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October 12, 2018

**VIA EMAIL**

Board of Education  
Wantagh Union Free School District  
3301 Beltagh Avenue  
Wantagh, NY 11793

***Re: Internal Audit Key Control Reports***

Board of Education:

We have performed internal audit services for the Wantagh Union Free School District applicable to various key controls within the Business Office. The services we performed include testing, reviewing and evaluating internal controls pertaining to selected transactions and accounting functions within the Business Office of the District. Enclosed within this correspondence are individual internal audit reports for work performed to date in the following audit areas:

- ☐ **Budget Transfers**
- ☐ **Extraclassroom Activity Funds – Cash Disbursements**
- ☐ **Extraclassroom Activity Funds – Cash Receipts**
- ☐ **Fixed Asset Inventory**
- ☐ **Journal Entries**
- ☐ **Payroll Disbursements**
- ☐ **Purchasing Process**
- ☐ **STAC Reimbursement**

If you have any questions or you would like to discuss this matter further, please contact our offices.

Very truly yours,

***Nawrocki Smith LLP***

# **INTERNAL AUDITOR'S REPORT**

## **Wantagh Union Free School District**

### ***Budget Transfers***

### ***June 2018***

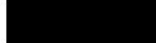
**Inherent Risk Rating:**



**Control Risk Rating:**



**Audit Opinion:**



#### **Purpose/Objectives:**

Budget transfers are sometimes necessary throughout the school year. School district administrators are responsible for monitoring their respective budget codes to ensure that funds are being utilized, but not overspent. Section 170.2(1) Commissioners Regulations and Chapter 436 of the Laws of 1997 addresses restrictions regarding transfers to and from non-contingent budget codes. School districts should implement a policy to provide guidance for the procedures and approvals that are needed to transfer funds. Documented oversight of budget transfers, that is both consistent and reliable, can increase the District's control over their budget and spending. Testing procedures were conducted to assess the processing and maintenance of budget transfers.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Ensure proper approval in accordance with transfer amount
- Evaluate the sufficiency of supporting documentation
- Trace and agree supporting documentation to Budget Transfer Report
- Determine compliance with Section 170.2(1) of the Commissioners Regulations and Chapter 436 of the Laws of 1997
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

#### **Scope:**

We tested fifteen (15) budget transfers for the months of July 2017 through March 2018 to determine compliance with the objectives noted above.

#### **Observation**

We noted that all budget transfers tested were in compliance with Section 170.2(1) of the Commissioners Regulations and Chapter 436 of the Laws of 1997 and the objectives noted above.

➤ *No recommendation at this time.*

#### **Audit Comment:**



# **INTERNAL AUDITOR'S REPORT**

## **Wantagh Union Free School District**

### ***Extraclassroom Activity Funds – Cash Disbursements***

#### ***June 2018***

**Inherent Risk Rating:**



**Control Risk Rating:**



**Audit Opinion:**



#### **Purpose/Objectives:**

Extraclassroom activity funds include after school clubs that are run by students and Faculty Advisors and receive financial support from donations and fundraisers. Section 172 of the Commissioner's Regulations requires that the Board of Education make rules and regulations for the establishment, conduct, operation, and maintenance of Extraclassroom activities and for the safeguarding, accounting and audit of all moneys received. In addition, Section 172 of the Commissioner's Regulations requires that records of receipts and expenditures be maintained and that reports be made at least quarterly to the Board of Education and an independent and impartial audit of the accounts for the Extraclassroom activity funds be made at least annually in conjunction with the audit of the District's records. Testing procedures were conducted to assess the processing and reporting of Extraclassroom activity fund cash disbursements.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Ensure that the check request form is properly completed and includes all required signatures
- Reviewed each cash disbursement for the following:
  - Goods shipped to an address other than the District
  - Incorrect check amount
  - Incorrect vendor name
  - Invoice or receipt outstanding for over 90 days
  - Not an original invoice or receipt
- Evaluate the sufficiency of supporting documentation
- Ensure that sales tax was properly paid, if applicable
- Ensure that cash disbursements are properly recorded and accounted for by the Central Treasurer
- Ensure that the check amount on the payment request form agrees to the bank statement
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

#### **Scope:**

We selected fifteen (15) Extraclassroom activity fund cash disbursements for the period of July 2017 through January 2018 and tested the selected transactions against the objectives noted above.

#### **Observation**

We noted that all fifteen (15) Extraclassroom activity fund cash disbursements were in compliance with the objectives outlined above.

