

SOUTH JEFFERSON CENTRAL SCHOOL
DISTRICT

INDEPENDENT INTERNAL AUDIT REPORT

June 30, 2023

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SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT

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July 18, 2023

South Jefferson Central School District
P.O. Box 10,
Adams, NY 13605

AUDIT SCOPE AND METHODOLOGY

We have completed the annual risk assessment of South Jefferson Central School District (“the District”) during the fiscal year ending June 30, 2023, solely to assist you with respect to meeting the internal risk assessment requirement imposed on the District by the NYS Five Point Plan for School District Accountability and Commissioner’s Regulations 170.12.

Risk assessment includes a review of financial policies and procedures, and testing and evaluating internal controls. The risk assessment must be reviewed and updated each year. The risk assessment considered risks relating to incentives or pressures, risk relating to opportunities to commit fraud or make errors, and risk relating to misguided attitudes.

We separated the District’s operational functions into eight auditable units and assigned a risk rating of low, medium, or high to each unit. Based upon results of the risk assessment performed, we devised an internal audit plan that will cover a three-year period. All business functions of the District will be covered based on the following criteria:

Risk Level	Testing Rotation
High	Yearly
Medium	Once over the 3-year period
Low	Once over the 3-year period

The eight auditable units are:

Governance and Planning – Areas to be reviewed include policies and procedures that should be established by the Board. Budget development procedures and budget administration are also part of this unit.

Accounting and Reporting – Areas to be reviewed are assessing the financial condition of the District and ensuring that financial activity is reported and audited as required by New York State. State aid and federal and state grants are also part of this unit.

Revenue and Cash Management – Areas to be reviewed are bonding of employees that have access to cash and obtaining an understanding of the District’s procedures for receipt of revenue. Testing of cash receipts will be done to ensure that procedures are being followed.

AUDIT SCOPE AND METHODOLOGY - Continued

Purchasing and Expenditures – Areas to be reviewed and tested are the purchasing policies and procedures and the cash disbursements policies and procedures.

Payroll and Personnel – Areas to be reviewed and tested are payroll policies and procedures. Contracts will be used for testing compensation of employees.

Fixed Assets – The District’s policy and procedures will be reviewed regarding fixed asset inventory. Testing will be done to ensure that all fixed assets are included on the inventory listing and located on school property.

Student Services – Areas to be reviewed are student transportation, the extra classroom activity funds, and the school food service program. Policies and procedures will be reviewed and tested for the three areas.

Technology – Areas to be reviewed are the policies and procedures that have been established to ensure the safety of information on the District’s computer system. Access to the District’s computers will also be reviewed.

The following schedule was developed to provide the risk level ratings and to outline the timing of the testing of each of the business functions:

Function	Risk Level	School Year		
		2021/2022	2022/2023	2023/2024
Governance and Planning	Low			X
Accounting and Reporting	Medium			X
Revenue and Cash Management	Medium		X	
Purchasing and Expenditures	High	X	X	X
Payroll and Personnel	High	X	X	X
Fixed Assets	Medium		X	
Student Services	Medium	X – Extra Classroom Activity Funds	X – School Food Service Program	X – Transportation
Technology	Low	X		

Additional areas may be tested each year based on discussion with management and the board of education, review of the District’s external audit results, and review of various state audit results. The procedures we performed are based on those procedures necessary to ensure that internal controls are in place that enables the District’s goals and objectives to be accomplished; laws, regulations, and good business practices are complied with, assets are safeguarded and accurate and reliable data is maintained. These procedures were performed by using various testing techniques including inquiry and observation, walkthroughs, and detail testing.

AUDIT SCOPE AND METHODOLOGY - Continued

The procedures we used are based on a variety of different sources including the New York State Education Department, the Office of the State Comptroller, the New York State Society of CPA's, the American Institute of CPA's, and the Institute of Internal Auditors.

