



Jericho Union Free School District

Presentation Of:

**Internal Claims Audits of Warrants
Payroll Pay-Out Audit**

Internal Audit Procedures of Functional Areas

September 22, 2005



Jericho Union Free School District

Internal Audits – Warrants

Internal Claims Audit of Purchases

- (1) Overview of the Process – Education Law Sec. 1709 (20a)
- (2) Specific Process at Jericho Union Free School District



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OVERVIEW

Tasks:

The tasks required for the approval of claims include:

- Prove mathematical accuracy of all computations; this should include verification of extensions and additions and the recalculation of any discount
- Determine that charges are not a duplication of items already paid
- Comparison of voucher with purchase order
- Determine that voucher is properly itemized and supported by proof of delivery
- Ascertain that all required supporting documentation is attached
- In the event that the district has authorized travel advances under Section 77-b of General Municipal Law, the auditor should review the written requests for advances for proper authorizations
- Determine that the official who gave rise to the claim has indicated approval
- We are providing monthly reports to the Board of Education in the form of attesting to check warrants. Additionally, we provide monthly reports to inform the Board of Education of any issues of concern.



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Specific Process

- (1) Review of Warrant
- (2) Review of PO – Additional Information
- (3) Review of Invoice
- (4) Review of Signed Check



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Strengths of Jericho Union Free School District

- (1) Staff is knowledgeable and diligent
- (2) Ability to resolve inquiries efficiently
- (3) Complete documentation included within voucher packets, minimal insufficiencies



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Weaknesses

(1) None



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Analysis of Payroll Pay-Out

A discovery sampling technique utilized to determine that all employees are bonafide employees of the District. The design of the procedure is to “discover” if we have any fictitious employees.



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Payroll Pay-Out (continued)

Planning

- **During the planning phase we obtained payroll sign in-sheets from the Jericho payroll department for each building location, prepared confirmation letters and self-addressed envelopes and assigned Callaghan Nawrocki audit team members to the following locations: Districts Office, Transportation, Jackson Elementary, Seaman Elementary, Cantiague Elementary, Middle School and High School**



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Payroll Pay-Out (continued)

Field Work and Follow-Up

On the morning of June 10, 2005 we secured the current pay period pay checks. During the distribution process we carried out the following procedures at each District location:

- **Obtain an employee photo identification and signature**
- **Compare the signature obtained to that on the photo identification**
- **Distribute paycheck upon approval**
- **Send confirmation letters to employees who did not pick up a pay check**
- **Analyze confirmations returned to the office of Callaghan Nawrocki**
- **Compared prior period payroll (May 27, 2005) to the June 10, 2005 payroll**



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Payroll Pay-Out (continued)

Analysis/Results

- **On June 10, 2005 we secured 779 paychecks**
- **On June 10, 2005 we approved and distributed 632 paychecks**
- **Confirmation letters were sent to 147 employees**
- **As of September 22, 2005, 140 (95%) confirmations were received**
- **As of September 22, 2005, 7 (5%) confirmations remain outstanding**
- **The comparison of the May 27, 2005 payroll to the June 10, 2005 indicated no inconsistencies**



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Payroll Pay-Out (continued)

Recommendations (Payroll)

- Callaghan Nawrocki recommends as part of the internal audit function that the Jericho Union Free School District perform a complete payroll observation on an annual basis.



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Internal Audit Procedures – Cash Receipts

Monthly Procedures

- Obtain District Policies and Procedures pertaining to Cash Receipts Procedures
- Obtain Cash Receipts Report from Accounting Program
- Obtain Bank Statement and related deposit slips
- Obtain Central Cash Receipts Log
- Randomly Select 5 deposits from either the deposit slip or central cash log

Test for the following:

- (1) Tie deposit to bank statement
- (2) Tie deposit to cash receipt report from accounting software
- (3) Tie deposit to either deposit slip or cash log (depending upon where original select came from)



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Internal Audit Procedures – Cash Receipts

CONTINUED

Observations

- We have tested this area from January 2005 through August 2005 and have observed no inconsistencies between the various sources of documentation

Recommendations

- At this time, no recommendations are necessary in this functional area.



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Internal Audit Procedures – Cash Disbursements

Monthly Procedures

- Obtain District Policies and Procedures pertaining to Purchasing/Cash Disbursements
- Obtain warrant reports for the month
- Obtain Bank Statement and cancelled checks
- Randomly select 5 disbursements from warrant report and obtain related voucher packages

Test for the following:

- (1) Review voucher package for proper authorization/approval and proper amounts
- (2) Trace and agree that the disbursement was coded in the proper account
- (3) Review cancelled check for authorized signatures and proper endorsements
- (4) Verify cancelled check agrees with the warrant report
- (5) Check for compliance with district bidding and quote policies



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Internal Audit Procedures – Cash Disbursements CONTINUED

Observations

- We have tested this area from June 2005 through August 2005 and have observed no inconsistencies between the various sources of documentation

Recommendations

- At this time, no recommendations are necessary in this functional area.



Jericho Union Free School District

Internal Audit Procedures – Payroll

Monthly Procedures

- Obtain District Policies and Procedures pertaining to Payroll Procedures
- Obtain payroll register
- Obtain payroll bank statement and related cancelled checks
- Randomly select 5 employees from payroll report and obtain employee payroll/ personnel files
- Obtain time sheets for hourly employees (if applicable)

Test for the following:

- (1) Signed W-4 in the file
- (2) Verified proper pay rates per employee file/contract
- (3) Verify proper hours per time sheet to payroll report
- (4) Trace and agree payee, amount and date to cancelled check and payroll report
- (5) Review cancelled check for authorized signatures and proper endorsements (not applicable for direct deposit)



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Internal Audit Procedures – Payroll

CONTINUED

Observations

- We have tested this area for June 2005 and have observed that in 4 instances, there was no signed W-4 in employee's file

Recommendations

- We recommend that upon the hiring of district employees a signed W-4 be obtained from employee and placed in the payroll file.



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Internal Audit Procedures – Other Risk Based Areas

- Budget Transfers
- Fixed Assets
- Employees Benefits
- School Lunch
- Transportation
- Special Education
- Buildings and Grounds

