

**GLEN COVE CITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
IN RESPONSE TO EXTERNAL AUDIT REPORT  
JUNE30, 2014**

This section presents our findings and recommendations resulting from the audit of the financial statements of the Glen Cove City School District as of and for the year ended June 30, 2014. Also presented is the status of recommendations made in connection with prior audits of the financial statements.

**CURRENT YEAR RECOMMENDATIONS:**

1. Claims auditor approval

We noted that purchases are approved for payment by the claims auditor, however, such approval was not evident on the supporting documentation. In addition, the Assistant Superintendent for Business and Board of Education are not notified of any findings noted during the claims auditor's review. This situation increases the risk of payments being processed without the claims auditor's approval, and that the Board of Education will not be aware of any recurring issues within the purchasing process.

We recommend that invoices bear evidence of approval by the claims auditor before payment is made. In addition, the claims auditor should provide periodic reports of findings to the Board of Education. In this manner, internal control over the purchasing process may be enhanced.

**CORRECTIVE ACTION:**

**The Assistant Superintendent for Business will provide the Claims Auditor with a sample report that should be used to inform the BOE and the Assistant Superintendent for Business of any findings noted during the claims audit review to insure that the purchasing process and policy of the District are being followed.**

2. Segregation of cash receipts duties

We noted that the same individual is responsible for endorsement of checks, preparation of deposit slips and deposits, custody, recordkeeping and recording cash receipts in Finance Manager. This lack of segregation of duties increases the risk of intentional or non-intentional errors with respect to cash receipts.

We recommend that the District consider re-assigning certain responsibilities to ensure an adequate segregation of duties over cash receipts. In this manner, internal control over cash may be enhanced.

**CORRECTIVE ACTION:**

**The District will reassign the recordkeeping and recording of cash receipts to the Principal Account Clerk in the business office.**

### 3. Segregation of duties within the payroll process

We noted that the same individual is responsible for updating pay rate information in Finance Manager and processing the District's payroll. This situation increases the risk that errors or unauthorized payroll expenditures could occur and go undetected.

We recommend that the Human Resource Department enter and update the employee pay rates in Finance Manager to ensure appropriate segregation of duties. Alternatively, the District may implement a review by a responsible individual of changes to the employee master file to ensure accuracy. In this manner, internal control over payroll may be enhanced.

#### **CORRECTIVE ACTION:**

**The District will review the options recommended by the auditors and come up with procedures to enhance the internal control over payroll.**

### Access to safe

We noted that the District has a walk-in safe adjacent to the area used for registration, which is frequented by outside visitors. The safe is left unlocked during normal business hours. While the safe is mainly used for storage of documentation, any cash received is also maintained in the safe until the District prepares a deposit. This situation increases the risk that unauthorized individuals could gain access to the safe and cash on hand.

We recommend that the District keep the safe locked or otherwise secured during business hours. In this manner, physical safeguarding of District records and cash may be reasonably assured.

#### **CORRECTIVE ACTION:**

**The District will keep all cash in a locked fire proof cabinet in the safe.**

### 4. Disaster recovery plan

We noted that the District does not have well-defined, written disaster recovery procedures. Formal, documented procedures enable all personnel to be aware of their responsibilities in the event of an emergency situation. Lack of such procedures could result in the loss of critical District data.

We recommend that the District develop a disaster recovery plan that includes, but is not limited to the following matters:

- a. Location of, and access to, off-site storage
- b. A listing of all data files that would have to be obtained from the off-site storage location
- c. Identification of a back-up location (name and telephone number) with similar or compatible equipment for emergency processing (management should make

arrangements for such back-up with another entity, a computer vendor, or a services center; the agreement should be in writing)

- d. Responsibilities of various personnel in an emergency
- e. Priorities of critical applications and reporting requirements during the emergency period

Implementation of these procedures will ensure satisfactory, ongoing functioning of the District's data processing capabilities in the event of an emergency.

