

Glen Cove City School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures
December 6, 2018

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Education and Audit Committee
Glen Cove City School District
Glen Cove, New York

We have performed the procedures described in the following pages, which were agreed to by the Glen Cove City School District (District), on bank reconciliations and cash/investments management, extraclassroom activities and transportation for the period July 1, 2017 through September 30, 2018.

The District's management is responsible for administering these areas.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the District's bank reconciliations and cash/investments management, extraclassroom activities and transportation areas. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than the specified parties.

Cullen & Danowski, LLP

December 6, 2018

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Introduction:

This report is categorized by function (i.e., bank reconciliations and cash/investments management, extraclassroom activities and transportation), and there are five sections under each function consisting of:

- Background information
- Summary of the engagement
- Procedures performed during our detailed testwork
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan:

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan, approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the Corrective Action Plan (CAP) along with the respective Internal Audit Report via the NYSED Portal.

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BANK RECONCILIATIONS AND CASH/INVESTMENTS MANAGEMENT

Background:

Good business practice requires that the District establish proper segregation of duties and adequate controls over the bank reconciliations and cash/investments management activities. These controls should ensure the completeness and accuracy of cash related transactions, wire transfers, investments and bank reconciliations.

The district treasurer position is an important role at the District with many duties related to cash and investments management. The board in every school district is required to appoint a district treasurer as per Education Law (EL) §2130. There are several other General Municipal Laws (GML), ELs and Commissioner Regulations (CR) related to the district treasurer position, including GML §10, GML §11, GML §39, EL §1720, EL §2122, EL §2123 and CR §170.2. We have been engaged by the District to review the cash activities and the district treasurer function as it relates to procedures, internal controls and proper safeguards. This background section includes information about key activities involving the District Treasurer, as described under the topics to follow.

The District Treasurer has defined responsibilities that include liaising with the financial institutions, handling the check signing process for both payroll checks and disbursement checks, preparing the bank reconciliations, processing wire transfers, depositing funds received by the District, recording cash receipts, managing investments for the District and preparing monthly district treasurer reports. The District utilizes nVision to facilitate many of these key processes performed by the District Treasurer.

Bank Accounts

There are proper procedures requiring all bank accounts to be approved by the Board. The District maintains bank accounts with First National Bank of Long Island and Capital One. The District Treasurer receives the bank statements and prepares monthly bank reconciliations, as outlined below.

Bank Reconciliations

Bank reconciliations are essential for maintaining proper controls over cash activities. Bank reconciliations are formal schedules documenting or explaining the differences between the bank's record of cash accounts and a school district's accounting records. Proper bank reconciliations account for transactions not yet recorded by the bank and transactions processed by the bank that might not yet be recorded on the District's books. The District Treasurer prepares the bank reconciliations for all bank accounts each month. Bank statements are accessed online through First National Bank of Long Island and Capital One, or the District Treasurer will wait to receive the bank statement in the mail. The bank reconciliation procedure includes a comparison of dates and amounts of daily deposits on the bank statement with the cash receipts log, review of bank transfers to determine if both sides of the transaction have been properly recorded and investigation of all outstanding checks more than 5 months old. The bank reconciliations are reviewed by the Assistant Superintendent for Business.

Check Signing Process

The District Treasurer has a flash drive with their signature that they provide to the payroll clerk. After the flash drive is inserted into the computer, the District Treasurer needs to enter his password to activate the signature. All transfers are recorded in a log book that records the date, starting and ending check numbers, and direct deposit numbers. The Payroll Clerk and the District Treasurer approve the log entry. The direct deposits are set up in a National Automated Clearing House Association (NACHA) file that the District

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Treasurer approves and releases along with the other payroll wire transfers. The Payroll Clerk and the Accounts Payable Clerk provide the positive pay files to the bank related to the payroll checks and the disbursement checks, respectively.

Unclaimed Checks – Accounts Payable and Payroll

There are procedures to review and investigate the unclaimed checks that have been outstanding for over 5 months. The District attempts to contact the payee regarding the outstanding check. If the payee doesn't respond within a reasonable amount of time, then the check is voided and reissued. The District Treasurer reviews outstanding checks each month when preparing the bank reconciliations. The only exception related to unclaimed checks outstanding for more than 5 months is in the Worker's Compensation account, which is handled by a third party (Wright Insurance Group) and their procedure is to investigate checks that have been outstanding for over 1 year.

Wire Transfers

The procedures over wire transfers have proper internal controls including the requirement of two employees to be involved in each transaction. There are two types of wire transfers, payroll related transfers and outside wire payments. Wires can only be sent to pre-templated accounts. These pre-templated accounts require dual approvals by the appropriate designated District employees to be set up with the bank. The wire transfer journal entries are entered by the District Treasurer. The journal entry, along with the supporting documentation, is printed out and given to the Assistant Superintendent for Business for approval.

Investments

The District has *Board Policy #5220 – District Investments* that includes language covering the delegation of authority, prudence, internal controls, designation of depositories, collateralization of deposits and permitted investments. Currently, the District has a designated account related to investments, which is a money market account with Capital One Bank. All of the District receipts are deposited into this account to maximize the amount of interest income earned from the available funds maintained in this account. The District Treasurer transfers funds from this money market account to the operating accounts to cover various payments during the year. This includes expenditures related to payroll, warrants (disbursements) and debt instruments (bond principal and interest).

District Treasurer Reports

The District Treasurer prepares a monthly report after completing the bank reconciliations. The first page is a summary report of all bank statement balances including any outstanding checks and deposits-in-transit. The District Treasurer then includes a breakdown of the receipts and disbursements for each bank account, as well as a copy of all bank reconciliations and check warrants. The District Treasurer's Report is submitted to the Assistant Superintendent for Business for review and approval. The monthly Treasurer's report is provided to the Board at the end of the following month.

Summary:

We found that the District has strong internal controls, proper segregation of duties and formal procedures related to bank reconciliations and cash/investments management activities. Based on the results of our interviews, testing of transactions and reviews of documentation, we found that these activities are handled, recorded and approved timely, accurately and appropriately. We found some opportunities to further improve

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internal controls and operational efficiencies related to bank reconciliations and cash/investments management activities, as noted below.

Procedures:

Our procedures related to bank reconciliations and cash/investments management activities, as per the engagement letter dated July 1, 2018, were as follows:

- Review Board policies and procedures related to the bank reconciliations and cash/investments management activities.
- Interview District personnel regarding processes related to wire transfers, bank reconciliations, signing checks and investments.
- For 2 months for testing and for each cash account perform the following:
 - Obtain a detail general ledger activity report for the period and trace a sample of entries to supporting documentation or the financial sub-system that generated the entry. For entries that are not generated from the financial system, we will identify the person processing the entry and consider the internal control ramifications.
 - Audit the bank reconciliations for each account and trace reconciling items to the subsequent month's bank statements or general ledger as appropriate.
 - Compare balances in the treasurer's report for the 2 months selected to the general ledger and obtain explanations for any variances.
- Review the wire transfer process to ensure that the procedures include strong controls (e.g., restrictive templates, independent approver; etc.) and proper supporting documentation. Select a sample of 5 wire transfers processed during the period for review.
- Review investment activity to determine if the District is in compliance with policy and to determine if the District is maximizing the amount of interest earned on cash balances.
- Review security access controls in the financial system relative to the cash accounts to ensure appropriate levels of access are provided to the users.

Findings:

Review of Board policies and procedures related to the bank reconciliations and cash/investments management activities and interviews with District personnel regarding key processes noted:

- There are standard procedures to prepare the monthly bank reconciliations timely and accurately.
- The District has Board policies related to cash/investment management activities including *District Investments - #5220, Petty Cash Fund and Cash in School Buildings - #5530* and *Duties of the School District Treasurer - #1332*. However, we found that there is no Board policy related to authorized signatures that should include language authorizing the signature on checks issued against all accounts of the District.
- The District Treasurer has formal procedures related to key processes performed in this role. However, we found that there is a lack of written, formal procedures to document the steps taken to complete these tasks, which is important in the event of absences or retirements related to this position.

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Review of each cash account, general ledger activity reports, bank reconciliations and the District Treasurer's Reports in the 2 months selected for testing found:

- There are procedures to have a second employee (i.e., Assistant Superintendent for Business) review the bank reconciliations prepared by the District Treasurer.
- There are procedures to have a second employee (i.e., Assistant Superintendent for Business) review the District Treasurer's Reports prepared by the District Treasurer.
- The District's practice related to outstanding checks is to investigate and resolve items outstanding over 5 months. However, we found several accounts with checks that had been outstanding for over 5 months (excluding the workers' compensation account).

Review of the wire transfer process and testing of the sample of 5 wire transfers noted:

- The procedures include strong controls (e.g., restrictive templates, independent approver; etc.) and there is proper supporting documentation related to wire transfers.
- There were no findings or errors noted as a result of our testwork of the selected 5 wire transfers.

Review of the investment activity to determine if the District is in compliance with the policy and to determine if the District is maximizing the amount of interest earned on cash balances found:

- The Board policy *District Investments - #5220* is in place as required by Education Law, General Municipal Law and Local Finance Law. In accordance with this policy:
 - Whenever the District has funds (including operating funds, reserve funds and proceeds of obligations) that exceed those necessary to meet current expenses, the Board of Education shall authorize the Treasurer to invest such funds in accordance with all applicable laws and regulations and in conformity with the guidelines established by this policy.
- The investment bank statements appear appropriate with no unusual or unsupported activities. Further review found that the District Treasurer properly includes this bank account in the monthly District Treasurer's Report and the balances agreed to the book balances.
- Review of the general ledger account activity related to the investment account found that the District Treasurer posted the receipts and transfers to the operating accounts accurately and timely.

Review of the security access controls in the nVision financial system relative to the cash accounts to determine if access levels are appropriate noted:

- The Assistant Superintendent for Business has reviewed all of the nVision user accounts and any necessary revisions had been made to ensure that the permissions aligned with the respective employee's job duties. With the exception of 2 user accounts with their permissions set up to cover other staff in the event that they are absent from work, so that their duties can be completed by the covering employee in the Business Office. We found that the Accounts Payable Clerk has permissions related to duties of the Accounts Receivable Clerk and vice versa.

Recommendations:

We recommend the District consider implementing the following items to further improve internal controls and operational efficiencies related to bank reconciliations and cash/investments management activities:

1. Create a Board policy related to authorized signatures that should include language authorizing the signature on checks issued against all bank accounts of the District.

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2. Develop written, formal procedures related to key processes performed by the District Treasurer. These documents should assist the District during absences or potential future staff changes with this role.
3. Develop procedures to ensure that the District Treasurer is adhering to the guidelines for addressing and clearing unclaimed checks that have been outstanding for over 5 months, with the exception of the workers' compensation bank account.
4. Establish procedures to strengthen controls related to the nVision user accounts by activating and inactivating permissions of the users when they cover duties of other employees during absences.

EXTRACLASROOM ACTIVITIES

Background:

We performed a review of the District's extraclassroom activities that included meetings, discussions and testwork to determine the effectiveness of the area in complying with policies and procedures. The District has extraclassroom activity funds being accounted for at each of the two secondary schools: the High School (HS) and the Middle School (MS).

The New York State Education Department (NYSED) has developed a manual for recommended practices related to extraclassroom activities titled *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2* (Finance Pamphlet 2). Finance Pamphlet 2 provides recommendations for systems and procedures to be used to ensure that extraclassroom activities are properly administered.

Club Advisors are Board approved for all bona-fide clubs. Bona-fide clubs have a club charter and student officers. Central Treasurer's at the HS and at the MS are involved in the day to day accounting for extraclassroom accounts that includes preparing deposits, recording deposits, preparing purchase orders, writing checks and recording expenses. The Central Treasurer's prepare a pre-numbered receipt for each transaction and provides a copy of the receipt to the club advisor. A monthly reconciliation is prepared by the Central Treasurer then sent to the District Treasurer and the Assistant Superintendent for Business for review and approval.

Summary:

We found opportunities for improvement related to extraclassroom activities as a result of our engagement. These items are described further in the findings and recommendations sections below. We recommend that the District implement these recommendations to further strengthen internal controls and/or improve operational efficiencies related to extraclassroom activities.

