

Michael E. Nawrocki
Ernest Patrick Smith



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

June 23, 2021

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**
- ☐ **Employee Attendance**
- ☐ **Grant Expenditures**
- ☐ **IT Inventory**
- ☐ **Journal Entries**
- ☐ **Retiree Benefits**

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

June 2021

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, thirteen (13) in total, and monthly Treasurer's Reports for the months of November and December 2020 against the objectives noted above.

Observation

We noted that all thirteen (13) bank reconciliations and Treasurer's Reports tested were in compliance with the objectives noted above. We also noted that bank reconciliations and Treasurer's Reports are being reported to the Board of Education in a timely manner.

➤ *No recommendation at this time.*

Audit Comment:



INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Budget Transfers *June 2021*

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 2020 through April 2021 to determine compliance with the objectives noted above.

Observation

We noted that all budget transfers tested were in compliance with the testing objectives noted above.

➤ *No recommendation at this time.*

Audit Comment:



INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Employee Attendance *June 2021*

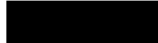
Inherent Risk Rating:



Control Risk Rating:



Audit Opinion:



Purpose/Objectives:

Employee attendance entered into the District's financial system, nVision, tracks employee absences, time off, and any remaining balances from previous years. Therefore, it is imperative to monitor employee attendance in order to identify discrepancies and unusual trends in a timely manner. Documented oversight of employee attendance, that is both consistent and reliable, can increase the District's control over its resources. Testing procedures were conducted to assess the processing and maintenance of employee attendance.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Verify that absent days are entered into AESOP, if applicable
- Verify that the employee did not sign in and out on the building sign in sheet
- Verify that the correct number of days are entered into the District's financial system
- Verify that absent days are posted to the correct absence code (i.e. vacation) in the District's financial system
- Verify that the employee has not exceeded the allowable amount of time off they are entitled to per their bargaining unit
- Verify that each employee's beginning balances of accrued time off and annual accruals are in accordance with contract terms
- Verify that each employee's accrued days do not exceed the allowance as per the bargaining unit or individual contract
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

Scope:

We selected a sample of fifteen (15) absent employees, as per nVision, for the weeks of February 8, 2021 and February 22, 2021. We tested each employee absence against the objectives noted above.

Observation and Recommendation #1

We noted that there was one (1) vacation day in our sample that was "unapproved" in AESOP.

- *We recommend that the District ensure that all vacation days taken by employees receive prior approval in AESOP by the employee's direct supervisor.*

Observation and Recommendation #2

We noted that the sick time accrued for one (1) employee for the 2020-2021 school year was prorated as a result of their date of hire. This was done as a past practice as the bargaining unit contract does not specify terms for prorating an employee's time off.

- *We recommend that the District consider preparing a memorandum of agreement for the bargaining unit contract noted above to document the terms for prorating employee sick time upon hire.*

Audit Comment:

INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Grant Expenditures

June 2021

Inherent Risk Rating:



Control Risk Rating:



Audit Opinion:



Purpose/Objectives:

Grants provide additional funding to school districts for specific programs, student expenses, and instructional expenses. Grant expenditures must comply with NYSED grant uses and restrictions and be included in grant applications (Form FS-10 *Proposed Budget for Federal or State Project*). It is imperative for school districts to properly plan and monitor grant expenditures and ensure there is documented, knowledgeable oversight of expenditure processing. Testing procedures were conducted to assess the procedures and documentation surrounding grant expenditures.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Determine if expenditures are included in the appropriate grant applications
- Determine if expenditures are in compliance with conditions set forth in the grant
- Verify that there is proper supporting documentation for each expenditure
- Verify purchase orders were issued after the grant start date and before the grant end date
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

Scope:

We selected fifteen (15) grant expenditures made during the 2020-2021 school year and tested each expenditure against the objectives noted above.

Observation and Recommendation #1

We noted that seven (7) cash disbursements had confirming purchase orders. The practice of issuing confirming purchase orders bypasses the encumbrance process and does not permit the Purchasing Agent to consolidate orders or obtain the lowest possible prices in an effort to minimize costs. Additionally, confirming purchase orders represent that an employee has committed district funds without proper approval.

- *We recommend that all purchases be subject to the encumbrance process and that purchase orders be created prior to the purchase of good or services. Purchases made on an emergency basis should be noted on the purchase order.*

Observation and Recommendation #2

We noted that two (2) cash disbursements were not included in any of the grant applications. The purchase order for one (1) cash disbursement included a general fund budget code and there was no allowance in the grant application for supplies and materials, only purchased services. The type of expense for the other cash disbursement was included in the grant application but it was not for the employees included on the cash disbursement.

