillie Accountants and Advisors, and Montgomery County Intermediate Unit.

Prepared by Receiver Nafis J. Nichols
November 30, 2021

2019/20 and 2020/21 Audited Financial Statements Updated

The prior CUSD Receiver engaged Maillie to complete the June 30, 2020, and 2021 audited financial statements. The anticipated goal of having the 2019/20 audit report issued in November 2021, will not be accomplished. Unfortunately, there have been several setbacks that have prevented the auditors from completing this task. After having detailed consultations with Maillie, we have identified the issues that CUSD has faced to ensure timely audits are completed moving forward. The most significant factor, that both the District and Auditor have run into almost every year, is the lack of stability in the business office. According to Maillie, the last year has been the worst.

Since the prior audit issuance, there have been three different teams communicating and preparing documents for the 19/20 audit to commence. From Chester County Intermediate Unit, to Marcum, and now the Montgomery County Intermediate Unit, which has presented ongoing challenges. Each group has had varying levels of expertise and beyond the transition from one group to another, even within each group there have been different members of personnel coming in and out preparing documents. Each time there has been an organizational shift, Maillie has had to restart the auditing process, which has significantly impacted the timeline for completion.

It has been discovered that finding supporting documentation for financial transactions have been very difficult, likely attributed to remote work due to the pandemic, poor recordkeeping, and the rotation of personnel handling different functions. The SEFA schedule for the federal awards audit has also been in disarray. At one point an initial draft was received by Maillie, but several numbers hadn't been updated from the prior year schedule, so it had to be returned and continues to remain a work in progress.

There are several corrective actions that have been taken to improve these matters and have the district get back on track to complete timely audited financial statements. MCIU has been very professional and committed to ensuring that the required information is received by Maillie. MCIU and the office of Receiver have also established weekly meetings to monitor the status of audit completion. The office of the Receiver has also engaged the services of the former Auditor General, the Honorable Eugene DePasquale of Fox Chase Advisory, to offer internal support. Further, with the departure of our Business Administrator on today, November 30, 2021, MCIU and I worked together to replace Ms. Durden with an experienced school district business administrator who started working with us on yesterday. Mr. Richard Fazio has over 30 years' experience and extensive knowledge of the Chester-Upland School District.

We are also working to strengthen the business office staff with training and support around compliance and internal controls. Working to attract talent with the expertise needed to complete timely audits and financial reports, as well as, implementing financial policy and procedures. These few steps have allowed the CUSD to at least have a path forward for future audits. The current year reconciliations and schedules are current and the budget vs. actual is in line with data that is in the financial software system. The anticipated audit completion date will be the 1st quarter of 2022.

The 2019/2020 Annual Financial Report was returned by PDE to the district and is currently being amended. The 2020/21 Annual Financial Report, due on November 30, has been submitted timely.