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March 18, 2014

VIA EMAIL

Board of Education
East Islip Union Free School District
Craig B. Gariepy Avenue
Islip Terrace, NY 11752

Re: Internal Audit Reports

Board of Education:

We have performed internal audit services for the East Islip Union Free School District applicable to various key controls within the District. The services we performed include testing, reviewing and evaluating internal controls pertaining to selected transactions and accounting functions within the Business Office of the District. Enclosed within this correspondence are individual internal audit reports for work performed to date in the following audit areas:

- ☐ **Information Systems – Disaster Recovery Plan**
- ☐ **Purchasing Process**
- ☐ **Before and After School Program**
- ☐ **Employee Attendance**

If you have any questions or you would like to discuss this matter further, please contact our offices.

Very truly yours,

Nawrocki Smith LLP

INTERNAL AUDITOR'S REPORT

East Islip Union Free School District

Information Systems – Disaster Recovery Plan

March 2014

Inherent Risk Rating: High

Control Risk Rating: High

Audit Opinion: Needs Improvement

Purpose/Objectives:

Disaster recovery plans, by their nature, include a set of human, physical, technical and procedural resources to recover, within a defined time and cost, an activity interrupted by an emergency or disaster. For that reason, it is imperative to monitor the components of the plan to ensure that the developed recovery procedures are in place to meet the organizational objectives for continuous business operations. Documented, knowledgeable oversight of the disaster recovery plan can increase the District's control over its resources.

The objectives of the testing were to verify that the disaster recovery plan:

- Addresses pre-disaster recovery readiness procedures
- Identifies the individuals or teams responsible for the recovery process
- Identifies and establishes a secure and logical transfer of operational controls
- Obtained senior management and Board of Education approval of developed procedures
- Is reviewed periodically
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

Observations:

The Information Technology Department has not developed a disaster recovery plan.

Recommendations:

The District should conduct the following:

1. Develop a formal disaster recovery plan specialized for the District that will address the following:
 - a) Procedures for declaring a disaster
 - b) Circumstances under which a disaster should be declared
 - c) Clear identification of the responsibilities in the plan
 - d) Clear identification of the persons responsible for each function in the plan
 - e) Step-by-step explanation of the recovery option
 - f) Clear identification of the various resources required for recovery and continued operation of the organization

***Internal Audit Report:
Information Systems – Disaster Recovery Plan***

- g) Effective backup and recovery programs for books and records that encompass both hard copy and electronic data
 - h) Identification and backup of mission-critical systems
 - i) Assessment and consideration of financial and operational risks
 - j) Definition of alternative communication options between employees and the organization
 - k) Establishment of alternative physical locations for employees, with special attention initially to employees who staff the organization's immediate offsite information systems recovery team(s)
 - l) Impacts on critical constituents, external clients, government agencies and other relevant organizations in the event of a disruption of continual processing or service
 - m) Continuation of mandated, legislated regulatory reporting in the event of a disruption of continual processing or service
 - n) Established authorization and access rights to copies of the disaster recovery plan distributed to users
 - o) A District policy that establishes the disaster recovery plan as intellectual property and protects its distribution
2. The disaster recovery plan should be documented and approved by the Superintendent of Schools. Additionally, the disaster recovery plan should be reviewed and updated by the District on an annual basis. .

INTERNAL AUDITOR'S REPORT

East Islip Union Free School District

Purchasing Process

March 2014

Inherent Risk Rating: High

Control Risk Rating: Low

Audit Opinion: Satisfactory

Purpose/Objectives:

The purpose of our analysis was to determine whether the internal controls within the Purchasing function are adequate to ensure that duties are properly performed and controls are implemented. The District's purchasing policy provides an outline of the responsibilities regarding district purchasing activities which include the requirements of General Municipal Law. The purchasing policy is to provide procedures to facilitate acquisitions that are in the best interest of taxpayers of the District. Documented knowledgeable oversight and proper segregation of duties of the purchasing process can assist the District in properly safeguarding its resources.

Testing procedures were conducted to assess the bid and contract award process. The objectives of the testing were to verify the following:

- Bidding packets were in compliance with the District's policy and General Municipal Law
- A Statements of Non-Collusion was provided by the vendor, where applicable
- Classified advertisements were made by the District for the applicable purchases
- Board minutes included vendor's bid or contract award
- Invoice charges agreed to the bid pricing provisions

Scope:

We have randomly selected five (5) vendor encumbrances that exceeded \$20,000, and tested the competitive bidding documentation submitted by the above vendors against our audit criteria.

Additionally, we have selected five (5) purchase orders for which amounts ranged from \$1,001 to \$20,000. We have tested the documentation pertaining to the quotes submitted by the respective vendors against our audit criteria.

Observations:

Competitive Bids

1. All bid packets tested were in compliance with the District's purchasing policy and General Municipal Law.
2. All projects tested that were subject to the bid process were properly advertised by the District.
3. All bid and contract awards tested were properly documented in the Board minutes.

Internal Audit Report
Purchasing Process

4. All vendor charges tested agreed to the proposed rates.

Competitive Quotations

1. All voucher packets tested were in compliance with the District's purchasing policy regarding the proper number of quotations.
2. All voucher packets tested were utilizing the best option out of all three (3) of the quotes.
3. All vendor charges tested agreed to the proposed rates on the quotes.