- *We recommend that the District review expenditures being paid from grant budget codes to ensure that they are included in a grant application and being expensed to the appropriate budget code.* [REDACTED]

Audit Comment:

[REDACTED]

INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

IT Inventory *May 2021*

Inherent Risk Rating:



Control Risk Rating:



Audit Opinion:



Purpose/Objectives:

Information Technology ("IT") inventory 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 #6640 *Asset Accounting and Inventory* identifies specific dollar amount thresholds and procedures to be followed when adding assets to inventory records which also includes IT related assets. Documented, knowledgeable oversight and tracking of fixed assets can 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 IT assets
- Verify that District IT records are accurate and up to date
- Verify that IT 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 District IT 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-five (25) inventory items from the District's 2020-2021 IT inventory listing and fifteen (15) IT assets during our physical observation to ensure compliance with the objectives noted above.

Observation and Recommendation #1

We noted three (3) instances where the location of the asset on the inventory listing did not correctly report where the asset was currently located. It should be noted that the three (3) assets are Chromebooks that have been removed from the classroom carts to use as loaners for students.

- *We recommend that the District update the IT inventory listing as well as the student inventory listings when devices are issued to students to ensure assets are reported in the proper location.*

Audit Comment:

[REDACTED]

INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Journal Entries

June 2021

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 2020 through March 2021 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 all journal entries tested were in compliance with the objectives outlined above.

➤ *No recommendation at this time.*

Audit Comment:



INTERNAL AUDITOR'S REPORT

Wantagh Union Free School District

Retiree Benefits

June 2021

Inherent Risk Rating:



Control Risk Rating:



Audit Opinion:



Purpose/Objectives:

The District offers health insurance coverage into retirement for all bargaining units. Retiree contributions are specified in bargaining unit contracts and remitted to the District directly or deducted from employee pensions and remitted directly to the insurance company. The District also reimburses Medicare Part B costs to retirees of the District on a quarterly basis. Retirees and their dependents must have Medicare A and B in place at age sixty-five (65) to maintain benefits and receive Medicare Part B reimbursements. The District requires that retirees confirm their Medicare eligibility and information annually by signing and returning an "Affidavit of Medicare Status". There is a standard monthly amount is reimbursed to each Medicare eligible retiree. Some retirees are also eligible for a higher reimbursement rate if they pay a higher premium rate, usually due to their annual income exceeding a certain amount. This is referred to as an income related monthly adjustment amount or IRMAA. Retirees must provide proof of payment or an SSA-1099 form, in order to be reimbursed at a higher rate. It is imperative to monitor and track retiree health insurance coverage as well as Medicare eligibility, supporting documentation, and reimbursements. Testing procedures were conducted to assess the processing of retiree health insurance coverage, Medicare reimbursement, and maintenance of documentation for Medicare eligible retirees.

The objectives of the testing were to:

- Determine compliance with District policies and procedures regarding retiree benefits and Medicare reimbursement
- Verify retiree eligibility for health insurance coverage and Medicare
- Verify that retirees are coded correctly on the health insurance provider listing
- Verify that retirees who pay the District directly for health insurance:
 - Are periodically invoiced for their premiums
 - Pay their premiums timely and do not have any past due balances
 - Are properly tracked and monitored by the District
- Verify that Medicare eligible retirees properly completed a Statement of Eligibility for Medicare Part B Reimbursement for the 2020 calendar year
- Review March 2021 Medicare reimbursements to determine the accuracy of payments
- Review supporting documentation for any IRMMA payments
- Identify weaknesses, if any, in the internal control process.
- Recommend possible enhancements to the process; if applicable.

Scope:

We reviewed health insurance payments and supporting documentation for fifteen (15) retirees that pay the District directly for health insurance against the objectives noted above. We also reviewed Medicare reimbursement payments and supporting documentation for reviewed fifteen (15) Medicare eligible retirees to determine compliance with the objectives noted above.

Observation and Recommendation #1

We noted that copies of retiree Medicare cards are not consistently requested by the District. However, it should be noted that all Medicare eligible retirees in our sample were reconciled to the provider invoices and properly coded.

- *We recommend that the District determine a consistent procedure to confirm retiree Medicare eligibility.*

Observation

We noted that it is District practice to not issue surviving spouses' payments for Part B Medicare Reimbursements. Instead, the standard monthly Medicare Reimbursement rate is subtracted from the monthly health insurance premium due to the District. In addition, we noted that three (3) Medicare eligible retirees did not send back a completed Statement of Eligibility for Medicare Part B Reimbursement. However, the District did not issue any of the retirees a Medicare Reimbursement payment and is currently following up with the retirees to obtain a completed Statement of Eligibility for Medicare Part B Reimbursement.

- *No recommendation at this time.*

Observation

We noted that the health insurance payments and Medicare reimbursement payments selected for testing were in compliance with the objectives noted above.

- *No recommendation at this time.*

Audit Comment: