

FIRE ISLAND UNION FREE SCHOOL DISTRICT

BOARD OF EDUCATION

Audit Committee Agenda

May 24, 2022

4:00 p.m.

Call to Order

Pledge of Allegiance

ITEM 1 Presentation - Overview of 2020-2021 External Audit – *A. Battaglia, CPA,*
RS Abrams & Co.

ITEM 2 Adjournment

FIRE ISLAND UNION FREE SCHOOL DISTRICT



External Audit Plan
For
May 2022 to October 2022
R.S. Abrams & Co., LLP Since 1934

INDEX

- Audit Methodology
- Audit Timeline
- Reports to be Issued
- New Government Accounting Standards

AUDIT METHODOLOGY

Four-phase audit workflow

<i>Phase</i>	<i>Activities</i>
Planning	• Perform risk assessment procedures and identify risks. • Determine audit strategy and identify critical accounting matters. • Determine planned audit approach.
Control Evaluation	• Understand accounting and reporting activities. • Evaluate design of selected controls. • Evaluate the operating effectiveness of selected controls. • Assess control risk and risk of significant misstatement.
Substantive Testing	• Plan substantive procedures. • Perform substantive procedures. • Consider if audit evidence is sufficient and appropriate. • Conclude on critical accounting matters.
Completion	• Perform completion procedures. • Perform overall evaluation of the financial statements and disclosures. • Form audit opinion on the financial statements.

AUDIT TIMELINE

May - June 2022

- Conduct planning meeting and fraud brainstorming meeting with audit team.
- Perform preliminary analytical procedures.
- Perform and prepare all procedures and documentation of the planning phase of the audit.
- Interview District management and others, utilizing narratives and internal control and fraud risk questionnaires.
- Perform a walk-through of each significant process and perform observations of key internal control activities.
- Review prior year management letter and corrective action plan for implementation of recommendations.

AUDIT TIMELINE (CONTINUED)

May - June 2022 (Continued)

- Review pertinent documents that include but are not limited to:
 - Board of Education minutes
 - Audit Committee minutes
 - Board of Education policies
 - District regulations
 - Reports to the Board
 - Financial reports
- Perform risk assessment procedures.
- Determine our audit strategy.
- Meet with Audit Committee and management to discuss audit plan.

AUDIT TIMELINE (CONTINUED)

May – June 2022

- Evaluate the operating effectiveness of controls.
- Prepare third party confirmations to be mailed out on June 30, 2022.

AUDIT TIMELINE (CONTINUED)

September 2022

- Perform substantive audit procedures.
- Perform substantive analytical procedures.

AUDIT TIMELINE (CONTINUED)

September 2022 – October 2022

- Perform subsequent events review.
- Review draft financial statements and related notes prepared by the outside accounting firm and render an opinion.
- Prepare draft management letter and *Board Governance Letter*.
- Obtain management representation letter from District.

AUDIT TIMELINE (CONTINUED)

October 2022

- Meet with Audit Committee to discuss draft financial statements and management letter (Date to be determined).
- Meet with Board of Education to present final financial statements and management letter (Date to be determined).

REPORTS TO BE ISSUED

- The following financial statement reports will be issued:
 - Independent Auditor's Report, Financial Statements and Supplementary Information (Including Required Supplementary Information).
 - Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
- Report certain other matters to the Board of Education and the Audit Committee, *The Auditors Communication with those charged with Governance*.
- Management Letter.

NEW GOVERNMENT ACCOUNTING STANDARDS

- Statement No. 87, *Leases*, is effective for the fiscal year ended June 30, 2022. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset, and the criteria for determining such leases. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.



2021 Top Ten Internal Control Deficiencies Cited in the New York State Comptrollers Reports – School Districts

10. Capital Improvement Projects

- ◆ District officials added another project phase to its capital projects that was not presented to and approved by the voters.
- ◆ District officials did not follow their procurement policy and seek competition for project related professional services.
- ◆ The Board of Education did not competitively bid change orders exceeding the statutory bid limit, as required.

9. Transportation – State Aid

- ◆ District officials did not apply for all applicable transportation aid in a timely manner.
- ◆ District officials did not perform an annual reconciliation of the District's state aid received to amounts allocated per state aid reports.

8. Medicaid Reimbursements

- ◆ District officials did not submit claims for reimbursement in a timely manner.
- ◆ The District lacked adequate procedures to ensure Medicaid claims were submitted and reimbursed for all eligible services provided.

7. Online Banking

- ◆ District officials did not monitor online banking user compliance with the District's acceptable computer use policy.
- ◆ The District did not adopt a comprehensive online banking policy.

