

# SAYVILLE PUBLIC SCHOOLS

# SCHOOL DISTRICT AUDITS



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ASSISTANT SUPERINTENDENT FOR BUSINESS

# 4 Pillars...



## Safeguarding the Financial Health of Sayville School District

Board of Education

Audit Committee

Claims Audit

External Audit

Internal Audit

NYSOSC Audit

Controls and Reporting

Business Office

Governance & community representation

Independent review & support

Policy & segregation of duties



### Claims Audit

- Weekly audits on all expenditures “claims” against the district and BOCES;
- Ensuring claims are in compliance, authorized, properly documented, and “true and correct;”
- Provides monthly Claims Report to the BOE for review.

### External Audit

- Annual Audit of Financial Statements to render an opinion on whether they are adhering to Generally Accepted Accounting Principles (GAAP);
- Formal School District response to the management letter and Corrective Action Plan (CAP);

### Internal Audit

- Annually performs risk assessment of financial policies, procedures & practices;
- Annual Testing and evaluation of one or internal controls to identify risk;
- Recommends changes to improve controls and reduce financial risk;

### NYSOSC

NYS Office of Comptroller

- “Five Point Plan;”
- State Audit every five years with a Focus: Internal controls, policies, practices & operations to ensure adequate protection against fraud, waste, & abuse;
- Ad-hoc reporting and audits based on a risk-assessment and previous audits.

# SCHOOL DISTRICT AUDITS



- **External Audit(or)**

- On an annual basis, audits financial statements to render an opinion on whether they are adhering to Generally Accepted Accounting Principles (GAAP);

- **Internal Audit(or)**

- On an annual basis, performs risk assessments and helps the Board in developing internal controls to reduce financial risk;

- **Claims Audit(or)**

- On a weekly basis ensures that all expenditure vouchers are properly itemized and documented before payments are made by the treasurer;

- **New York State Office of the State Comptroller (NYSOSC) Audit**

- An additional audit requirement enacted by the NYS Comptroller's "Five Point Plan."
- Audits performed at each NYS school district every five years to ensure that programs achieve their established goals, funds are used efficiently, and assets are adequately protected against fraud, waste, and abuse.

# The Five-Point Plan



The **Five-Point Plan** (Plan) is designed to strengthen auditing, training and financial oversight by school district officials and their Boards of Education.

- **Requires six hours** of financial-oversight training for all newly elected school board members;
- **Strengthens** the claims-audit function by requiring claims auditors to **report directly to the Board**;
- **Establishes** an internal audit function;
- **Creates** an audit committee;
- **Mandates** a competitive request for proposal process for selecting audit firms and requires direct School Board involvement and a formal response by the Board to issues raised in audit reports.

# EXTERNAL AUDIT FUNCTION



- Per New York State Education Law §2116(a) and section 170.12(e) of the Regulations of the Commissioner of Education –
  - A School District employing eight or more teachers must obtain an annual audit of its records by an independent CPA or an independent public accountant;
- Modified by OSC's "*Five Point Plan*" in 2005, due to Roslyn UFSD scandal;
- Requirements include:
  - Requiring CPAs to present audit results directly to School Boards;
  - Require a formal School District response to the management letter and *Corrective Action Plan* (CAP) for any reportable conditions;
  - Provide guidance on internal controls and audit testing, including specific types of testing and suggested level of detail.

# EXTERNAL AUDIT FUNCTION - OBJECTIVES



## PRIMARY OBJECTIVES

- Procure goods & services in a manner assuring prudent and economical use of public monies in the best interest of the taxpayers;
- Establish and maintain sound internal control structures;
- Design appropriate internal controls for effective operation;
- Safeguard School District assets against loss, waste and abuse.

# INTERNAL AUDIT FUNCTION



- Per New York State Education Law §2116(b) and section 170.12(b) of the Regulations of the Commissioner of Education -
  - “Every BOCES and School District must establish and maintain an internal audit function, except for those school districts with fewer than eight teachers, less than \$5 million in general fund expenditures in the previous school year, or fewer than 300 (changed to 1,500 with enactment of 2013-14 state budget effective April 1, 2013) enrolled students in the previous year. Any district claiming the exemption must annually certify to the Commissioner that the district meets the requirements of the law.”
- *Established by OSC’s “Five-Point Plan” in 2005, as a result of the Roslyn scandal; implementation by Board resolution.*

# INTERNAL AUDIT FUNCTION (cont.)



- **Requirements include:**
  - Development of a Risk Assessment of District operations including, but not limited to:
  - A review of School District financial policies, procedures and practices;
  - Testing and evaluation of district internal controls;
  - An annual review and update of such risk assessment;
  - Periodic testing and evaluation of one or more areas of the district's operations; and,
- **Preparation of reports, at least annually or more frequently as the trustees or Board may direct, which analyze:**
  - Significant risk assessment findings;
  - Recommend changes for strengthening controls and reducing identified risks;
  - Specify timeframes for implementation of those recommendations.



