



# MEDINA CENTRAL SCHOOL DISTRICT RESULTS OF TESTING

FOR THE YEAR ENDING JUNE 30, 2020

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## RISK AREA: TREASURY (ELECTRONIC TRANSFERS/INTERNET BANKING)

### RISK ASSESSMENT: LOW

<b>OBJECTIVE:</b>	<ul style="list-style-type: none"><li>• To test internal controls over electronic transfers and internet banking to ensure activity is being properly approved</li></ul>
<b>TESTING PERFORMED:</b>	<ul style="list-style-type: none"><li>• Obtained all bank statements and electronic transfer and internet banking confirmations from July 1, 2019 through March 31, 2020</li><li>• Determined whether each electronic transfer and online payment could be traced to proper supporting documentation and approval</li></ul>
<b>RESULTS:</b>	<ul style="list-style-type: none"><li>• A total of 64 electronic payments were made during the selected time period</li><li>• All transactions had dates of approval on or prior to the dates of payment</li><li>• All transactions were signed and dated by the Assistant Superintendent as evidence of review and appear to be valid District expenditures for payroll and benefits, debt service, grant activity, and insurance</li><li>• The claims auditor does not review electronic transfers</li></ul>
<b>RECOMMENDATIONS:</b>	<ul style="list-style-type: none"><li>• The claims auditor should review all electronic transfers</li></ul>

## RISK AREA: TREASURY (JOURNAL ENTRIES)

### RISK ASSESSMENT: HIGH

<b>OBJECTIVE:</b>	<ul style="list-style-type: none"><li>• To determine whether journal entries are properly prepared, are reviewed timely by an appropriate business office employee, and appear reasonable in nature</li></ul>
<b>TESTING PERFORMED:</b>	<ul style="list-style-type: none"><li>• Selected 25 journal entries posted from the period July 2019 to March 2020</li><li>• Determined whether each journal entry could be traced to supporting documentation and timely approval</li></ul>
<b>RESULTS:</b>	<ul style="list-style-type: none"><li>• Three of the 25 journal entries were missing approval by the Assistant Superintendent; those missing approval were primarily automatic entries to record accruals and close month-end</li><li>• All journal entries appear reasonable in nature</li></ul>
<b>RECOMMENDATIONS:</b>	<ul style="list-style-type: none"><li>• All journal entries should be reviewed by the Assistant Superintendent, including automatic entries</li></ul>

## RISK AREA: TREASURY (BUDGET TRANSFERS)

### RISK ASSESSMENT: LOW

<b>OBJECTIVE:</b>	<ul style="list-style-type: none"><li>• To determine whether budget transfers occurred in accordance with Board Policy</li></ul>
<b>TESTING PERFORMED:</b>	<ul style="list-style-type: none"><li>• Reviewed Board Policies 5140, <i>Administration of Budget</i>, and 5330, <i>Budget Transfers</i></li><li>• Selected 25 budget transfer entries consisting of 73 line items from the budget transfer report from July 2019 to March 2020</li><li>• Determined whether budget transfers were properly approved according to Board Policies 5140 and 5330</li><li>• Determined whether budget transfers were appropriately transferred between contingent expenditure codes and/or from non-contingent expenditure codes</li></ul>
<b>RESULTS:</b>	<ul style="list-style-type: none"><li>• The Board authorizes the Superintendent to approve budget transfers up to \$10,000 and any such transfers should be reported to the Board in accordance with Board Policy 5330</li><li>• All budget transfers were appropriately transferred between contingent expenditure codes and/or from non-contingent expenditure codes</li><li>• All 25 were signed and dated by the Superintendent as evidence of review</li><li>• 31 line items were budget transfers over \$10,000</li><li>• Budget transfer reports are approved by the Board monthly</li></ul>
<b>RECOMMENDATIONS:</b>	<ul style="list-style-type: none"><li>• None at this time</li></ul>

