

Evans-Brant Central School District



INTERNAL AUDIT Risk Assessment Update

December 2015

BAHGAT & LAURITO-BAHGAT, CPAs, P.C.

Providing The Tools For Financial Success!

INTERNAL AUDIT Risk Assessment Update

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This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.

Objectives

- ✦ Establish internal audit objectives.
- ✦ Identify risks and auditable activities.
- ✦ Weigh risk factors.
- ✦ Evaluate internal control effectiveness and efficiency.
- ✦ Identify opportunities for internal control improvements.

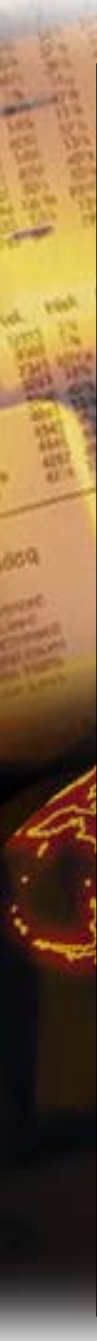
Scope

We analyzed:

- Various internal controls throughout the District
- Various policies as established by the Board of Education.
- Computer access to financial data.

Summary of Procedures Performed

- ☑ Interviewed key personnel involved in the financial processes of the District.
- ☑ Obtained an understanding of, and documented, the flow of financial information.
- ☑ Compared various proposed District policies with policies recommended by the NYS Comptroller's Office.
- ☑ Observed processing of transactional data for various financial functions.
- ☑ Summarized observations and management action plans.
- ☑ Assessed high risk audit areas.
- ☑ Recommended high risk audit areas for system testing.



**Current Year
Observations
&
Management's
Action Plan**

Current Year Observations & Management's Action Plan

The following issues were identified during our risk assessment update. The recommendations for improvements were agreed upon by the District. This portion of the report is to be used as written guidance to implement change within the District.

Issue/Observation	Management's Plan	Timing
<p>1. Computer access to financial applications needs further limitation.</p> <p>The accounts payable clerk, former accountant, and central business office staff currently have access to financial areas that could compromise the District's internal controls.</p> <p><u>Effect on internal controls</u> <i>Limiting the access to the computerized accounting records reduces the risk of misappropriation. Existing controls are compromised when numerous individuals have access to change and originate transactions.</i></p>	<p>The auditor made the following observations- <i>"The user accesses that need to be updated are:</i></p> <ul style="list-style-type: none"> • <i>Lynn Ruszczuk has full access to A/P including printing checks and creating a negative balance with a purchase order.</i> • <i>Jeanne can create negative balances with a purchase order and can print checks.</i> • <i>CBO employees can void payroll checks along with printing and reprinting paychecks."</i> <p>Please be advised that Lynn Ruszczyk is a substitute that works in the Business Office. She has the same computer access as Jeanne Dillon, the AP Clerk because she covers the AP Clerk job when Jeanne is absent. While they can both create a negative balance with a Purchase Order, neither one can issue a Purchase Order (the Purchasing Agent issues and prints POs). Neither one is able to print A/P checks – only the District Treasurer or her back-ups (Asst. Supt. for Admin. & Finance or the Superintendent) may print checks. CBO employees can void paychecks, but they cannot print and reprint paychecks. Only the District Treasurer or her back-ups may print paychecks, as each person has sole access to their signature for the check printing function. We believe that the District has proper separation of duties in these areas.</p>	

Current Year Observations & Management's Action Plan

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Issue/Observation	Management's Plan	Timing
<p>2. Comparison of cash/checks received to WinCap not performed. A log of incoming funds is kept along with checks being stamped "for deposit only" as they are received. This log should be and compared to the cash receipts ledger monthly in WinCap.</p> <p><u>Effect on internal controls</u> <i>Comparison of the cash receipts log to WinCap assures that funds received are recorded on the books.</i></p>	<p>The Business Office Secretary, who maintains the log of incoming receipts, will provide the General Ledger Clerk at the BOCES Central Business Office (CBO) with the weekly log. The General Ledger Clerk will perform the function of reconciling the receipts log to the District's recorded cash receipts.</p>	<p>January 2016</p>

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<p>3. The District has a conflict of interest policy but has not required board members to formally write their conflicts annually.</p> <p>A written disclosure form indicating potential conflicts of interest informs all district management of the potential conflict. The form should be filed in the district office and available for inspection by individuals possessing approval authority. The claims auditor should also have access to this information.</p> <p><u>Effect on internal controls</u> <i>Exposing the financial interests of those in management roles enhances the controls over the purchasing process.</i></p>	<p>The District Clerk will require all Board of Education Members and key District Administrators to complete the District Conflict of Interest Form annually, at the annual organizational meeting of the District in July. Forms for the current year were completed at the time of the audit.</p>	July 2016