# INTERNAL AUDIT FUNCTION - OBJECTIVES



## PRIMARY OBJECTIVES

- An *Efficiency Review* addressing whether the resources used to achieve intended results are:
  - Utilized in a proficient manner - attaining the most output, product or services for the amount of input, materials, supplies, resources or staff time spent on a particular function?
  - The aim is to attain the most benefit at the least cost while still meeting District's goals.
- An *Effectiveness Review* involves measuring the extent to which a particular program, person or area is successful in achieving intended results, consistent with its stated goals and objectives.
  - Is what the District doing *having the right impact or effect?*

# INTERNAL AUDIT FUNCTION - OBJECTIVES (cont.)



## PRIMARY OBJECTIVES

- A *Compliance Review* involves ensuring all areas of operations are compliant with and in accordance with applicable laws, regulations, contract provisions, grant agreements and internal board policies and procedures.
  - Is what the District doing *having the right impact or effect?*
- The Internal Auditor should be focused on assisting the District and Business Office in *improving* operations, policies, procedures and internal controls;
- Emphasis on providing objective information to determine whether public accountability is maintained and to assist with improving the efficiency and effectiveness of District-wide operations and activities.

# CLAIMS AUDIT FUNCTION

Established per New York State Education Law §1709-20 (a) and §2526, and section 170.12(c) of the Regulations of the Commissioner of Education



- “In its discretion to adopt a resolution establishing the Office of Claims Auditor and appoint a Claims Auditor who shall hold his or her position subject to the pleasure of such Board of Education;”
- “In its discretion, the Board of Education may adopt a resolution establishing the Office of Deputy Claims Auditor who shall act as Claims Auditor in the absence of the Claims Auditor. Such Claims Auditor shall report directly to the Board of Education. No person shall be eligible for appointment to the Office of Claims Auditor or Deputy Claims Auditor who shall also be:
  - A member of the Board of Education;
  - The clerk or treasurer of the Board of Education;
  - The Superintendent of Schools or other official of the District responsible for business management;
  - The person designated as Purchasing Agent; or
  - Clerical or professional personnel directly involved in accounting and purchasing functions of the School District.”

# CLAIMS AUDIT FUNCTION - OBJECTIVES



## PRIMARY OBJECTIVES

- The Claims Auditor is responsible for:
  - Ensuring that only legitimate claims against the District and BOCES are paid;
  - Ensuring proper documentation and itemization are provided, the payment is for a legal purpose, and the transaction was properly authorized prior to approving the voucher or invoice for payment.
- The Board has the authority **to audit all claims or to delegate the full responsibility to the Claims Auditor**. There is no provision in law to permit the board to only audit a certain type of claim.
- The Claims Auditor must have knowledge in educational financial operations, pertinent legal requirements, purchasing policies, accounting systems and procedures, and other areas deemed necessary.

The Board needs to **ensure that the Claims Auditor receives training in these areas**, as appropriate.

- State law does not require the Claims Auditor to be a CPA or an Internal Public Accountant.

# NEW YORK STATE OSC AUDIT - FUNCTION



- The Office of the New York State Comptroller's Division of Local Government and School Accountability **conducts Performance Audits of Local Governments and School Districts;**
  - Performance Audits provide findings or conclusions based on an evaluation of evidence against criteria;
  - Local officials use audit findings to improve program performance and operations, reduce costs, and contribute to public accountability.

# NEW YORK STATE OSC AUDIT - AUTHORITY



- NYSOSC Audits conducted:
  - Under Article V, Section 1 of the State Constitution;
  - New York State Comptroller's authority as set forth in Article 3 of General Municipal Law (GML).
- NYS Office of the State Comptroller audits are non-binding, however:
  - Recommendations are issued to the Board of Education;
  - Corrective Action Plan must be developed and submitted;
  - Implementation of the plan, within the prescribed period detailed in the CAP;
  - Follow-up by NYSOSC conducted, if any findings reported.

## Examples of NYSOSC Audit Areas:

- Procurement & Purchasing;
- Information Technology Management;
- Fund Balance and Reserves;
- Oversight of Financial Operations;
- Special Education Services and Medicaid Reimbursement;
- Mental Health Training Component of the New York SAVE Act;
- Board Oversight.

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# ACKNOWLEDGEMENTS/QUESTIONS



- Information, law(s) and relevant data pulled from the Office of the State Comptroller, Sayville Public Schools Board Meetings, The New York Commissioners Rules and Regulations (NYCRR), and New York State Education Law.

