

FIRE ISLAND UNION FREE SCHOOL DISTRICT

BOARD OF EDUCATION

Audit Committee Agenda

May 11, 2021

4:00 p.m.

Call to Order

Pledge of Allegiance

*This meeting will be held remotely via Zoom.  
Meeting Id: 941 1751 5660; Passcode: fisdboe*

- 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 2021 to October 2021  
R.S. Abrams & Co., LLP Since 1934

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- Audit Methodology
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# AUDIT METHODOLOGY

## Four-phase audit workflow

<i>Phase</i>	<i>Activities</i>
<b>Planning</b>	<ul style="list-style-type: none"><li>• Perform risk assessment procedures and identify risks.</li><li>• Determine audit strategy and identify critical accounting matters.</li><li>• Determine planned audit approach.</li></ul>
<b>Control Evaluation</b>	<ul style="list-style-type: none"><li>• Understand accounting and reporting activities.</li><li>• Evaluate design of selected controls.</li><li>• Evaluate the operating effectiveness of selected controls.</li><li>• Assess control risk and risk of significant misstatement.</li></ul>
<b>Substantive Testing</b>	<ul style="list-style-type: none"><li>• Plan substantive procedures.</li><li>• Perform substantive procedures.</li><li>• Consider if audit evidence is sufficient and appropriate.</li><li>• Conclude on critical accounting matters.</li></ul>
<b>Completion</b>	<ul style="list-style-type: none"><li>• Perform completion procedures.</li><li>• Perform overall evaluation of the financial statements and disclosures.</li><li>• Form audit opinion on the financial statements.</li></ul>

# AUDIT TIMELINE

## May - June 2021

- 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 2021 (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 2021

- Evaluate the operating effectiveness of controls.
- Prepare third party confirmations to be mailed out on June 30, 2021.

# AUDIT TIMELINE (CONTINUED)

## September 2021

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

# AUDIT TIMELINE (CONTINUED)

## September 2021 – October 2021

- 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 2021

- 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

- GASB Statement No. 84, *Fiduciary Activities*, is effective for the fiscal year ending June 30, 2021. This Statement provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.
- 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.



## **2020 Top Ten Internal Control Deficiencies Cited in the New York State Comptrollers Reports – School Districts**

### **10. Capital Projects**

- ◆ District officials did not present the capital project plan in a transparent manner and did not provide voters with a detailed description of the projects.
- ◆ District officials did not properly monitor budget-to-actual expenditures for capital projects.
- ◆ District officials did not utilize the competitive bidding process for change orders that exceeded the statutory bidding threshold.
- ◆ Change orders were not properly approved by the Board of Education.

### **9. Payroll & Personnel**

- ◆ District officials did not obtain reimbursement from the former Superintendent for tuition assistance of which he was no longer entitled.
- ◆ District officials did not establish adequate procedures for separation payments for accrued unused vacation leave.
- ◆ Employees were permitted to accrue vacation leave in excess of the amount approved in the Board approved employment contracts.
- ◆ Leave accrual records were not accurate, and were not properly supported or approved.
- ◆ Overtime was not adequately authorized, monitored or controlled.
- ◆ Lack of segregation of duties in the payroll process, and inadequate review of the payroll after it had been processed.
- ◆ Transportation department overtime was not properly approved, and did not include adequate supporting documentation.

### **8. Extraclassroom Activity Fund**

- ◆ Central treasurers did not ensure all disbursements were adequately supported and approved prior to authorizing payments.
- ◆ Central treasurers did not ensure that student treasurers and faculty advisors were informed of the requirement to maintain accounting records for their clubs.
- ◆ Central treasurers did not accurately reconcile bank accounts.
- ◆ Faculty advisors did not ensure that student activity treasurers maintained independent ledgers.
- ◆ Faculty advisors did not ensure that adequate supporting documentation was attached to payment requests submitted to the central treasurer for review and approval.
- ◆ Faculty advisors did not periodically reconcile club balances with the central treasurer's balances for accuracy.
- ◆ Faculty advisors did not ensure that student activity treasurers counted cash prior to signing deposit forms.
- ◆ Student activity treasurers were not required to issue duplicate cash receipts, retain records of tickets sold, or reconcile collections.
- ◆ Faculty advisors did not obtain approval for all fundraising events.
- ◆ Faculty advisors did not retain club records for the required six year retention period.

