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June 20, 2019

**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:

- ☐ **Bank Reconciliations and Treasurer's Reports**
- ☐ **Budget Transfers**
- ☐ **Cash Receipts**
- ☐ **Extraclassroom Activity Funds – General Controls**
- ☐ **Journal Entries**
- ☐ **Payroll Disbursements**

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**

### ***Bank Reconciliations and Treasurer's Reports***

#### ***May 2019***

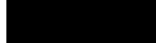
**Inherent Risk Rating:**



**Control Risk Rating:**



**Audit Opinion:**



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

Bank reconciliations and Treasurer's Reports show the relationship between the recorded cash inflow and outflow and the actual cash inflow and outflow. For that reason, it is imperative to monitor this relationship to identify and rectify outstanding and unusual items in a timely manner. Documented, knowledgeable oversight of the bank reconciliations and Treasurer's Report can increase the District's control over its resources. Testing procedures were conducted to assess the processing and maintenance of the bank reconciliations and the Treasurer's Reports.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Review for mathematical accuracy
- Determine if bank balances agree to bank statements
- Determine if book balances agree to general ledger balances
- Review for old outstanding items and any unusual reconciling items
- Determine if information from the bank reconciliations agree to the Treasurer's Reports
- Evaluate the sufficiency of supporting documentation
- Determine if beginning book balances agree to the prior month's ending book balance
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

#### **Scope:**

We analyzed one-hundred percent (100%) of bank reconciliations and monthly Treasurer's Reports for the months of November 2018 and December 2018 against the objectives noted above. The District had seventeen (17) bank accounts in November 2018 and eighteen (18) bank accounts in December 2018.

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

We noted that two (2) bank reconciliations had checks that were outstanding for more than six (6) months for November 2018 and December 2018. Check dates ranged from December 2017 to May 2018.

- *We recommend that the District continue to monitor outstanding checks and send a letter to the vendors or employees once a check has been outstanding for at least six (6) months. However, once a check has been outstanding for more than one (1) year, the check should be canceled as per General Municipal Law Section 21. The District should also maintain records regarding the cancelled checks.*

**Audit Comment:**

# INTERNAL AUDITOR'S REPORT

## Wantagh Union Free School District

### *Budget Transfers* *June 2019*

**Inherent Risk Rating:** [REDACTED]

**Control Risk Rating:** [REDACTED]

**Audit Opinion:** [REDACTED]

#### **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 are required to implement a Budget Transfer Policy to provide guidance regarding 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 analyzed fifteen (15) budget transfers for the months of July 2018 through April 2019 to determine compliance with the objectives noted above.

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

We noted that budget transfer forms were not utilized for seven (7) of the twelve (12) budget transfers that exceeded \$1,000. Although budget transfers were approved by the Board of Education, as specified in Policy #6150 *Budget Transfers*, there was no Central Office approval, request information, or documentation other than the information included in the Board of Education meeting minutes.

- *We recommend that the District utilize budget transfer forms for all budget transfers, even those that only require Board of Education approval.* [REDACTED]

**Audit Comment:**



# INTERNAL AUDITOR'S REPORT

## Wantagh Union Free School District

### *Cash Receipts* *May 2019*

**Inherent Risk Rating:** [REDACTED]

**Control Risk Rating:** [REDACTED]

**Audit Opinion:** [REDACTED]

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

Cash receipts consist of cash and checks received by the District as a source of revenue to offset certain expenses. Cash receipts include, but are not limited to, cash and checks received for field trips, health insurance, out of district tuition, use of facilities, and donations. Documented, knowledgeable oversight and proper segregation of duties of the cash receipts process can increase the District's control over its resources. Testing procedures were conducted to assess the processing and maintenance of the cash receipts.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Verify that the cash receipt report agrees to deposit slips
- Verify that the cash receipt report agrees to bank statements
- Verify that the cash receipt report agrees to the cash log book
- Verify that cash log book entries agree to the cash receipt report
- Verify that cash receipts are deposited in a timely manner
- Verify that the cash receipt report is periodically reconciled to the cash log book
- Verify the proper classification of cash receipts
- Determine 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) cash receipts for the months of July 2018 through November 2018 in order to test that the District's handling of cash receipts is in compliance with the objectives outlined above. We also selected fifteen (15) cash log book entries for the months of July 2018 through November 2018 in order to ensure that all monies received by the District were properly recorded within the District's financial system.