Procedures:

Our procedures related to extraclassroom activities, as per the engagement letter dated July 1, 2018, were as follows:

- Review Board policies and District procedures in detail related to the extraclassroom activities.
- Interview central treasurers and personnel responsible for extraclassroom activities regarding policies, procedures and document the strengths, weaknesses and key control attributes for testing.
- Review the extraclassroom activities for the two secondary schools as follows:

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- For student clubs – select the 4 most active and review for compliance with the Regulations of the Commissioner of Education (CR) §172.1 and the NYSED (e.g., student officers, proper forms and accounting records).
- For student clubs – interview 4 advisors from active clubs at each of the secondary schools to ensure they are familiar with the laws and guidelines of CR §172.1 and NYSED and to determine that the proper controls over transactions are in place.
- For cash disbursements from the activity funds – for each of the schools select 20 payments from randomly selected clubs to ensure proper approvals, supporting documentation and appropriateness of expenditure.
- For cash receipts (deposits) to the activity funds – for each of the schools select 25 receipts from randomly selected clubs to ensure proper documentation, accuracy of totals and appropriate controls over collections (i.e., receipt books). If the deposit relates to a fundraising event, ensure that the event was properly approved, the funds had been submitted in a timely manner and the deposit included appropriate supporting documentation (e.g., accounting for the number of tickets sold).

Findings:

Review of Board policies and District procedures and interviews with staff related to extraclassroom activities noted:

- The District has Board policies related to extraclassroom activities: *Policy 5520 – Extraclassroom Activities Fund* that establishes an extraclassroom activities fund and *Policy 1136 – Duties of the Extraclassroom Activities Funds Treasurer* that details the duties of the central treasurer. However, there is no policy that addresses the procedures to handle remaining funds when clubs are closed out or the duties of the club advisor and the student officer positions, particularly the student treasurer.
- The MS extraclassroom activities club includes accounts that have been set up to collect money for field trips; however, these clubs do not have a club charter, student officers and lack any student involvement. The Central Treasurer and Principal manage these accounts, including tracking all student field trip payments and money collected from fundraisers to offset the costs of such field trips, by using an Excel spreadsheet. The MS Main Office staff or the teachers collect the money from students for the fundraisers and for field trip payments. We have been informed that no deposit form is prepared by the teacher to document the amount remitted for field trips, but the teachers maintain a list of students that have paid and they follow-up with students who have not remitted payment.
- The HS has an extraclassroom activity account set up for each sport (except for the ski club) solely to collect money for tournament fees, end of year dinners, apparel, etc. However, these are not bona-fide clubs because there are no student officers or student involvement related to these accounts.
- The MS clubs submit their funds using a deposit envelop instead of the Deposit Form to document the details of the receipts. We found that there is a lack of space on the deposit envelope to record a complete description of the deposit. We also noted that the MS deposit envelope excludes a section for the student treasurer to sign off on the deposit submitted to the Central Treasurer.
- The Central Treasurer prepares purchase orders (PO) at both the MS and HS that require the approval of the Club Advisor and the Student Treasurer. At the HS, the PO is signed by the Club Advisor when the invoice is received, but the PO is not approved by the Student Treasurer. The MS also uses a Payment Request Form to request payment to a vendor that requires approval by the Club Advisor and the Student Treasurer. For the MS accounts that are not bona-fide clubs where there is no Student Treasurer, the MS Principal and the MS Assistant Principal sign the Payment Request Form.

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Review of the extraclassroom activities for the HS and MS and interviews with the club advisors of the most active clubs at each of the secondary schools found:

- We interviewed 5 advisors at the HS (Drama Club, Orchestra, Ski Club, School Store and Music/Band/Chorus) and 3 advisors at the MS (Yearbook Club, Builders Club and National Junior Honor Society). In addition, we interviewed the central treasurers at each secondary school.
- Interviews with the Central Treasurer and the club advisors at the HS noted the following:
 - There was 1 club (Drama Club) that does not maintain their own independent financial records. We have been informed that the club advisor matches the receipts received from the Central Treasurer to the monthly balance report received to ensure that no deposits are missing. Additionally, the club does not prepare a Profit and Loss Statement for the drama production.
 - The procedures at the School Store could be improved because the deposits do not include the daily register receipt to substantiate the deposit amount and there is no system to track the inventory.
 - Details for the deposit are not included with the deposit (i.e. list of names, sequence of tickets sold for drama production, etc.) for the Central Treasurer to be able to determine if the deposit is complete.
 - All fundraising events are pre-approved by the Principal. However, we have been informed that Profit and Loss Statements are not prepared for HS fundraising events.
- Interviews with the Central Treasurer and the club advisors at the MS noted the following:
 - There were 2 clubs (Builders Club and National Junior Honor Society) that do not maintain their own independent financial records. We have been informed that the club advisor matches the receipts received from the Central Treasurer to the monthly balance report received to ensure that no deposits are missing.
 - There was 1 club (Yearbook Club) where the students are not involved in the receipts process for the sale of yearbooks: the students do not collect money, count the funds or sign the deposit envelope. Although the students are involved in reviewing and signing POs and Payment Request Forms.
 - There was 1 club (Drama Club) that does not collect or count the receipts for tickets sold for the drama production or for the refreshments sold at the concessions during the drama production. We have been informed that the Central Treasurer along with the staff from the Main Office sell the tickets, count the money, complete a deposit form and deposit the funds in the bank. We have noted that a Profit and Loss Statement was completed for each performance that included an accounting for the number of pre-numbered tickets sold. We recalculated the deposit amount and it appeared to be reasonable compared to the tickets sold. Additionally, a Profit and Loss Statement was prepared for the concession sales listing the number of each item sold minus the cost per item.
 - There are no details included on the deposit envelope to be able to determine if the amount of receipts is complete (i.e., yearbooks sold, membership dues, etc.), with the exception of field trips and candy fundraising deposits that offset the cost of the field trips. The Central Treasurer prepares these deposits and uses an Excel spreadsheet to track the field trip payments and candy fundraising amounts collected to boxes of candy outstanding to ensure that all students have paid.

