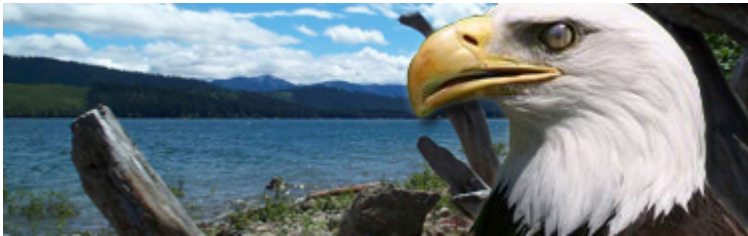


Evans-Brant Central School District



Agreed Upon Procedures System Test of Cash Disbursements



Test of Transactions for the Period
July 1, 2014 through
October 31, 2014

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

Providing The Tools For Financial Success!



INTERNAL AUDIT

Phase II: System Test - Cash Disbursements

Agreed Upon Procedures





INTERNAL AUDIT

Phase II: System Test of Cash Disbursements

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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.

Independent Accountants' Report on Applying Agreed-upon Procedures

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

To the Audit Committee of
Evans-Brant Central School District:

We have performed the procedures contained in the enclosure to this letter, which were agreed to by the audit committee and management of the Evans-Brant Central School District, solely to assist you with performing certain internal audit procedures of the Evans-Brant Central School District as of October 31, 2014. We conducted our work in accordance with the U. S. generally accepted government auditing standards, which incorporate financial audit and attestation standards established by the American Institute of Certified Public Accountants. These standards also provide guidance when performing and reporting the results of agreed-upon procedures.

You are responsible for the adequacy of these procedures to meet your objectives and we make no representation in that respect. The procedures we agreed to perform consist of various tests of cash disbursements. The enclosure contains the agreed-upon procedures and our results.

All procedures were performed as of October 31, 2014, unless otherwise noted. The procedures and findings are described on pages 4-8:

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the District, the Board of Education and the Audit Committee of the Evans-Brant Central School District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

**Bahgat & Laurito-Bahgat,
Certified Public Accountants, P.C.**

December 12, 2014

Procedure # 1

A sample of 100 disbursement checks written during the time period 7/1/2014 through 10/31/2014 were chosen for inspection. The disbursement checks were from various funds, including General Fund, Lunch Fund, Capital Fund, Federal Fund, and Trust and Agency. We used a random number generator to choose the 100 checks chosen for inspection. We tested the 100 checks chosen for the following internal control attributes:

- The proper amount was paid and charged to the proper general ledger account.
- The proper approvals were noted on the voucher packet.
- The voucher packet was complete with a requisition, purchase order, shipping documentation, if applicable, and a valid invoice.
- The voucher packet was audited and payment approval was indicated on the voucher packet by the claims auditor.
- The amount and payee on the check written agreed with the amount and payee on the check that was cleared by the bank.
- For payments in excess of \$20,000, the proper bidding procedures were followed.

Summary of Results

We tested 100 random disbursement checks written during the 4-month period of 7/1/2014 through 10/31/2014, for the internal control attributes listed above. The disbursements chosen included 85 from the General Fund, 1 from the Lunch Fund, 5 from the Federal Fund, 9 from the Trust and Agency Fund. Please see pages 5 and 6 for a complete list of exceptions and page 10 for our recommendations regarding the exceptions that we found.

Procedure #1 (Continued)

Internal Control Attribute Tested	Number of exceptions
Purchase requisition or claim form prepared	2 ^(a)
Approval of Principal or Supervisor noted	3 ^(b)
Purchase order/claim form prepared timely	6
Approval of Purchasing Agent noted on purchase order or claim form	11 ^(c)
Blanket purchase order indicates cumulative total charged to vendor	None
Packing slip/receiving documentation attached to voucher packet	2
Approval of individual receiving the order noted on the invoice packet	3 ^(d)
Original invoice attached	None
Purchase order/receiving documentation matches items ordered on invoice	None
Proper invoice amount was charged to the proper general ledger account	1 ^(e)
Invoice was entered in the proper period	None
Check amount agrees with invoice amount	None
Check payee name and address agree with invoice	None ^(f)
Check issued agrees with bank statement	None ^(g)
Bidding information attached if invoice is greater than \$20,000 (current District policy)	None
Service contract attached when required	None
Claims auditor approval was noted on voucher packet	None

a - Both checks were for health insurance payments.

b - Two of the findings were for the same health insurance payments as above and one was for Flex account monthly admin. fees.



Procedure #1 (Continued)

c - All were due to claims forms where the Purchasing Agent's signature was missing.

d - Two of the three were for the ones that didn't not include a packing slip with the voucher packet.

e - A transportation purchase was made for supplies at a vendor where the buildings & grounds department had a blanket purchase order. The invoice was signed off by buildings and grounds and charged to buildings & grounds even through the purchase was made for transportation. The dollar amount of the purchase was \$111.06.

f - There were 11 checks where the remittance advice had been returned with the payment, therefore the remit to address could not be verified.

g - Four checks were not traced to the canceled check as they had not cleared the bank at the time of our fieldwork.