Current Year Observations & Management's Action Plan

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<p>4. Extraclassroom fund raisers need further monitoring.</p> <p>The District appointed an extraclassroom administrator to oversee the fundraisers in the District. The extraclassroom administrator is supposed to collect and analyze post fundraiser reports. At the time of our fieldwork the extraclassroom administrator had only received 6 of the 28 post fundraiser reports that they should have for the 2015-2016 school year.</p> <p><u>Effect on internal controls</u> <i>Having an individual review post fund raising reports will provide oversight over cash collected. The report will provide accountability over the fund raiser and will also assist in educating the students involved on how to prepare and read a profit and loss statement.</i></p>	<p>The Wm. T. Hoag Building Administrator will follow up with student treasurers and activity advisors for all outstanding post fundraiser reports.</p>	<p>January 2016</p>

Current Year Observations & Management's Action Plan

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<p>5. Verification of available balance is not being completed on High School Extraclassroom disbursements.</p> <p>The High School Extraclassroom clubs do not complete the verification of available balance portion of the disbursement voucher.</p> <p><u>Effect on internal controls</u></p> <p><i>Completion of the verification of available balance portion of the disbursement voucher ensures that the club requesting the disbursement had the funds available for the disbursement.</i></p>	<p>The District Treasurer will require the High School Extraclassroom Activities Treasurers to complete the "available balance" portion of all requests for payment prior to issuing the actual payment.</p>	<p>January 2016</p>

Current Year Observations & Management's Action Plan










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Issue/Observation	Management's Plan	Timing
<p>6. Use of District cell phones needs to be monitored.</p> <p>The District cell phone policy states that the employee will reimburse the District for any and all personal minutes used that exceed the base plan for the cell phone and result in additional charges to the District. The District is currently not following that policy for any overages incurred. We recommend that the District charge employees for overages or update the District policy.</p> <p><u>Effect on internal controls</u> <i>By not following the District cell phone policy and charging employees for overages the District is incurring charges for items that were not budgeted.</i></p>	<p>The District does currently the use of District cell phones. The District does currently follow its policy as it is written. A Review of current year cell phone invoices show minimal overage charges for calls made by the maintenance department staff. These employees have their own personal cell phones for personal use. The overage charges incurred were all the result of calls made for District purposes, while these staff members were working in various areas throughout the District and away from the maintenance shop area. Under the approved policy, no personal reimbursement is required. The District will be implementing "push to talk" phones for these staff members that will use the District's own wireless network to communicate. When this change occurs, there will no longer be a need for outside cellular phone service for these employees and the associated cell phone contracts will be discontinued. This can occur once wireless network antennas have been installed in all necessary areas throughout the District (process in currently being completed).</p>	<p>Spring 2016</p>

Results of Risk Assessment

The risk assessment was based on inquiry and observations of various individuals performing their daily tasks. We inquired of individuals from the following departments: Business Office, Superintendent's Office, Transportation, Buildings and Grounds, Lunch, and Extraclassroom. The scope of our risk assessment identified ten auditable activities in the District. After identifying the auditable activities we determined the applicable risk factors. The following identifies whether the activity is considered a high risk area. High risk determination is a judgmental process. Activities are considered high risk based on numerous factors including the number of transactions processed, dollar amount of transactions, susceptibility to theft, public interest, and existing controls over the activity as well as numerous other factors based on the specific activity.

Auditable Activities

#1 : Extraclassroom activities		High Risk
#2: Community Education		High Risk
#3 : School Lunch		High Risk
#4 Payroll and personnel		High Risk
#5 :Transportation		High Risk
#6 : Central Store and inventory procedures		High Risk
#7: Accounts payable, cash disbursements and purchasing		High Risk
#8 : Buildings and Grounds		Medium Risk
#9 : Facilities Construction		Medium Risk
#10 : Cash receipts and revenue		Medium Risk

 High Risk
 Medium Risk
 Low Risk

Acknowledgements

We would like to thank all District employees for their cooperation, particularly the following people who assisted greatly in this risk assessment:

James E. Przepasniak, Superintendent of Schools

Daniel W. Pacos, Assistant Superintendent for Administration & Finance

Perry Oddi, Transportation

John Wilson, Buildings & Grounds



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