## RISK AREA: CASH RECEIPTS (SCHOOL TAX COLLECTION)

### RISK ASSESSMENT: LOW

<b>OBJECTIVE:</b>	<ul style="list-style-type: none"><li>• To determine whether the Tax Collector (Collector) received, recorded, deposited, and reported real property tax collections in an accurate and timely manner</li></ul>
<b>TESTING PERFORMED:</b>	<ul style="list-style-type: none"><li>• Vouched all daily bank deposits to daily tax collection reports</li><li>• Agreed total bank deposits to the 2019-2020 Tax Warrant</li><li>• Determined whether refunds for any overpayments or duplicate payments were made timely</li><li>• Determined whether unpaid tax amounts were proper and if the unpaid tax roster was approved by the Board</li><li>• Selected 100 paying taxpayers and 50 non-paying taxpayers from the 2019-2020 Collection Report</li><li>• Determined whether activity for paying and non-paying taxpayers agreed to information entered in the District's software, <i>Total Collection Solutions</i></li><li>• Determined whether tax payments agreed to daily batch deposit details</li></ul>
<b>RESULTS:</b>	<ul style="list-style-type: none"><li>• All daily tax collection reports agreed to daily bank deposits</li><li>• Total bank deposits agreed to the 2019-2020 Tax Warrant</li><li>• 13 refunds totaling \$20,295 were issued in November 2019, approximately two months after overpayment was made</li><li>• All unpaid taxes were proper and the unpaid tax roster was properly approved by the Board</li><li>• All activity for 100 paying taxpayers and 50 non-paying taxpayers was properly entered in <i>Total Collection Solutions</i></li><li>• All 100 tax payments agreed to daily batch deposit detail</li></ul>
<b>RECOMMENDATIONS:</b>	<ul style="list-style-type: none"><li>• All refunds should be made on a timely basis</li></ul>

## PRIOR RECOMMENDATIONS NOT INCLUDED ELSEWHERE\*

- 1 - recommendations that the District has the ability to change and would likely provide a greater benefit to the District than the cost of implementation
- 2 - recommendations that the District should investigate, however, the cost of implementation may be greater than the District's benefit and the level of risk is not great enough to warrant significant changes to the structure of the District
- 3 - recommendations that are considered to be best practices and reminders to the District to continue with certain procedures

ACCOUNTS PAYABLE/ PURCHASING	• The person who processes checks should not be responsible for mailing them	1
	• The District should consider aggregate purchases for the year to determine if a bid is necessary	3
	• Consider reviewing annual purchase activity by vendor and establishing purchase order limits based on annual expenditure requirements	3
	• Reconcile open purchase order balances to expenditures in order to effectively monitor spending throughout the year	3
	• Develop a procedure regarding the use of claim forms	3
	• Continue to require that purchase orders are prepared and approved prior to purchase	3
CLAIMS AUDITOR	• Claims auditor should meet with the Board at least annually	1
	• Claims auditor should review purchases to determine if items should be bid	1
PAYROLL	• Reiterate policy of approval by the appropriate person prior to time taken	3
	• To ensure completeness, create a checklist of all forms that should be included in personnel files	1
CASH RECEIPTS	• An account clerk with no responsibility for preparation of deposits should prepare a list of cash receipts as received	1
	• Invoices for foster care students should be generated in the District's accounting software	2
	• The person who generates retiree health insurance bills should not be responsible for collecting health insurance payments and making deposits	1
CAPITAL ASSETS	• <b>Accurate records of items moved from one location to another should be maintained</b>	2
	• <b>Capitalize only items which individually exceed the District's \$5,000 threshold</b>	3
	• <b>Buildings/departments should communicate disposed items to the District office annually</b>	1
TRANSPORTATION	• <b>Review should be documented on each Village invoice for fuel prior to payment</b>	2
	• <b>Inquire of Village whether a receipt can be generated at completion of fueling</b>	1
	• <b>Maintain fuel logs by individual as opposed to by vehicle</b>	2
	• <b>Track employee detail by month rather than when a page of the fuel log is filled</b>	2
	• <b>Track fuel usage for vehicles and gas cans separately</b>	2
INFORMATION SYSTEMS	• <b>Remove access rights and continue to restrict user access within nVision when possible</b>	1
	• <b>Assign control over nVision access rights to the Manager of Network and Information Systems, with approval granted by the Assistant Superintendent</b>	1

*This report is intended solely for the information and use of the Audit Committee, Board of Education, and management. It is not intended to be and should not be used by anyone other than these specified parties.*

## PRIOR RECOMMENDATIONS NOT INCLUDED ELSEWHERE\* (con't)

EXTRAClassroom	• <b>Require student treasurers to sign all cash receipts</b>	1
	• Require student treasurers to reconcile account balances with central treasurers on a periodic basis	3
	• Profit and loss statements should be prepared for all fundraising events and submitted timely to the central treasurers	2
	• Someone with no responsibility for cash should reconcile the bank statements	1
	• <b>District Treasurer should review bank reconciliations monthly</b>	1

\* Items in blue and bold denote changes from the prior risk assessment.