**CORRECTIVE ACTION:**

**The IT Director will create a disaster recovery plan that satisfies the auditor's recommendations.**

5. Budget transfers

We noted three (3) instances where the Superintendent did not document her approval of budget transfers by signature and date on the budget transfer request form. This situation increases the risk that unauthorized transfers may be made within Finance Manager.

We recommend that all budget transfers be approved by the Superintendent prior to entry into Finance Manager. In this manner, internal control over budget transfers may be enhanced.

**CORRECTIVE ACTION:**

**The Superintendent is now signing all budget transfers.**

7. Authorized pay rate information

We noted the District does not maintain current, authorized pay rate information for all employees. As such, adequate support for payroll expenditures is not reasonably assured.

We recommend that the District maintain and update personnel files on a timely basis to include current, pertinent and accurate data such as authorized pay rate information for all employees. In this manner, payroll expenditures may be properly supported.

**CORRECTIVE ACTION:**

**The Personnel Department will start to update employee files whenever a change to an employees pay rate occurs.**

8. Employee reimbursements

During our review of employee expense reimbursements, we noted that the District does not have a formal expense reimbursement policy for employees. In addition, our audit work in this area revealed a number of expense reimbursements that lacked appropriate approvals and supporting documentation. Adoption of a formal policy in this area will ensure there is a clear understanding as to what reimbursements are appropriate.

We recommend that the District establish a formal employee expense reimbursement policy. In this manner, internal control over expense reimbursement related expenditures may be enhanced.

**CORRECTIVE ACTION:**

**The Superintendent will have the Policy Committee establish a formal expense reimbursement policy. The Assistant Superintendent for Business will ensure that appropriate approvals and proper documentation is presented before reimbursement is made.**

PRIOR YEAR RECOMMENDATIONS:

1. Recommendation: We recommended that all inactive clubs and activities of the Extraclassroom Activity Funds be investigated as to propriety, and any available funds be reclassified.

Status: We noted that this recommendation has not been implemented.

**CORRECTIVE ACTION:**

**The Treasurers for the Extraclassroom Activity Funds have been instructed to investigate all inactive clubs and activities and reclassify funds when necessary.**

2. Recommendation: We recommended that procedures be established whereby unsettled tax certiorari claims are tracked, analyzed and accounted for.

Status: We noted that this recommendation has not been implemented.

**CORRECTIVE ACTION:**

**The Assistant Superintendent for Business with the help of our auditors, city assessor and tax certiorari lawyer will set up procedures to track, analyze and account for unsettled tax certiorari claims.**

3. Recommendation: We recommended that the District develop policies and procedures to include limiting the amount of time a vendor can remain in "active" status but not be used, and review the vendor database to reconcile duplicate vendor names, addresses and phone numbers.

Status: We noted that this recommendation is in the process of being implemented.

**CORRECTIVE ACTION:**

**The Purchasing clerk will continue to work on reviewing the vendor database.**

4. Recommendation: We recommended the permissions for Business Office employees be reviewed and updated to include only permissions that are necessary for performing their job duties.

Status: We noted that this recommendation has not been implemented.

**CORRECTIVE ACTION:**

**The Assistant Superintendent for Business will continue to work on this recommendation.**

5. Recommendation: We recommended that audit trail reports for all modules of the Finance Manager System and user maintenance reports be reviewed on a periodic basis by management, and any suspicious activity should be investigated and resolved.

Status: We noted that this recommendation has not been implemented.

**CORRECTIVE ACTION:**

**The Assistant Superintendent for Business will set up a procedure to review audit trail reports and user maintenance reports in Finance Manager.**

6. Recommendation: We recommend that unclaimed payroll checks be returned to the Human Resource Department.

Status: We noted that this recommendation has not been implemented.

**CORRECTIVE ACTION:**

**The District will continue its current policy of having unclaimed payroll check returned to the payroll department so they can be locked in the safe to insure they are not lost or stolen.**