➤ *No recommendation at this time.*

**Audit Comment:**

[REDACTED]



# **INTERNAL AUDITOR'S REPORT**

## **Wantagh Union Free School District**

### ***Extraclassroom Activity Funds – Cash Receipts***

#### ***June 2018***

**Inherent Risk Rating:**



**Control Risk Rating:**



**Audit Opinion:**



#### **Purpose/Objectives:**

Extraclassroom activity funds include after school clubs that are run by students and Faculty Advisors and receive financial support from donations and fundraisers. Section 172 of the Commissioner's Regulations requires that the Board of Education make rules and regulations for the establishment, conduct, operation, and maintenance of Extraclassroom activities and for the safeguarding, accounting and audit of all moneys received. In addition, Section 172 of the Commissioner's Regulations requires that records of receipts and expenditures be maintained and that reports be made at least quarterly to the Board of Education and an independent and impartial audit of the accounts for the Extraclassroom activity funds be made at least annually in conjunction with the audit of the District's records. Testing procedures were conducted to assess the processing and reporting of Extraclassroom activity fund cash receipts and ensure the safeguarding of donated and student raised funds for which the District has custody.

The objectives of the testing were to:

- Determine compliance with District policies
- Ensure that the deposit receipt form is properly completed and includes all required signatures
- Ensure that the deposit receipt form agrees to the deposit slip and bank statement
- Ensure that cash receipts are deposited timely
- Ensure that cash receipts are properly recorded and accounted for by the Central Treasurer
- Evaluate the sufficiency of supporting documentation
- Ensure that monthly Treasurer's Reports include all clubs and activity is properly reported
- Ensure that profit and loss statements are being prepared
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

#### **Scope:**

We selected fifteen (15) Extraclassroom activity fund cash receipts during the period of July 2017 through January 2018 and tested the selected transactions against the objectives noted above.

#### **Observation and Recommendation #1**

We noted that three (3) Extraclassroom activity fund cash receipts were not deposited in a timely manner. The deposits were made anywhere from eight (8) to fourteen (14) days after the funds were received by the Faculty Advisor and recorded on the Activity Fund Deposit Form.

- *We recommend that the Extraclassroom clubs deposit checks in a timely manner. Deposits should be made within one (1) week of checks being received by the Extraclassroom club.*

**Audit Comment:**



# **INTERNAL AUDITOR'S REPORT**

## **Wantagh Union Free School District**

### ***Fixed Asset Inventory***

#### ***August 2018***

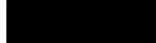
**Inherent Risk Rating:**



**Control Risk Rating:**



**Audit Opinion:**



#### **Purpose/Objectives:**

Fixed assets consist of items purchased with the intention to use them for an extended period of time. Therefore, these items are included on District inventory records so that they can be properly tracked and accounted for by the District. Policy #6645 *Inventory and Fixed Assets Accounting* identifies specific dollar amount thresholds and procedures to be followed when adding assets to inventory records. This includes information technology (IT) related assets, some of which are below the District's thresholds, as they are mobile. Given the increasing amount of technology related assets purchased by school districts and the fact that most are mobile, it is imperative that school districts have documented, knowledgeable oversight of fixed assets to increase the District's control over its resources. Testing procedures were conducted to assess the tagging, tracking, and monitoring of IT related fixed assets.

The objectives of the testing were to:

- Verify compliance with District fixed asset policies and procedures
- Verify that there are procedures in place to tag, track, and monitor fixed assets
- Verify that District fixed asset records are accurate and up to date
- Verify that fixed assets are in proper working order, tagged appropriately, and in the reported location
- Perform a physical observation of assets and ensure that assets are properly included on the annual Asset Works inventory report or District fixed asset records
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

#### **Scope:**

We selected a sample of twenty (20) assets from the District's inventory records and ten (10) assets during our physical observation to ensure compliance with the objectives noted above. It should be noted that District inventory records include an Access database

#### **Observation and Recommendation #1**

We noted that two (2) assets selected from the District's inventory listing could not be located during our physical observation. Upon informing the District, the items were located, and the asset information was verified after completion of our fieldwork. We also noted that two (2) asset tag numbers could not be traced to the inventory listing as the tags were faded or no longer on the item and one (1) tag number on the asset did not agree to the tag number on the inventory listing.



It should be noted that the District has updated the inventory listing with the correct tag number and plans to complete a Districtwide asset observation to ensure that all asset information is properly reported on the District's inventory listing.

- *We recommend that the District complete the asset observation as planned and ensure that assets are properly tagged, and any location changes are communicated to the individual responsible for tracking assets.* [REDACTED]

**Observation and Recommendation #2**

We noted six (6) instances in which items were tagged and observed, but the asset tag number could not be located on the District's inventory listing as asset tag numbers are not consistently documented on the inventory listing. It should be noted that the District plans to complete a Districtwide asset observation to ensure that all assets are properly tagged.

