

HYDE PARK CENTRAL
SCHOOL DISTRICT

INTERNAL AUDITOR'S REPORT

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February 6, 2018

Board of Education
Hyde Park Central School District
11 Boice Rd.
Hyde Park, NY 12538

Dear Board of Education Members:

We have completed the financial risk assessment of the Hyde Park Central School District for the 2017-18 fiscal year and are enclosing the attached report. The purpose of this engagement was to assist you in implementing the regulations imposed by the 2005 School Financial Oversight and Accountability legislation. Our engagement was designed to assess risk in the District's financial reporting process, identify internal controls that address or mitigate those risks, and report to the Board and Management remaining risks and recommended procedural changes.

Our procedures included reviewing responses to internal control questionnaires, interviewing key personnel and testing of transactions.

The risk assessment addressed the following components of the financial operations of the District:

- Payroll
- Purchasing
- Bank Reconciliation Process
- Journal Entry Process
- Cash Receipts Process
- Claims Auditor Function
- Information Technology Controls

The engagement to perform the risk assessment and the procedures performed, as agreed to by the Board of Education, was the first phase of the ongoing internal audit function. The results of the risk assessment process have been discussed with the management of the Hyde Park Central School District and are the overall responsibility of the District.

The next phase of the internal audit process is for the District to utilize the risk assessment to develop a plan for individual areas to be reviewed. In doing so, we were asked to review Purchasing Procedures in the Facilities and Transportation Departments and Fixed Assets Procedures.

As a result of the above procedures, we have listed our findings and recommendations in the accompanying schedules.

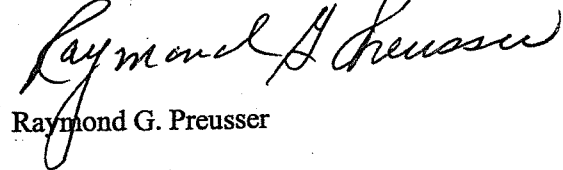
The purpose of our engagement was to assist the Board and Management in achieving its responsibility to monitor financial reporting risk. It is ultimately the Board's responsibility to determine a response to potential risks. However, our report does include suggestions of ways to respond to potential risks.

In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited or examined the information, and express no assurance on it. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

The attached report is intended solely for the information and use of the Board of Education and Management of the Hyde Park Central School District and should not be used for any other purposes.

We appreciate the opportunity to perform the risk assessment for the District and to serve the District in the role of internal auditors.

Sincerely,
RAYMOND G. PREUSSER, CPA, P.C.



Raymond G. Preusser

Risk Assessment Procedures Performed

We reviewed controls and tested procedures employed by the District for cash receipts, cash disbursements, payroll, bank reconciliation and journal entry preparation and the execution of wire transfers. In addition, we reviewed Board Minutes, Board Policies, Fixed Assets Procedures and Information Technology Controls.

As a result of the above, we have no findings or recommendations at this time.

Review of Purchasing Procedures in Facilities and Transportation

We reviewed the procedures and controls in place for purchasing items from vendors where blanket purchase orders are used and employees have to go to the “stores” to purchase items. We reviewed these processes for the Facilities and Transportation Departments.

Our process included testing numerous transactions in these areas and interviewing the heads of Facilities and Transportation.

During the interviews we were told by both individuals that workers would request from them what they needed to purchase and that verbal approval would be given for them to go to the “store” to purchase the items.

Our testing of transactions did not reveal any discrepancies except that we had no way of knowing that approvals had been given.

In order to tighten up controls, we suggest that when a request is made to purchase, that the individual approving the purchase simply fill out a form indicating the date, the items approved for purchase and the applicable purchase order number. The form would then be signed and maintained by the approver. When the invoice is received, it could then be checked to the approval form to be sure that no additional items had been purchased. A copy of the approval form would then be sent to the Business Office with the invoice for payment. Applicable business personnel, including the Claims Auditor would then be able to verify approval for the items which go against the Blanket Purchase Order. Currently, no such approval verification is available.

In addition, we would suggest that the vendors be provided with a list of the names of the individuals who are authorized to go to these “stores” to purchase items on behalf of the District.

We also inquired about the inventory of items maintained which might preclude frequent trips to a “store”. Transportation does have an adequate inventory and frequent trips to a “store” are generally not necessary. The Blanket Purchase Orders are minimal for this department.

The Facilities Department also maintains a moderate inventory of items but with such potentially diversified needs, it is very difficult to stock all that might be needed. Hence, more frequent trips are needed and Blanket Purchase orders are larger.

In summary, we believe that the District’s purchasing practices are adequate and that the addition of the above suggestions will complete the process to having excellent controls over purchasing.

Review of Fixed Assets

In a follow-up to our prior report, we noted that fixed asset records as maintained are good. We also noted that a complete physical inventory of the District is scheduled for 2020 which is on a 5-year cycle.

It did come to our attention that all assets of the District are not “tagged” as property of Hyde Park Central School District as suggested for all school districts to help deter theft.

In a review of “keeping track of assets”, we interviewed personnel from the IT Department. We found that they had an excellent system for tracking all IT items throughout the District. We also ascertained that they had a barcode scanner which they used to tag all IT items. We also found that this scanner could be used to tag all items in the District and that they welcomed the use of it.

We suggest that the business personnel work to use this scanner to tag all items throughout the District as suggested above.

Other Comments and Recommendations

We also noted another issue that we do not consider high risk. The issue is summarized as follows:

Claims Auditor’s Reports

We noted during our review that the Claims Auditor’s reports were given to the Board in groups of months and not always current.

With the concerns over purchasing in the past couple of years, we would only suggest that the Board request reports on a monthly basis.

The Claims Auditor is entrusted with the important job of reviewing all purchases on behalf of the Board. We believe that the Board should be timely informed in this area.