6. Extraclassroom Activity Funds

- ◆ Receipts and disbursements lacked adequate supporting documentation as required by the District's policy.
- ◆ District officials did not provide adequate oversight of extraclassroom activities and admission event collections.
- ◆ Profit and loss statements were not prepared.
- ◆ Student treasurers were not always involved with maintaining club accounting records.
- ◆ The faculty auditor did not review extraclassroom activity records to ensure compliance with State Education Guidelines.

5. Financial Management

- ◆ District officials have not adopted fund balance and reserve policies.
- ◆ District officials have not utilized their multiyear financial plans to assist with financial decisions.
- ◆ The Board of Education did not appropriately manage the District's fund balance, overstated budgeted appropriations and improperly backdated encumbrances.
- ◆ The Board of Education improperly established and funded reserve accounts.
- ◆ Budgeted expenditures were overestimated.

- ◆ District officials have not developed a comprehensive multiyear financial plan.
- ◆ The District did not use the debt reserve to fund debt service payments as required.
- ◆ The District has not adopted a comprehensive written reserve fund policy.
- ◆ The District overfunded two reserves more than permitted by Board resolution.
- ◆ The surplus fund balance exceeded the 4 percent statutory limit per Real Property Tax Law §1318.

4. Purchasing and Procurement

- ◆ District officials did not have written agreements for professional service providers.
- ◆ District officials lacked adequate documentation for competitive bids or quotes.
- ◆ The Business Manager/Treasurer did not control when her electronic signature was used by another employee to sign checks.
- ◆ The claims auditor did not approve medical, vision, and dental insurance claims.
- ◆ The claims auditor did not audit and approve claims before payment as required.
- ◆ The District did not seek competition for professional service providers.
- ◆ District officials did not always procure goods and services in accordance with Board policies and applicable statutory requirements.
- ◆ The Board of Education and District officials did not develop adequate purchasing policies and procedures.

3. Payroll

- ◆ Employee timekeeping records were inconsistent or missing the appropriate supervisor approval.
- ◆ District officials did not adequately monitor the overtime budget to ensure that sufficient appropriations were available for overtime costs.
- ◆ District officials did not adopt written policies to ensure all overtime hours were preapproved, incurred only when necessary and adequately recorded.
- ◆ District officials did not preapprove non-emergency overtime as required by District procedures.
- ◆ District officials did not ensure payroll certifications were completed in a timely manner.
- ◆ District officials did not ensure payroll process inefficiencies were identified and corrected.
- ◆ District officials did not adequately segregate the duties or establish adequate compensating controls over the payroll clerk who had the ability to add new employees to the accounting information system and was responsible for adding and changing salaries and pay rates, processing the payroll, and signing and distributing payroll checks.
- ◆ The District has not performed a payroll audit or payout test.
- ◆ The Superintendent was not always certifying payrolls prior to the Treasurer distributing paychecks and processing direct deposits.
- ◆ District officials did not properly record all overtime costs.
- ◆ District officials did not ensure payroll user permissions were restricted to employees based on job duties.

2. School District Website

- ◆ District officials did not post budget-to-actual results to the District's website.
- ◆ District officials did not post prior year comparison information with the current final annual budget to the District's website.
- ◆ District officials did not post the annual final budget, budget documents with fund balance information, or appended salary disclosure to the District's website.
- ◆ District officials did not post all detailed property tax report card information to the District's website.

- ◆ District officials did not post the annual external and internal audit reports to the District's website.
- ◆ District officials did not post a completed corrective action plan to the District's website.

1. Information Technology

- ◆ District officials did not adequately safeguard computerized data from unauthorized use, access and loss.
- ◆ District officials did not adopt a breach notification policy that is required by New York State Technology Law.
- ◆ District officials did not adopt key information technology security policies.
- ◆ District officials did not develop procedures for managing, limiting and monitoring user accounts and permissions and securing personal, private and sensitive information (PPSI).
- ◆ District officials did not develop written procedures for granting, changing and revoking user access to the overall network.
- ◆ District officials did not ensure contractors signed the acceptable use policy forms and return the forms or monitor compliance with the acceptable use policy.
- ◆ District officials did not provide information technology cybersecurity awareness training for all District employees who used District information technology.
- ◆ District officials did not monitor the use of the information technology resources.
- ◆ District officials did not regularly review enabled non-student user accounts to determine whether they were appropriate or needed.
- ◆ District officials did not enter into a service level agreement (SLA) with the District's information technology service provider to clearly identify the provider's responsibilities and services to be provided.
- ◆ District officials did not maintain hardware or software inventory records.
- ◆ Personal internet use was found on computers assigned to employees who routinely accessed personal, private and sensitive information (PPSI).
- ◆ The Board of Education and District officials have not adopted adequate security policies and procedures to safeguard information technology assets.
- ◆ The Board of Education did not adopt a disaster recovery plan.
- ◆ The Board of Education did not physically control access to or establish environmental controls over the server room.