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Board of Education
Hicksville Union Free School District
200 Division Avenue
Hicksville, NY 11801

Re: Internal Audit Report

Board of Education:

We have performed internal audit services for Hicksville 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**
- Budget Transfers**
- Extraclassroom Activity Fund - Disbursements**
- Extraclassroom Activity Fund - Receipts**
- Journal Entries**

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

Very yours,

Nawrocki Smith LLP

Nawrocki Smith LLP

Risk Rating Definitions:

Inherent Risk – Inherent risk is the risk of a material misstatement in the un-audited information assuming the absence of internal control procedures. Inherent risk includes any risk arising from fraud. As with other risks, inherent risk may be evaluated at various levels of aggregation (e.g. financial statement level, account balance assertion level) and at various stages during the course of the audit (e.g. client acceptance/retention state, audit planning stage, etc).

***Inherent Risk** is particular to the area being reviewed if there were no controls in place. Thus, if there were no control procedures in place pertaining to the particular area, what is the risk of a material misstatement?*

Control Risk – Control risk is the risk that a material misstatement in the un-audited information will not be detected and corrected by management’s internal control procedures on a timely basis. Auditors evaluate control risk at the account balance assertion level based on a detailed knowledge of the client’s business. Auditors may evaluate this risk in the second, third, and fourth audit stages, namely the audit planning, control testing, and substantive testing stages.

***Control Risk** is particular to the District’s controls currently in place in the area being reviewed. Thus, what is the risk of a material misstatement with the control procedures currently in place?*

Audit Opinion- Based upon the audit work performed and our assessment of the controls within each particular audit area an audit opinion is provided for each audit area from one of the following three (3) categories:

Satisfactory: Controls are operating effectively

Needs Improvement: Controls need improvement for effectiveness

Unsatisfactory: Controls are unacceptable and need immediate improvement

INTERNAL AUDITOR'S REPORT

Hicksville Union Free School District

Bank Reconciliations and Treasurer's Reports *February 2019*

Inherent Risk Rating: High
Control Risk Rating: Low
Audit Opinion: Satisfactory

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, totaling eleven (11) bank accounts and monthly Treasurer's Reports, for the months of October and November 2018 against the objectives noted above.

Observation and Recommendation #1

We noted instances where bank reconciliations listed reconciling items that were not in fact reconciling items or did not contain a proper description. There is a risk that reconciling items, when not properly reported, could be errors or irregularities that go undetected. The District has since replaced the employee performing this function.

- *We recommend that all reconciling items contain proper descriptions and include supporting documentation, if applicable. This will ensure that each bank account is properly reconciled and only those adjustments that are necessary are accounted for and properly reported.*

Audit Comment:

The District's controls surrounding the bank reconciliation and Treasurer's Report function are operating effectively. However, the implementation and reinforcement of the recommendations noted above will provide for an enhanced control environment.

INTERNAL AUDITOR'S REPORT

Hicksville Union Free School District

Budget Transfers *April 2019*

Inherent Risk Rating: High

Control Risk Rating: Low

Audit Opinion: Satisfactory

Purpose/Objectives:

The objective of budget transfer testing is to ensure that transfers are being properly approved and completed in accordance with District policy. It must also be ensured that budget transfers are in conformance with the restrictions of Section 170.2(1) Commissioners Regulations and Chapter 436 of the Laws of 1997, regarding transfers to and from non-contingent expense codes. Documented oversight of budget transfers, that is both consistent and reliable, can increase the District's control over this process and reduce the likelihood of error or misappropriation. Testing procedures were conducted to assess the processing and maintenance of budget transfers.

The objectives of the testing were to:

- Ensure compliance with District policies and procedures
- Ensure that proper supporting documentation was attached to each transfer
- Ensure proper approval in accordance with transfer amount
- To trace and agree supporting documentation to Budget Transfer Report
- 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 March 2019 to ensure that the District is in compliance with Section 170.2(1) of the Commissioners Regulations and Chapter 436 of the Laws of 1997 and the objectives noted above.

