



2017 Top Ten Internal Control Deficiencies Cited in the New York State Comptrollers Reports – School Districts

10. Special Education/Grants Administration

- ◆ The District did not bill for special education services provided to nonresident students who attended nonpublic schools.
- ◆ The District billed based on nonresident tuition rates calculated by NYSED, but the District's actual costs were generally greater than NYSED rates.
- ◆ The District did not include assistive technology purchases or rentals in the calculation of costs claimed for Excess Cost Aid.
- ◆ The District did not rebill the districts of residence when NYSED released updated rates.

9. Online Banking

- ◆ A dedicated computer was not utilized for all online banking.
- ◆ District officials did not review email notifications for electronic funds transfers to verify transfer accuracy and legitimacy.
- ◆ The Board did not adopt an online banking policy that defines the type of online banking activities allowed or the procedures for authorizing, processing and monitoring online banking transactions.
- ◆ The clerk did not review bank transactions on a regular basis to monitor online transactions as they occur.

8. Capital Assets

- ◆ Capital asset tags/serial numbers did not agree to the District's records.
- ◆ Capital assets did not have inventory tags attached.
- ◆ The District's capital asset policy did not establish a threshold value for tagging assets.
- ◆ Capital assets were not in their documented locations.
- ◆ Capital assets were tagged, but were not included in the District's inventory records.
- ◆ District officials did not conduct physical inventory counts.
- ◆ Spot checks were performed but not documented.
- ◆ The District's capital asset policy did not ensure that inventory records were managed by someone independent from purchasing assets, maintaining their custody, or disposing of them.
- ◆ The information technology department did not have written procedures for maintaining information technology inventory.
- ◆ The information technology department capital asset list was not reconciled to the District's capital asset records.

7. Transportation

- ◆ District officials did not always submit Form SA-16 promptly to ensure the timely receipt of transportation State aid.
- ◆ District officials did not apply for all the transportation State aid to which the District was entitled for bus purchases.

- ◆ Fuel log sheets utilized by the District did not include meter readings of total gallons dispensed. Officials did not have sufficient information to ensure that the log was accurate.
- ◆ The District did not maintain a log of fuel inventory to reconcile to the physical inventory.

6. Extraclassroom Activity Funds

- ◆ The Board did not adopt an adequate extraclassroom policy to provide comprehensive guidance for District officials or students.
- ◆ The Board did not ensure that District officials implemented and enforced the Extraclassroom policy.
- ◆ The Board did not appoint a faculty auditor to periodically compare the student ledgers with central treasurer ledgers and investigate and resolve differences.
- ◆ Extraclassroom clubs had no student records or partial student records, and were not always in agreement with the Central Treasurer's records.
- ◆ Bank reconciliations prepared by the Central Treasurer were not accurate.
- ◆ Cash disbursement forms were not always signed by the student activity treasurer.
- ◆ Cash disbursements did not always include adequate supporting documentation.
- ◆ Cash receipts were not deposited timely.
- ◆ Faculty advisors did not ensure that student treasurers issued duplicate press-numbered receipts or maintained any other documentation of the source, date, amount and purpose of cash collections when collecting cash at fund-raisers or during events.
- ◆ Student treasurers did not collect sales tax on all applicable sales and faculty advisors were not aware that sales tax needed to be collected on certain sales.
- ◆ Student treasurers did not prepare profit and loss statements for all fundraising activities.

5. Information Technology

- ◆ District employees and staff were not provided cybersecurity training.
- ◆ The District did not adopt a disaster recovery plan.
- ◆ District officials granted unnecessary permissions for changing student grades, assuming accounts and identities, and viewing private, personal, sensitive information (“PPSI”).
- ◆ District officials did not adequately safeguard PPSI on District servers.
- ◆ District officials have not established a classification scheme for PPSI, or assigned a security level to the data.
- ◆ Technicians who support the student information system server, but not the system itself, had access to view PPSI.
- ◆ Permission forms could not be located for grade changes made by users.
- ◆ District officials did not disable user accounts in a timely manner.
- ◆ The District had unnecessary user accounts, including accounts for former employees, and for current employees who do not need access.
- ◆ Employees were granted unnecessary permissions.
- ◆ Officials did not effectively use all information available in the audit logs to properly monitor financial system and student information system use.
- ◆ There were suspicious access attempts that were not detected and investigated by officials.
- ◆ District officials did not monitor employee internet use for compliance with the acceptable use policy.
- ◆ The District did not have written service agreements with information technology service providers.

4. Purchasing/Procurement

- ◆ District officials did not establish policies and procedures that provide adequate oversight of vehicle reimbursement costs and dependent care reimbursements.