We have documented the findings of the testing and assessments performed, identified and prioritized the District's significant risks and made recommendations for improvement. The following are the results of our testing of the selected function areas for the year ended June 30, 2023:

I. Purchasing and Expenditures

The purchasing policies and procedures were reviewed with the accounting staff as part of our risk assessment. The procedures appear to be adequate considering the size of the District. This area is assessed as a high-risk area because of the limited segregation of duties and the number of transactions that flow through the purchasing cycle.

We tested 60 disbursements from the period July 1, 2022 through April 30, 2023 for proper approval and other documentation required. We selected 40 disbursements from the General Fund, 10 disbursements from the School Food Service Fund, 5 disbursements from the Special Aid Fund, and 5 disbursements from the Capital Projects Fund. Three purchase orders were dated after the invoice. We recommend purchase orders be filled out and approved by management before ordering items.

We also performed a test of bidding, where we selected vendors that were paid over \$20,000 and traced selected invoices to the approved bids. In addition, we tested item pricing on a vendor's food bill to ensure that the District was charged according to the BOCES bid. No exceptions were noted in our bid testing.

Finally, we tested voided checks to ensure that they were properly defaced and could not be used. There were no exceptions noted. Overall, the purchasing procedures are deemed adequate.

II. Payroll and Personnel

The payroll and personnel policies and procedures were reviewed with the accounting staff as part of our risk assessment. The procedures appear to be adequate considering the size of the District. This area is assessed as a high-risk area because of the number of transactions that flow through the payroll cycle.

We selected a sample of 30 employees from the October 14, 2022 payroll, and obtained the approved payroll information. Step and salary information was traced from approved salary schedules to approved employee agreements or contracts. Gross pay was recalculated and compared to the gross pay on the payroll register. We also reviewed the certifications of teachers selected. For hourly employees or any employees with extra pay, we reviewed timecards and sub sheets to verify hours worked and supervisor approval. There were no exceptions noted.

II. Payroll and Personnel- Continued

We also verified that proper fingerprinting procedures are in place for applicable employees. There were no exceptions noted. Finally, we verified that a live payroll occurred on June 9, 2023. The District also distributed salary notices for the 2022-2023 year as of September 1, 2022 with the instruction to sign and return. It was noted that salary notices were not signed and returned by all employees. Overall, the payroll procedures are deemed adequate.

III. Revenue and Cash Management

We reviewed the revenue and cash management of the District, which involved the following procedures:

1. Ensured that employees who handle cash are bonded and compared to the listing of personnel approved to be bonded;
2. Obtained an understanding of the District's procedures for the receipt of mail;
3. Performed a walkthrough of the cash receipts function and tested 25 cash receipts ensuring the following takes place:
 - o Checks are given to the business office for deposit and someone independent from the record keeping function verifies the funds were deposited;
 - o Any money collected is reconciled with the cash log and the reconciliation is reviewed and approved by a supervisor;
 - o All checks should be restrictively endorsed upon receipt and all cash and checks are kept in a secure location, turned over to the Business Administrator, and deposited on a timely basis.
4. Obtained a bank account reconciliation and ensured the following:
 - o The Business Administrator should obtain bank statements directly from the bank;
 - o The Senior Account Clerk should not have any other duties related to cash receipts and disbursements;
 - o The Senior Account Clerk obtained the book balance directly from the general ledger;
 - o Once the reconciliations are complete, someone independent of the process reviewed them for completeness and ensured they did not include outdated reconciling items.

There were no exceptions noted. Overall, the revenue and cash management procedures are deemed adequate.

IV. Fixed Assets

We reviewed the District policies and procedures for the recording and safeguarding of fixed assets and ensured the following:

- The District had a long-range plan for educational facilities and equipment replacement purchases;
- Policies and procedures were in place to ensure that changes in assets are reflected in the inventory system;
- District property, equipment, and inventory were secured in a safe location;
- The District had a policy for the use of district-owned assets; and
- The District had a policy for disposal of assets.

The results of our testing disclosed the following finding:

- A) The fixed asset schedule for financial reporting purposes is maintained by the district through Asset Works. The schedule as of June 30, 2022 did not agree with the June 30, 2022 audited financial statements. Asset Works omitted assets on their schedule.