Review of 40 payments (20 from each secondary school) from randomly selected clubs to ensure proper approvals, supporting documentation and appropriateness of expenditure noted:

- The HS does not have a procedure for a Payment Order to be prepared to request payment to a vendor. We also found that the club advisor signs off on the PO to indicate that the goods or services have been

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received, but the Student Treasurer does not sign off on the PO to verify the receipt of goods or services as they only sign the initial PO.

- There were 9 instances out of the 20 payments from the MS that did not have a student treasurer's signature on the Payment Request Form; however, these payments had been for purchases made from the field trip accounts that do not have a student treasurer.
- There was 1 instance where a cash advance was given to the teacher for breakfast for students before a field trip; however, there was no receipt. We have been informed that the restaurant could not provide a receipt. In addition, there was no sign off by a student treasurer because this was a club that does not have student officers.
- There were 3 instances at the HS and 1 instance at the MS where no sales tax was paid by the District.
- There was 1 instance where a scholarship was awarded to a student from a club; however, there was no paperwork to support the transaction.

Review of 50 cash receipts (20 from each secondary school) from randomly selected clubs to ensure proper documentation, accuracy of totals and appropriate controls over collections (i.e., receipt books) found:

- The deposit envelope does not contain space to record an adequate description for deposits. Descriptions for the deposits were not detailed to determine if the deposit was complete. In addition, the form does not contain a space for the student treasurer to sign off on the deposit. We have noted that most HS deposits did not have a listing of students and the amount collected from the students. We found that the MS deposits included a copy of the pre-numbered Central Treasurer's receipt for field trips and candy sales, along with a list of students that was recorded on the back of the envelope. All other MS receipts reviewed have not been accompanied by a list of students or other information to support the amount of the deposit.
- There were 5 deposits at the HS that had not been deposited with the Central Treasurer on a timely basis, these deposits contained both cash and checks. Additionally, there had been 2 deposits where it could not be determined how long the deposits had been held before being submitted to the Central Treasurer, as the date of the event was not listed on the deposit paperwork.

Recommendations:

We recommend that the District consider implementing the following item to further improve internal controls and operational efficiencies related to Extraclassroom Activities:

1. Determine whether or not each extraclassroom activity is a bona-fide club per CR §172 and Finance Pamphlet 2. Included within the pamphlet is the regulation that each club shall have student officers as president, secretary and treasurer who are involved in the financial activities of the club.
2. Strengthen controls related to receipts, particularly cash, at the club level since the collection of funds has a high level of inherent risk. In order to facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. Such a statement should, on its face, include all of the essential data for a complete check and audit of the receipts. We recommend that the forms used to account for transactions be revised to provide an expanded comment or description section in which the Club Advisor can fully explain the transaction and completely account for the items by documenting the purchase information and utilize pre-numbered receipts or tickets (i.e., number of items purchased, number of items sold, the number of left over items and the status of the remaining items).
3. Expand or create a new Board policy to address the duties of the Club Advisor and the Student Treasurer positions, as well as, procedures to handle remaining funds when closing clubs.