- *We recommend that the District complete the asset observation as planned and ensure that asset tags are properly reported and included on the District's inventory listing.* [REDACTED]

**Audit Comment:**

[REDACTED]



# INTERNAL AUDITOR'S REPORT

## Wantagh Union Free School District

*Journal Entries*  
*June 2018*

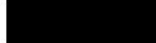
**Inherent Risk Rating:**



**Control Risk Rating:**



**Audit Opinion:**



### **Purpose/Objectives:**

Journal entries include a wide range of infrequent or perhaps unexpected transactions. Documented oversight of the general journal, that is both consistent and reliable, can increase the District's control over its journal entries and reduce the likelihood of error or misappropriation. Testing procedures were conducted to assess the processing and maintenance of journal entries.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Ensure proper approval was obtained for journal entries
- Evaluate the sufficiency of supporting documentation
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

### **Scope:**

We selected fifteen (15) journal entries for the months of November 2017 through March 2018 in order to test that the District's processing of journal entries is in compliance with the objectives noted above. Normal recurring journal entries, such as payroll and interest entries, were not included in our sample.

### **Observation**

We noted that journal entries are entered directly into the accounting system by the Accountant and monthly journal entry reports are printed for review and approval by the Assistant Superintendent for Business before being filed. The Assistant Superintendent for Business reviews and approves journal entries at the beginning of each month.

➤ *No recommendation at this time.*

### **Audit Comment:**



# INTERNAL AUDITOR'S REPORT

## Wantagh Union Free School District

### *Payroll Disbursements* *August 2018*

**Inherent Risk Rating:** [REDACTED]

**Control Risk Rating:** [REDACTED]

**Audit Opinion:** [REDACTED]

#### **Purpose/Objectives:**

Payroll disbursements are processed in the Payroll Department and consist of semi-monthly payments to employees for contractual, hourly, per diem, and overtime hours worked. Payment rates vary by employee type, title and years at the District. For that reason, it is imperative to monitor payroll disbursements to ensure that the District is paying employees in accordance with employee bargaining unit contracts, individual contracts, or Board of Education approval. Testing procedures were conducted to assess the processing and monitoring of payroll disbursements.

The objectives of the testing were to:

- Ensure compliance with District policies and procedures
- Verify that the rate of pay in the District's accounting system agrees to salary schedules in employee contracts or Board of Education approval
- Verify that overtime payments have prior approval
- Verify that employee step and level are accurate and supported with complete documentation
- Verify that hourly employees are paid timely and hours worked are in the proper pay period
- Verify that timesheets have the proper approvals and are mathematically accurate
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

#### **Scope:**

We selected thirty (30) employees, fifteen (15) contractual and fifteen (15) hourly, included in the June 8, 2018 payroll disbursement and tested such transactions against the objectives noted above.

#### **Observation and Recommendation #1**

We noted that the Director of Facilities prepares a summary time sheet by employee, per as per timesheets completed by the Head Custodians, and sends it to the Payroll Department to be entered into the District's accounting system. We noted one (1) instance in which the hours reported on the summary timesheet did not agree to the timesheets completed by the Head Custodians. We also noted one (1) instance in which the hours on the summary time sheet were not entered into the District's accounting system correctly. In addition, there is no documented prior approval for overtime hours.

- *We recommend that employees complete their own timesheets and the Head Custodians review and approve timesheets before forwarding to the Director of Facilities. We also recommend that Head Custodians document their approval for employees to work overtime prior to the employee working overtime.* [REDACTED]



**Observation and Recommendation #2**

We noted that although the timekeeping system utilized by the Facilities Department has timesheet capabilities and calculates weekly hours worked by each employee as per the times the employee punch in and out, the system is utilized for attendance purposes, not payroll.

- *We recommend that the District consider utilizing the weekly timesheets that can be generated by the timekeeping system for each employee to enter payroll into the District's accounting system instead of the timesheet and summary sheet process noted above. Each timesheet from the system includes the date, day of the week, time in, time out, total hours per day, shift, and site of punch in or punch out. There is also an area for employee signature, supervisor signature, and date. Therefore, all approval signatures can be documented on one (1) timesheet before being forward to the Payroll Department for processing.*

**Observation and Recommendation #3**

We noted that certain classes of substitute employees were given a pay increase during the 2017-2018 school year, however, this change was not reflected in the District's accounting system. As such, the pay rate for these employees is entered manually when inputting timesheets.

- *We recommend that all pay increases be entered into the accounting system. This will eliminate the need to input any pay rates manually and prevent any potential data entry errors.*

**Observation and Recommendation #4**

We noted that an inactive employee was paid on the June 8, 2018 payroll. The individual is a retired employee who was working as a substitute but was never formally approved by the Board of Education.