Observation

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

- *No recommendation at this time.*

Audit Comment:

The District's controls surrounding the budget transfer function are operating effectively.

INTERNAL AUDITOR'S REPORT

Hicksville Union Free School District

Extraclassroom Activity Funds – Cash Disbursements April 2019

Inherent Risk Rating: High

Control Risk Rating: Moderate

Audit Opinion: Needs Improvement

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 payment 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 during the period of September 2018 through January 2019 and tested the selected transactions against the objectives noted above.

Observation and Recommendation #1

We noted that the Central Treasurers do not stamp invoices "paid" or cancel out invoices and receipts once a check has been issued to pay a vendor or reimburse an employee.

- *We recommend that the Central Treasurers stamp or write “paid” on all invoices and receipts once a check has been issued to pay a vendor or reimburse an employee. This will help reduce the risk of a duplicate payment. The District is currently in the process of addressing this recommendation.*

Observation and Recommendation #2

We noted that six (6) cash disbursements did not include sufficient supporting documentation. Five (5) cash disbursements had an invoice for a student trip or event where per student fees were charged, however, no list of students was provided to support the invoice. One (1) cash disbursement did not include an invoice from a vendor. Instead, this check request included a memo from the club advisor describing the vendor’s services.

- *We recommend that all cash disbursements include sufficient documentation to support the amount paid by the Extraclassroom Activity club. This includes original itemized receipts, proof of payment, invoices, and a list of attendances for any per person type of payment. The Central Treasurer should only issue a check once all supporting documentation has been provided.*

Observation and Recommendation #3

We also noted one (1) instance where goods were shipped to a faculty advisor’s home address instead of a District address.

- *We recommend that all items purchased with Extraclassroom funds be sent to the District. This will ensure that all items have been properly verify and received by the club that ordered the items.*

Observation and Recommendation #4

We noted that one (1) check request form was not signed by the student treasurer or president.

- *We recommend that all check request forms are signed by the approved faculty advisor and elected student treasurer for the club prior to payment. This will ensure that all cash disbursements are properly approved by the appropriate individuals.*

Audit Comment:

The District’s controls surrounding the Extraclassroom Activity Fund function need improvement. The implementation and reinforcement of the recommendations noted above will provide for an enhanced control environment.

INTERNAL AUDITOR'S REPORT

Hicksville Union Free School District

Extraclassroom Activity Funds – Cash Receipts *April 2019*

Inherent Risk Rating: High

Control Risk Rating: Low

Audit Opinion: Satisfactory

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 and procedures
- Ensure that the deposit form is properly completed and includes all required signatures
- Ensure that the deposit 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 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 September 2018 through January 2019 and tested the selected transactions against the objectives noted above.

Observation and Recommendation #1

We noted that two (2) Extraclassroom deposit receipt forms were not signed by the student treasurer. Deposit forms must be signed by the student treasurer and faculty advisor verifying the cash and check deposit detail.

- *We recommend that all Extraclassroom deposit receipt forms are signed by the approved faculty advisor and elected student treasurer. This will ensure all deposit detail is verified by the student treasurer and faculty advisor prior to deposit.*

Audit Comment:

The District's controls surrounding the Extraclassroom Activity Fund function are acceptable but need some improvement. The implementation and reinforcement of the recommendations noted above will provide for an enhanced control environment.

INTERNAL AUDITOR'S REPORT

Hicksville Public Schools

Journal Entries April 2019

Inherent Risk Rating: High
Control Risk Rating: Low
Audit Opinion: Satisfactory

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:

- Ensure compliance with District policies and procedures
- Ensure proper approval was obtained prior to processing
- 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 analyzed fifteen (15) journal entries for the months of July 2018 through March 2019 and tested each against the audit criteria above.

Observation

We noted that all journal entries tested were in compliance with the objectives outlined above.

- *No recommendation at this time.*

Audit Comment:

The District's controls surrounding the journal entry function are operating effectively.