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4. Revise the deposit envelopes at both the HS and MS to include a space large enough for the Club Advisor to provide a description of the deposit (i.e. number of tickets sold multiplied by the cost matches the total amount of the deposit) and any supporting documents (i.e. class lists, receipts, etc.) should be submitted to the Central Treasurer to be able to determine if the deposit is complete. Additionally, the deposit envelope used at the MS should be revised to include a space for the Student Treasurer to sign off on all club deposits. The procedure of the MS Central Treasurer preparing the deposit envelope should be discontinued. All deposits sent to the Central Treasurer at the MS should be accompanied by a completed deposit envelope by the individual collecting the funds along with the required signatures to indicate that the funds have been counted by the Club Advisor and the student treasurer. In addition, the date of the event should be noted on the deposit envelop.
5. Create a Payment Request Form at the HS to request payments to vendors, the form should include sections for the names and signatures of the Club Advisor and the Student Treasurer.
6. Establish procedures to require each club to maintain a financial ledger and confirm in writing that ledger with the Central Treasurer at least once during the year and at the end of the year.
7. Improve the sales tax procedures related to extraclassroom activities and establish a process for determining if the event is taxable. The procedures need to ensure that the fundraising events and activities are in compliance with sales tax guidelines (e.g., yearbook, clothes, items purchased for resale) and ensure that the clubs do not improperly claim exemption from tax with vendors.
8. Develop procedures to ensure that deposits are submitted to the Central Treasurer on a timely basis. The receipts (i.e., cash and checks) should be deposited as soon as possible.
9. Establish procedures to have the scholarships granted from club funds be approved by the Club Advisor and the student treasurer. The name of the student that is receiving the scholarship can be omitted until payment, so that students are not aware of the name of the scholarship recipient.

TRANSPORTATION

Background:

We were engaged to review the transportation area, since there is a need for improvement related to this area based on our prior internal audit reports. The District has been active with addressing our prior recommendations and also challenged due to employee turnover with the transportation clerks and the third party transportation company not providing the appropriate documentation to fully support the invoices.

The District has contracted with Hendrickson Bus Company to provide transportation services. The District went out for a request for proposal (RFP) related to transportation services for the 2018-19 school year and prior to that the District went out for a RFP in March 2015. Hendrickson Bus Company provides in-district, out of district and special education transportation, plus transportation services for athletics and field trips. The contract with Hendrickson Bus Company requires the District to supply fuel for the buses.

The Transportation Department budget for 2018-19 is \$5,576,450. In 2017-18, the District had contracted with a transportation consultant to assist with routing bus routes. The District currently has a part-time monitor working in the Transportation Department. There is a second part time open position for which the District intends to hire a full-time Transportation Supervisor. The District uses a school bus routing software (Transfinder) to map out the bus routes and bus stops for transporting the required students.

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Summary:

We found some opportunities to further enhance the transportation operations as a result of our engagement. These items are described further in the findings and recommendations sections below. We recommend that the District implement these recommendations to further strengthen internal controls and/or improve operational efficiencies.

Procedures:

Our procedures related to transportation, as per the engagement letter dated July 1, 2018, were as follows:

- Review Board policies and District procedures and interview appropriate personnel related to the transportation function and activities.
- Review procedures related to fuel purchases to ensure adequate controls, appropriate records and proper approvals are in place to track, monitor and approve expenditures related to fuel usage. Review calculations for fuel provided to the bus company.
- Review POs for the 3 largest Transportation Department vendors during the period and examine invoices related to those POs to determine if policies and procedures of District have been followed.
- Select an additional 10 disbursements during the period related to the Transportation Department and review supporting documentation to determine if applicable purchasing and disbursement policies and procedures have been followed.
- Review the budget for fiscal 2018-19 and compare to the 2017-18 budget and 2017-18 actual results. Obtain explanations for unusual variances. Review latest budget status report as of date of field work and obtain explanations for any variances.
- Review records to verify that transportation is being provided in accordance with the District mileage distances and in compliance with the State requirements related to transporting students.

Findings:

Review of the Board policies and District procedures and interviews with staff related to the transportation function and activities noted:

- The District has several Board policies related to transportation. Board policy 5720 requires that the District provide transportation to all elementary school students and MS and HS students that live more than one mile from the school they attend; and no transportation be supplied over 15 miles for out of district placements for in district students. Additionally, the same services should be provided equally to non-public students as district students; and students designated by CSE, transportation services should be provided up to 50 miles.