- ◆ Pre-numbered receipts were not consistently issued.
- ◆ Deposits were not made in a timely manner.
- ◆ Cash receipts were not adequately supported or deposited intact.
- ◆ Checks were not countersigned in accordance with District policy.

## **7. Revenue**

- ◆ District officials did not develop a clear and comprehensive non-resident admissions or tuition policy.
- ◆ District officials did not properly monitor out-of-district tuition billings or ensure billed amounts were accurate and proper.
- ◆ District officials did not obtain or retain adequate supporting documentation for out-of-district tuition billings.
- ◆ District officials did not ensure that billings were in agreement with contract terms.
- ◆ District officials did not properly account for revenues that were restricted for a specific purpose.
- ◆ Collections procedures for overdue accounts were inadequate.

## **6. Cash Management**

- ◆ District officials did not develop and manage a comprehensive investment program to ensure interest earnings were maximized.
- ◆ District officials did not comply with the District's investment policy.
- ◆ District officials did not comply with the District's online banking policy.
- ◆ District officials entered into online banking agreements which did not require online banking confirmations.
- ◆ District officials did not implement procedures to adequately segregate online banking duties.
- ◆ District officials did not adequately safeguard online banking transactions.
- ◆ District officials did not ensure that a dedicated computer was utilized for online banking.

## **5. Purchasing and Procurement**

- ◆ District officials did not develop additional written procedures regarding procurement as required by the District's purchasing policy.
- ◆ District officials did not require competitive bids or written quotations for the procurement of goods and services in accordance with the District's purchasing policy.
- ◆ District officials did not seek competition for professional services.
- ◆ The Purchasing Agent was not involved in reviewing, processing or approving purchase requisitions or purchase orders.
- ◆ The Purchasing Agent did not ensure purchasing policy requirements had been met prior to goods or services being ordered.
- ◆ The claims auditor did not audit and approve certain claims prior to payments being released.
- ◆ Audited claims did not include sufficient supporting documentation.

## **4. Reserve Funds**

- ◆ The Board did not adopt a comprehensive written reserve fund policy.
- ◆ The District did not analyze reserves annually and did not present the analysis to the Board as required by District policy.
- ◆ The District was not transparent when funding reserves.
- ◆ District officials maintained a capital reserve that was not properly authorized by the voters.

- ◆ District officials maintained an employee benefit accrued liability reserve that was not established by Board resolution.
- ◆ District officials did not utilize reserve funds in accordance with legal requirements.
- ◆ Reserves were overfunded.
- ◆ Reserve funds were not utilized as intended.

### **3. Technology**

- ◆ The Board did not adopt adequate security polices to safeguard information technology assets.
- ◆ The Board did not adopt a disaster recovery plan.
- ◆ District officials did not establish written procedures for password management, wireless security, remote access or user account management.
- ◆ District officials did not provide cyber security awareness training for all District employees who utilized the District's information technology.
- ◆ District officials did not adequately monitor or safeguard information technology assets.
- ◆ District officials did not maintain accurate, complete and up-to-date hardware and software inventory.
- ◆ District officials did not obtain service level agreements with the District's information technology service providers.
- ◆ District officials did not adequately manage network user accounts or permissions.
- ◆ District officials did not regularly review network user accounts or permissions to determine whether they were appropriate, or whether they should be disabled.
- ◆ The District had unneeded network user accounts on the District's network that had not been utilized in at least six months.
- ◆ District officials did not ensure that computers were free from malicious software.
- ◆ Employees did not comply with the District's acceptable use policy.
- ◆ Personal internet use was identified on computers assigned to employees who routinely accessed personal, private and sensitive information.

### **2. Budgeting**

- ◆ The Board overestimated appropriations and annually appropriated fund balance that was not needed to finance operations.
- ◆ The Board underestimated revenues.
- ◆ The District budgeted appropriated fund balance which was not utilized to finance operations.
- ◆ Budgets were not structurally balanced.
- ◆ Appropriations were consistently overestimated, resulting in increasing fund balance levels.
- ◆ Expenditures exceeded appropriations.

### **1. Financial Management**

- ◆ The Board did not adopt a comprehensive multi-year financial plan or fund balance policy.
- ◆ The Board and District officials issued more debt than was needed, and did not properly account for debt proceeds.
- ◆ The District improperly restricted funds for OPEB in its trust and agency fund.
- ◆ Unassigned fund balance exceeded the four percent statutory limitation as per Real Property Tax Law §1310.