Recommendations:

1. *No recommendations at this time.*

INTERNAL AUDITOR'S REPORT

East Islip Union Free School District

Before and After School Program March 2014

Inherent Risk Rating: High

Control Risk Rating: Moderate

Audit Opinion: Needs Improvement

Purpose/Objectives:

The Before and After School Program is a supervised program for Elementary children (grades K-5) provided to parents of the District at a minimal cost compared to daycare. Therefore, the Before and After School Program, by its nature, shows attendance of each student attending, including how many days students have attended on a monthly basis, and if they have any bills outstanding. For that reason, it is imperative to monitor the attendance and billing of the Before and After School Program and to identify and rectify outstanding payments in a timely manner. Documented, knowledgeable oversight of the Before and After School Program can increase the District's control over its resources. Testing procedures were conducted to assess the attendance and billing of the Before and After School Program.

The objectives of the testing were to:

- Verify parents are billed at the correct rate.
- Verify the Districts spreadsheets are mathematically correct.
- Verify correct attendance days were entered into the excel spreadsheet
- Verify supporting documentation
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

Scope:

We have selected one hundred percent (100%) of students attending the Before and After School Program for the months of September 2012, February 2013 and June 2013. We have tested the attendance and billing information against our audit criteria.

Observations:

Based upon the testing procedures performed, we noted the following:

Observation and Recommendation #1

We noted multiple instances where the number of days calculated on the attendance sheet did not agree to the amount billed. Additionally, we noted that there is one individual who is responsible for the attendance and billing function for the Before and After School Program and this information is not reviewed by another individual. The lack of segregation increases the likelihood of defalcation or error.

*Internal Audit Report:
Before & After School Program*

- *The District should consider having another individual be responsible for either the attendance or billing function in order to properly separate these duties. An alternative would be to designate an individual responsible for reviewing and reconciling the attendance information to the billing. This will decrease the likelihood of billing errors.*

Observation and Recommendation #2

The District does not maintain a copy of the invoices sent to parents for the Before and After School Program. Invoices should be remitted by the parent when a payment is made, but this is not enforced by the District. The lack of recordkeeping increases the likelihood of billing errors.

- *The District should maintain copies of all invoices sent to parents during the course of the school year. These records should be maintained in electronic form for storage purposes. This will increase the controls over the billing process of the Before and After School Program.*

Observation and Recommendation #3

The Clerk Typist utilizes an excel spreadsheet to keep track of the students' attendance and the amount billed based on the number of days a student attends the Before and After School Program. We noted that there were multiple discrepancies on the excel spreadsheet which was due to manual calculations and input.

- *The District should consider automating the current excel spreadsheet by utilizing formulas in order to more accurately bill for the Before and After School Program. This will decrease the likelihood of billing errors.*

In addition, the District should consider performing a full review of the attendance and billing data related to the Before and After School Program for 2012-2013/2013-14 school year in order to ensure accurate billing by the District.

Observation and Recommendation #4

We were provided with excel spreadsheets for the sample months selected, however the Clerk Typist could not provide us with the September 2012 excel spreadsheet. It was indicated that this information was lost due to Hurricane Sandy.

- *The District should ensure that all files are backed up on the server on a daily basis. This will decrease the likelihood of the loss of critical information.*

INTERNAL AUDITOR'S REPORT

East Islip Union Free School District

Employee Attendance March 2014

Inherent Risk Rating: High

Control Risk Rating: Moderate

Audit Opinion: Satisfactory

Purpose/Objectives:

Employee attendance, by its nature, shows employees' time off, including how many vacation days they have left, how many sick days they've used, and if they have personal days remaining. For that reason, it is imperative to monitor the labor management to identify and rectify outstanding and unusual trends in a timely manner. Documented, knowledgeable oversight of employee attendance can increase the District's control over its resources. Testing procedures were conducted to assess the processing and maintenance of employee attendance.

The objectives of the testing were to:

- Verify blue Employee Absence Card was properly submitted and approved
- Verify correct days were entered into the accounting software
- Verify days were posted to the correct absence code (i.e., vacation) in the accounting software
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

Scope:

We have selected twenty-two (22), or one hundred percent (100%) of school administrators, and tested their attendance for the months of July 2013 through January 2014 against our audit criteria.

Observations:

Based upon the testing procedures performed, we noted the following:

Observation and Recommendation #1

There were three (3) instances noted for which employee absences were not entered into WinCap and one (1) instance noted for which the Employee Absence Card date differed from the date entered into WinCap. Subsequent to our review, these were corrected in WinCap.

- *The District should perform quarterly reconciliations of the date, amount, and type of leave days reported in WinCap to the days reported on Employee Absence Cards and the building level attendance logs. Any discrepancies should be investigated further and documented during this review process.*

Observation and Recommendation #2

*Internal Audit Report:
Employee Attendance*

There were multiple instances for which the Employee Absence Cards were dated subsequent to the date of vacation or conference days taken.

- *The District should request that all Employee Absence Card be pre-approved for vacation as a preliminary measure. It is understood that due to most circumstances, sick and personal days are unable to be pre-approved. We recommend that Employee Absence Cards are completed and approved within one week of the occurrence.*