

Michael E. Nawrocki
Ernest Patrick Smith



Lauren M. Agunzo
John K. Hoffman
Darin V. Iacobelli
David M. Tellier

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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**
- ☐ **Building Access**
- ☐ **Cash Disbursements**
- ☐ **Journal Entries**
- ☐ **Payroll Disbursements**
- ☐ **Purchasing Process**

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 2020

Inherent Risk Rating: [REDACTED]

Control Risk Rating: [REDACTED]

Audit Opinion: [REDACTED]

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, eighteen (18) in total, and monthly Treasurer's Reports for the months of June 2019, July 2019 and December 2019 against the objectives noted above.

Observation and Recommendation #1

We noted that the June 2019 and December 2019 bank reconciliations and Treasurer's Reports were prepared three (3) months after the close of the month.

- *We recommend that the District prepare bank reconciliations on a timely basis, ideally within one (1) month after the close of the month.* [REDACTED]

Observation and Recommendation #2

We noted that the ending book balance on the December 2019 bank reconciliation did not agree to the general ledger balance. Adjustments dating back to July 2019 were never posted in the general ledger but were reflected on the bank reconciliation as if they were posted.

- *We recommend that all adjustments be posted to the general ledger on a timely basis to eliminate the need to carry these items on the bank reconciliations as reconciling items.*

Audit Comment:

INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Budget Transfers

May 2020

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 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 2019 through March 2020 to determine compliance with the objectives noted above.

Observation

We noted that budget transfer forms were not utilized for three (3) of the fifteen (15) budget transfers selected for testing. 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.

It should be noted that as of December 2019 the District developed a procedure to document the request and approval process within the District's financial system as well as maintain supporting documentation. The three (3) budget transfers that did not utilize budget transfer forms were requested prior to December 2019.

➤ *No recommendation at this time.*

Audit Comment:



INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Building Access *October 2020*

Inherent Risk Rating:



Control Risk Rating:



Audit Opinion:



Purpose/Objectives:

School districts are responsible for limiting and monitoring building access. There should be procedures in place to properly screen any visitors prior to entering a building and staff access should be granted in accordance with their job duties and responsibilities. Student access should be monitored by building staff and limited to the beginning and end of the school day. It is imperative to monitor the different levels of building access to ensure that proper procedures are in place to protect staff and the school population. Testing procedures were conducted to assess the District's adherence to established policies and procedures regarding building access for staff, students, and visitors.

The objectives of our analysis were to:

- Determine compliance with District policies and procedures
- Verify that building access procedures are in place and operating effectively
- Verify that visitors are properly screened prior to entering the building
- Verify that student access is properly monitored and limited throughout the school day
- Verify that staff access is granted in accordance with their job duties and responsibilities
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

Scope:

We performed walkthrough evaluations at the District's five (5) school buildings. Our walkthrough consisted of a detailed inspection of the building including the exterior, entrance, and hallways and classrooms as noted below. We also interviewed each Building Principal to verify the procedures implemented at each building and discuss any concerns.

Component

Focus

Exterior of the building

Examine building, walkways, and surrounding grounds for hazards and required signage

Exterior of the building

Ensure signs are posted on the exterior of the building notifying occupants that a video surveillance system is installed and monitored at that location

Entrance to the building



Hallways and classrooms

Observe that areas are clean and free from hazards and contain the required safety features

Observation and Recommendation #1

[REDACTED]

■ [REDACTED]

Observation and Recommendation #2

[REDACTED]

■ [REDACTED]

Observation and Recommendation #3

[REDACTED]

■ [REDACTED]

Audit Comment:

[REDACTED]

INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Cash Disbursements

May 2020

Inherent Risk Rating:



Control Risk Rating:



Audit Opinion:



Purpose/Objectives:

Cash disbursements consist of any cash outflow on behalf of the District, including all checks issued by the District in order to pay vendors or reimburse employees. Cash disbursements are processed in accordance with Board of Education Policy and General Municipal Law, once there has been receipt of goods or services by the District. The Purchasing Policy outlines General Municipal Law threshold requirements as well as procedures for purchases below General Municipal Law threshold requirements. Documented oversight, that is both consistent and reliable, and proper segregation of duties regarding the cash disbursement process can assist the district in properly following its Purchasing Policy and General Municipal Law. Testing procedures were conducted to assess the processing and maintenance of the cash disbursements.

The objectives of the testing were to:

- Determine compliance with the District's Purchasing Policy and General Municipal Law
- Determine if the procurement is subject to bidding, request for proposal (RFP), or quotes
- Review evidence of quotes or a contract, as the result of a bid or RFP
- Determine accuracy and approval of purchase
- Evaluate the sufficiency of supporting documentation
- Determine if the proper budget codes were encumbered
- Determine proper approval by Claims Auditor
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

Scope:

We selected fifteen (15) cash disbursements, from all funds, for the months of July 2019 through December 2019 in order to test that the District's processing of cash disbursements is in compliance with the objectives noted above.

Observation

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

➤ *No recommendation that this time.*

Audit Comment:



INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Journal Entries
June 2020

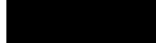
Inherent Risk Rating:



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 2019 through March 2020 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 made from July 2019 – November 2019 were not approved by an administrator. However, it should be noted that as of December the Assistant Superintendent for Business implemented an approval procedure utilizing the controls within the District's financial system, nVision. Journal entries are entered directly into nVision but will remain "pending" and not post until the authorized individual approves the entry. Supporting documentation is scanned and attached to journal entry in nVision.

➤ *No recommendation at this time.*

Audit Comment:



INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Payroll Disbursements

June 2020

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 November 15, 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.* [REDACTED]

Observation and Recommendation #3

We noted that the hourly rate for a monitor could not be verified to the rate increase noted in the Monitor/Teacher Aide bargaining unit contract. We also noted that the rates of pay for two (2) clerical employees could not be verified to the rate increase noted in the Secretaries bargaining unit contract.

- *We recommend that the District confirm the calculation of the pay rates for the employees noted above to verify that they agree to bargaining unit contracts.* [REDACTED]

Observation and Recommendation #4

We noted that the overtime hours reported on one (1) timesheet were not calculated correctly resulting in an overpayment to the employee. In addition, the employee's overtime pay rate was calculated incorrectly, contributing to the overpayment.

- *We recommend that all pay rates and hours reported on the timesheets be reviewed for accuracy and recalculated prior to processing.* [REDACTED]
- *It should be noted that the pay rate was updated in the District's financial system, and the employee's next payroll check was adjusted accordingly, however, we recommend that the District review prior payments to the employee to ensure that no other payments have to be adjusted.*

Observation and Recommendation #5

We noted that two (2) timesheets were missing approval signatures.

- *We recommend that all timesheets be reviewed for proper approval signatures. Any timesheets without proper approvals should be sent back to the department for supervisor approval.*

Audit Comment:

[REDACTED]

INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Purchasing Process *May 2020*

Inherent Risk Rating: [REDACTED]

Control Risk Rating: [REDACTED]

Audit Opinion: [REDACTED]

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 from July 1, 2019 to September 30, 2019 and tested purchase orders and supporting documentation against the objectives noted above.

Observation and Recommendation #1

We noted one (1) purchase order required a request for proposal ("RFP") as per District *Policy #6700 Purchasing*. This purchase order was supported by a contract with the vendor.

- *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 an RFP is needed to support the purchase requisition.* [REDACTED]

Audit Comment:

[REDACTED]