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

We noted that three (3) cash receipts were not deposited in a timely manner. The deposits were made over seven (7) days after the funds were received by the District's Business Office and recorded in the cash log book.

- *We recommend that the District deposit cash and checks in a timely manner. Deposits should be made within one (1) week of receipt by the District.* [REDACTED]

**Audit Comment:**

[REDACTED]

# **INTERNAL AUDITOR'S REPORT**

## **Wantagh Union Free School District**

### ***Extraclassroom Activity Funds – General Controls***

#### ***May 2019***

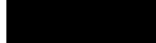
**Inherent Risk Rating:**



**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 set rules and regulations for the establishment, conduct, operation, and maintenance of Extraclassroom activities and for the safeguarding, accounting and audit of all moneys received and spent by clubs. 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 oversight, financial reporting, and process and documentation required to approve and establish Extraclassroom clubs.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Verify Board of Education approval of each Extraclassroom club
- Verify Board of Education approval of a Faculty Advisor for each Extraclassroom club
- Verify that Extraclassroom club activity is reported to the Board of Education at least quarterly
- Verify Board of Educational approval of a Central Treasurer for Extraclassroom clubs
- Determine if a properly completed club charter is on file for each Extraclassroom club
- Verify that the required signatures and approvals are documented on each club charter
- Verify that the Faculty Advisor on the club charter agrees to the Board of Education approval
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

#### **Scope:**

We selected twenty (20) Extraclassroom activity fund clubs reported on the February 2019 Extraclassroom Activity Fund Reconciliation and tested each club against the objectives noted above.

#### **Observation**

We noted that two (2) clubs did not have charters or Board of Education approved faculty advisors at the time of our fieldwork. Upon discussion with the District, it was determined that one (1) club was not active due to there not being a Faculty Advisor and a Faculty Advisor was approved by the Board of Education for the other club subsequent to our fieldwork. A club charter was completed upon Board of Education approval.



➤ *No recommendation at this time.*

**Observation**

We noted that all remaining clubs selected for testing were in compliance with the objectives noted above. In addition, the following oversight positions have been approved by the Board of Education: Chief Treasurer & Signatory, Comptroller, Cashier for WHS, Cashier for WMS, Chief Faculty Advisor & Signatory for WHS, Chief Faculty Advisor for WMS.

➤ *No recommendation at this time.*

**Audit Comment:**

[REDACTED]

# INTERNAL AUDITOR'S REPORT

## Wantagh Union Free School District

### *Journal Entries* *June 2019*

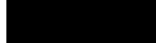
**Inherent Risk Rating:**



**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 July 2018 through March 2019 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 end of each month.

➤ *No recommendation at this time.*

#### **Audit Comment:**



# **INTERNAL AUDITOR'S REPORT**

## **Wantagh Union Free School District**

### ***Payroll Disbursements***

#### ***May 2019***

**Inherent Risk Rating:**



**Control Risk Rating:**



**Audit Opinion:**



#### **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 or extra-pay items, included in the January 25, 2019 payroll disbursement and tested such transactions against the objectives noted above.

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

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. In addition, we noted instances where the punch times in the timekeeping system did not agree to the handwritten time reports.

- *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 #2**

We noted that there is no documented prior approval for overtime hours. It should be noted that the employee's direct supervisor is aware of any overtime hours worked by the employee.

- *We recommend that direct supervisors document their approval for employees to work overtime prior to the employee working overtime.*

**Observation and Recommendation #3**

We noted that the hours reported on one (1) timesheet were not calculated correctly resulting in an overpayment to the employee.

- *We recommend that all hours reported on the timesheets be reviewed for accuracy and recalculated prior to processing.*

**Audit Comment:**