We make the following recommendation:

- A) The Business Manager should review the fixed asset schedule to ensure all fixed assets are properly included for financial reporting.

V. Student Services: School Food Service Program

The District participates in the National School Lunch Program, School Breakfast Program and/or Special Milk Program to receive commodities donated by the U.S. Department of Agriculture and accepts responsibility for providing free and reduced price meals to elementary and secondary students in the District. We reviewed the District's policies to ensure the following guidelines were established and being followed:

- Free or reduced price meals are allowed for qualifying students upon receipt of a written application from the student's parent or guardian or a "Direct Certification" letter from the New York State Office of Temporary and Disability Assistance (OTDA).
- School officials participate in the Direct Certification Matching Process which automatically enrolls students that live in households receiving Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF). The District receives this information at least three times per year.
- Upon receiving Direct Certification notices, the District notifies parents or guardians of such eligibility, giving them the opportunity to decline free meals and milk if they choose so.
- We randomly tested 10 students that receive free or reduced meals for eligibility to participate in the program based on the eligibility guidelines for the current school year. No exceptions were found.

Based on testing of the guidelines as noted above, no exceptions were noted and it appears the District has proper procedures and policies in place.

We also performed a walkthrough of the daily school food service revenue collection process with District officials.

- We noted that the district has six cash registers or satellite managers. The satellite managers count the money in their cash registers at the end of each day. The elementary satellite managers deposit the cash directly in the bank while the School Lunch Manager deposits the cash from the High School and the Middle School on a daily basis.
- The school lunch cash receipts are reconciled to the reports generated by NutriKids software. The Secretary of the School Food Service Manager does a three-way check to ensure that the End of the Day Reports from the NutriKids software matches the yellow copy of the deposit slips and the validated deposit slips from the bank. She then inputs the deposits in the NVision financial management system.

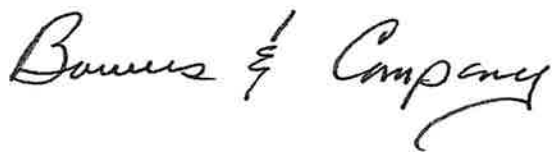
The school food service program procedures appear to be adequate considering the size of the District.

This report is intended for the information and use of the Board of Education and management of South Jefferson Central School District and should not be used for any other purpose.

We would like to thank the Board of Education and administration for their assistance and cooperation in formulating this risk assessment and providing us with the documentation necessary for our testing.

Please do not hesitate to contact us if you have any questions concerning this report.

Very truly yours,

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned above the typed address and date.

Watertown, New York
July 18, 2023

South Jefferson CSD Internal Audit Corrective Action Plan 2023

Finding:

Three purchase orders were dated after the invoice.

Recommendation:

Purchase orders should be filled out and approved by management before ordering items.

Management's Response and Corrective Action Plan:

The District experienced turnover in the business office and staff are still learning district processes. The Deputy Treasurer and the Treasurer will not order items before purchase orders are completed. The District will remind requisitioners of the District process: request, approve, order.

Name(s) of contact person(s) responsible for corrective action:

District Business Official, Cora Harvey, Principal Account Clerk, Katie Dandrow

Anticipated completion date:

Immediately. October 31, 2023

BOE approved: 7/26/2023

South Jefferson CSD Internal Audit Corrective Action Plan 2023

Finding:

The fixed asset schedule for financial reporting contained an error.

Recommendation:

The Business Official should review the fixed asset schedule to ensure all fixed assets are properly included for financial reporting.

Management's Response and Corrective Action Plan:

The District completed a full valuation of assets with Asset Works. The asset listing lacked an asset. The Business Official missed the asset omission due to a clerical oversight. The Business Official will be more diligent in reviewing the asset listing.

Name(s) of contact person(s) responsible for corrective action:

District Business Official, Cora Harvey

Anticipated completion date:

Immediately. June 30, 2024

BOE approved: 7/26/2023