- *We recommend that all substitutes be approved by the Board of Education and have an active status in the accounting system prior to working any hours. We also recommend that the District determine if any accounting system procedures need to be revised to prevent payment to an inactive employee.*

**Audit Comment:**

[REDACTED]



# INTERNAL AUDITOR'S REPORT

## Wantagh Union Free School District

### *Purchasing Process* *June 2018*

**Inherent Risk Rating:**



**Control Risk Rating:**



**Audit Opinion:**



#### **Purpose/Objectives:**

The purchase order process is an integral part of school district operations that effects all departments and areas. General Municipal Law and Board of Education Policy outline the proper procedures to be followed when submitting a purchase order requisition, including consideration of annual vendor purchases. There are documentation requirements such as obtaining quotes, bids, or requests for proposal (RFPs) when annual purchases from a vendor are anticipated to exceed Board Policy thresholds and General Municipal Law. Documented oversight, that is both consistent and reliable, can assist the District in obtaining and maintaining proper supporting documentation for purchase orders as well as limiting the number and dollar amount of purchase order increases. Testing procedures were conducted to assess the processing and documentation surrounding the purchase order process.

The objectives of the testing were to:

- Determine compliance with District purchasing policies and General Municipal Law
- Determine if purchase orders are subject to bidding, RFPs, or quotes
- Determine if proper supporting documentation was obtained for each purchase order
- Determine if bid, RFP, and quote detail agree to purchase order detail
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

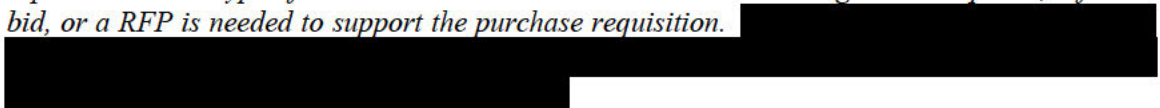
#### **Scope:**

We selected fifteen (15) purchase orders that were created during the 2017-2018 school year and tested purchase orders and supporting documentation against the objectives noted above.

#### **Observation and Recommendation #1**

We noted one (1) purchase order exceeded the dollar amount threshold requiring a bid as per District Policy #6700 Purchasing and General Municipal Law. This purchase order was supported by three (3) quotes and a price comparison.

- *We recommend that the required procedures be followed before a purchase requisition is submitted to the Purchasing Agent. The District's Purchasing Policy outlines quote, bid, and RFP requirements for purchases according to the dollar amount. The total anticipated annual expenditures and type of vendor must be considered when determining whether quotes, a formal bid, or a RFP is needed to support the purchase requisition.*



**Audit Comment:**

[REDACTED]

# **INTERNAL AUDITOR'S REPORT**

## **Wantagh Union Free School District**

### ***STAC Reimbursement***

#### ***June 2018***

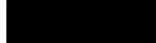
**Inherent Risk Rating:**



**Control Risk Rating:**



**Audit Opinion:**



#### **Purpose/Objectives:**

The System to Track and Account for Children (STAC) is a unit within the New York State Education Department (NYSED) responsible for processing requests for Commissioner's approval for reimbursement. Reimbursement is available for the costs of providing services to preschool and school-age students placed in special education programs. Costs that are available for reimbursement include tuition, share of teacher and teacher aide salaries plus fringe benefits, share of related services and equipment specified on the IEP, etc. Testing procedures were conducted to assess the processing and recordkeeping of the STAC reimbursements.

The objectives of the testing were to:

- Determine compliance with District procedures and NYSED guidelines
- Determine if the Pupil Personnel Services (PPS) Department tracks all STAC eligible students, including student placement and associated costs
- Determine if STAC claims are submitted timely and prior to any applicable deadlines
- Determine if the amount claimed per student is accurate and complete
- Determine if there is documentation to support the amount claimed for each student
- Determine if the PPS Department monitors STAC claims and reimbursements annually and throughout the school year
- Determine if the District is completing online verification procedures for all NYSED approved STAC claims
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

#### **Scope:**

We selected fifteen (15) of the STAC eligible students tracked and monitored by the District for the 2016-2017 school year and tested the documentation maintained for each student against the objectives noted above. We also performed a review of online STAC verifications for the current and three (3) prior school years to ensure that all NYSED approved STAC claims and associated costs have been verified by the District.

#### **Observation and Recommendation #1**

We noted that the STAC cost for three (3) students had to be revised due to errors in the STAC cost calculations. It should be noted that we were provided with documentation regarding the revised claim amounts and STAC claim confirmations.



- *We recommend that the District review calculations for each student's STAC cost and compare to their IEP before submitting and verifying STAC claims.* [REDACTED]

**Observation and Recommendation #2**

We noted that the amount paid by the District for a STAC eligible student's tuition was more than the amount claimed and verified for the student. It should be noted that upon informing the District, the vendor was contacted for a refund of the amount paid over the amount verified for the student.

- *We recommend that when paying a vendor for STAC eligible student tuition, the amount claimed and verified be compared to the amount paid by the District.* [REDACTED]

**Audit Comment:**

[REDACTED]