Review of the procedures related to fuel purchases to ensure adequate controls, appropriate records and proper approvals are in place to track, monitor and approve expenditures related to fuel usage found:

- We were unable to reconcile the fuel used by the bus company to the fuel paid for by the District for the 2017-18 school year. We reviewed the February bus company invoice which calculates the fuel used based on the bus routes; we have noted errors in the calculation. The District is working with the vendor to resolve the issues and receive correct invoices in the future. The District is working on getting all routes entered into Transfinder to be able to print out route information to compare to the bus company invoice to ensure that it is accurate.

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Review of the 10 invoices from 3 large POs for the Transportation Department vendors noted:

- The District did not have procedures to confirm the pricing charged to the District for fuel purchased from NY State contract.
- The Assistant Superintendent for Business worked with a Transportation consultant to enter the bus routes and bus stops in Transfinder; this consultant is no longer employed by the district. These routes had been supplied to the bus company. The bus company re-routed some of the van routes for 2018-19 school year, these new routes have not been updated in Transfinder.
- The Transportation Consultant previously employed by the District had confirmed the September 2017 bus company invoice at the start of that year. The Assistant Superintendent for Business took over the approval process in the 2017-18 school year and confirmed all changes each month. We reviewed the February 2018 invoice and were unable to reconcile the back-up sent by the bus company to the invoice. We were further informed that the invoice was confirmed with the bus company, but the back-up documentation was not updated to agree to the invoice.
- The District went out for bid for transportation services for the 2018-19 school year and prior to that bid the District went out for a RFP in March 2015. When the District goes out for bid or RFP for transportation services, the winning bid or RFP is Board approved; however, the annual extension of the transportation contract with a CPI increase is not Board approved. Additionally, the vendor does not send an annual letter with the new rates that have been increased by CPI and the District did not maintain a spreadsheet to calculate the CPI increases each year.
- The District does not have a contract with Transfinder detailing the terms.

Review of the transportation budget for fiscal 2018-19 compared to the 2017-18 actual results found:

- The budget for 2018-19 was \$5,576,450 and the actual budget for the 2017-18 was \$5,582,408.

Review of records to verify that transportation is being provided in accordance with the district mileage distances and in compliance with the State requirements related to transporting students found:

- There were several instances where students are receiving transportation this year because they received it last year; however, it was not confirmed if these students have an approved reason to receive transportation since they live less than the required miles from the school they are attending. There is no documentation as to why the students received transportation, their transportation information was copied over when the software rolls over to the new fiscal year.
- There was 1 instance where the Transfinder software has a MS student set up for afternoon transportation only; however, the student does not qualify for transportation. The District was unsure if the student was actually being transported home from the school by a bus.
- There was 1 instance where a student resides less than one mile from the MS; however, is receiving transportation. The Transfinder software has the student set up to receive transportation as a result of the stop boundary being too large, therefore allowing Transfinder to schedule the student to receive transportation. We further noted, in the Transfinder software, that this student had a 0 recorded in the field calculating the miles from home to the school attending. This field is used to determine if the student should receive transportation, by calculating the miles from the school attending and their home address.

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended September 30, 2018

Recommendations

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to transportation:

1. Continue efforts with the transportation company to obtain sufficient documentation for each invoice. All bus routes, after being reconciled with the transportation company, should be entered or updated in Transfinder. The information from Transfinder then should be compared to the monthly transportation company invoice to ensure that they agree. This information could then be used to calculate the amount of fuel used; and matched to the invoice received from the fuel company to ensure that they are complete and accurate.
2. Establish procedures in the Business Office to agree pricing from the NYS contract to the fuel price charged by the vendor to ensure that the pricing is correct.
3. Develop procedures to obtain Board approval annually for the transportation contract, even if the District and the bus company agree to an extension of the transportation contract based on CPI increase. Additionally, the District should maintain a spreadsheet to calculate the CPI increase for each year from the original bid or RFP amount.
4. Prepare a contract with the transportation software vendor (Transfinder) detailing the terms of the agreement including the costs, period of time and services covered and have the contract approved by the Board.
5. Review all students displayed in Transfinder that are receiving transportation services that exceed the mileage requirements per the District policy and any students that have a 0 recorded in the field calculating miles from home to the school they are attending. The transportation office should review these students to ensure that these students should be receiving transportation services. Additionally, appropriate documentation should be obtained from parents on an annual basis for any medical reason that a student requires transportation when they live less than the miles from the school they attend as allowed by the Board policy and this documentation should be filed in the transportation office.