Procedure # 2

We scanned the list of disbursements for the period 7/1/2014 through 10/31/2014 and judgmentally chose vendors with unusual names or purchases over \$20,000. Additionally, we chose vendors that were also employees. A total of 54 disbursements were chosen and tested for compliance with the internal control attributes for disbursements as follows:

- The proper amount was paid and charged to the proper general ledger account.
- The proper approvals were noted on the voucher packet.
- The voucher packet was complete with a requisition, purchase order, shipping documentation, if applicable, and a valid invoice.
- The voucher packet was audited, and payment approval was indicated on the voucher packet, by the claims auditor.
- The amount and payee on the check written agreed with the amount and payee on the check cleared by the bank.

Summary of Results

Please see page 8 for the results of our testing.

Procedure #2 (Continued)

Internal Control Attribute Tested	Number of exceptions
Purchase requisition or claim form prepared	None
Correct claim form used for conference/travel reimbursement	None
Purchase order and/or requisition approved by supervisor and Purchasing Agent	None
Purchase order attached to voucher packet or available for inspection	None
Purchase order prepared timely	3
Blanket purchase order indicates cumulative total charged to vendor	None
Packing slip/receiving documentation attached to voucher packet	None
Approval of individual receiving the order noted on the invoice packet	None
Purchase order/purchase requisition matches items ordered on invoice	None
Original invoice attached	None
Purchase requisition price agrees with price charged on invoice	None
Proper invoice amount was charged to the proper general ledger account	None
Invoice was entered in the proper period	None
Check amount agrees with invoice amount	None
Check payee name and address agrees with invoice amount	None
Claims auditor approval was noted on voucher packet	None
Bidding for purchases follow District policies	None
Check issued agrees with bank statement	None

The District has an adequate internal control system when followed. The following are recommendations that will enhance the existing internal control system:

Requisitions, Purchase Orders and Claim Forms

It is important to follow requisition and purchase order procedures. The District should ensure that a purchase order is prepared prior to purchasing goods or services, to ensure that only approved items are purchased, and that the purchase is within budgeted amounts. Additionally, we recommend that the receiving copy has an area for both signature and date of the person receiving the shipment and that they are signed and returned to accounts payable before the invoices are paid.

Bidding Procedures

The board policy regarding purchasing follows the guidelines as set forth by the New York State Comptrollers office. While the thresholds established when a bid is required are in compliance with the State guidelines, we would like the District to consider a lower threshold to assure that the acquisition of goods and services of maximum quality at the lowest possible cost are purchased. We examined several invoices which were of large dollar value that did not have evidence that the price/fee was checked among different vendors. An example of these items included services provided from a black top company in the amount of \$4,600, services provided by a concrete company for \$9,200 and \$9,300 on different occasions and work performed by an auto repair company for \$7,655.

Account Coding and use of Blanket purchase orders

We examined one invoice that was miscoded. The invoice was coded to buildings and grounds but was incurred for transportation. It appears that the purchase was made from a store that has a blanket purchase order issued for buildings and grounds. When the transportation department went to make a purchase it was placed against the buildings and grounds blanket order. We recommend that care be taken to charge the proper budget codes by department for all expenditures.

Management Response to Internal Audit Recommendations

Requisitions, Purchase Orders and Claim Forms

The District will continue to stress the requirement for pre-approval of purchases through a properly issued Purchase Order to staff members. The Purchasing Agent will continue to authorize all invoices and claims for payment, prior to processing the claim for payment. Central Receiving staff will return packing lists or receiving copies of Purchase Orders to Accounts Payable, to document the receipt of goods prior to payment of invoices.

Bidding Procedures

The District expends a great deal of time and effort bidding the bulk of its annual purchases. Competitive, sealed bids are solicited from vendors across the country using a bid notification service provided by a newspaper that the District uses to advertise its bids. All bid documents are posted on the District's web site for any and all vendors to access. The District annually has bids for the following items: Art Supplies, Athletic Program Equipment & Supplies, Classroom & Office Supplies, Custodial & Maintenance Supplies, Health Supplies, Magazines, Music Program Supplies & Instruments, Science Program Supplies and Technology & Mechanical Drawing Supplies. Other bids are completed as needed (equipment items, etc.).

When dollar amounts are below bid threshold levels, the District does solicit quotes from multiple vendors whenever possible. The District's software does not have a provision to include the information for the other quotes, in the record for the Purchase Order issued. The District anticipates that it will upgrade its software within the next few years due to changes in the software platform of the current program. The District has already begun working with the current software vendor to discuss changes and enhancements needed in the next generation software program. We will discuss the ability to document competitive quotes with the issuance of a purchase order, with the vendor to determine if it is possible to include documentation for competitive quotes within the software.

Management Response to Internal Audit Recommendations

Account Coding and use of Blanket Purchase Orders

The District will continue to monitor account codes on purchases to insure that all purchases are coded to the proper budgetary account. The District limits the use of Blanket Purchase Orders to its Transportation and Buildings & Grounds departments. There are also limited Blanket Purchase Orders issued for instructional programs such as Home & Careers and Special Education Life Skills programs. In all cases, Blanket Purchase Orders are limited to purchases that are of an immediate nature, cannot be anticipated for bidding purposes and are available for delivery/pick up on short notice.