- ◆ District officials reimbursed commuting expenses to employees that were not provided by their contracts, and reimbursed an ineligible employee for daycare expenses.
- ◆ Duplicate vendors were identified in the District's vendor master file.
- ◆ Officials did not establish written policies or procedures for maintaining its vendor master file.
- ◆ The District did not always require vendors to submit an IRS form W-9 prior to being created in the accounting information system.
- ◆ The District did not implement adequate monitoring procedures to ensure staff complied with District policies and procedures when making District purchases.
- ◆ Staff were not familiar with and did not follow competitive procurement requirements when using procurement credit cards.
- ◆ The District officials did not solicit competition for professional services in accordance with District policy.
- ◆ The claims auditor did not audit all credit card claims prior to payment.
- ◆ The claims auditor did not conduct a proper audit of the District's procurement credit card purchases.
- ◆ The credit card company directly withdraws monthly payments from the District bank account without the Treasurer's authorization.
- ◆ The Treasurer did not maintain custody of his signature flash drive, or supervise the application of his signature during the check signing process.

3. Payroll/Personnel

- ◆ An employee who held multiple positions did not effectively maintain his time records, so there was no assurance that he was accurately paid for his various positions.
- ◆ Board minutes did not clearly identify payroll related actions taken by the Board.
- ◆ District employees did not properly track employees' time and attendance.
- ◆ District officials did not adequately monitor non-instructional employee overtime.
- ◆ District officials did not establish a policy or written procedures to ensure that all overtime hours worked were pre-approved, adequately recorded and incurred only when necessary.
- ◆ District officials did not establish formal and adequate policies and procedures related to the processing of payroll outside of normal pay dates such as when employees did not submit payroll information in a timely manner.
- ◆ Employees did not always state the reasons for overtime.
- ◆ Employees stipends and salary amounts were not authorized by the Board.
- ◆ Employees were paid overtime for working through paid breaks and lunch breaks.
- ◆ Overtime sheets did not require the employee's signature, and as a result, the overtime worked was not certified by the employees.
- ◆ Leave records were not correct and the Treasurer's vacation leave balance was overstated.
- ◆ The District allowed third party administrators to electronically withdraw funds for benefits claims from a District bank account.
- ◆ The payroll process in place was disjointed, decentralized, and not well documented, making it highly susceptible to errors.
- ◆ The Treasurer controlled the entire payroll process, and the Superintendent's payroll certification was inadequate.
- ◆ District officials did not develop policies or procedures related to the periodic review and reconciliation of payroll withholdings, deductions, and contributions, to ensure accuracy.

2. Reserve Funds

- ◆ The Board had not established formal budgeting procedures to properly monitor the budget and fund reserves.
- ◆ The Board did not use the budget process to fund reserves in a transparent manner.
- ◆ Reserves were overfunded.

- ◆ District officials allowed reserve balances to accumulate to excessive levels, and consistently levied taxes for expenditures that could have been paid with reserve funds.
- ◆ The District did not always use reserves as a funding source as planned, and when reserves were used, a similar amount from the operating surplus was transferred back into the reserve at year end.
- ◆ District officials could not provide evidence that amounts restricted in the debt service fund were required.
- ◆ The District accumulated reserve funds for purposes not permitted by law.
- ◆ District officials did not have documentation establishing reserve funds.
- ◆ The Board had not developed a written reserve fund policy, or documented its rationale for setting aside funds in reserves, optimal funding levels, or conditions under which reserves would be used.
- ◆ The Board and District officials did not document the financial need or purpose for reserve funds.
- ◆ District officials were unable to provide evidence showing that they periodically assessed the reasonableness of reserve balances.
- ◆ District officials inappropriately used legally restricted reserve funds for operating cash flow.
- ◆ The Board transferred funds from reserves in excess of the actual expenses.
- ◆ The District was improperly retaining monies in the trust and agency fund for other post-employment benefits.
- ◆ The employee benefit accrued liability reserve was improperly used for retirement incentives.

1. Financial Management & Financial Condition

- ◆ The Board had not adopted a written fund balance policy for the maintenance and use of unrestricted fund balance and reserves.
- ◆ The Board did not adopt a multiyear financial plan.
- ◆ Appropriated fund balance was never used as budgeted because the District's budgeting practices produced operating surpluses.
- ◆ District officials underestimated appropriations, resulting in operating surpluses.
- ◆ District officials did not ensure budgets were realistic and did not properly plan for the use of fund balance.
- ◆ The Board and District officials did not ensure that budget estimates and fund balance were reasonable.
- ◆ The District's unrestricted fund balance exceeded the statutory limit.
- ◆ When unneeded appropriated fund balance was added back to unrestricted fund balance, unrestricted fund balance exceeded the statutory limit.
- ◆ District officials incorrectly reported the District's current liability for compensated absences on its balance sheet, resulting in unrestricted fund balance being understated.
- ◆ The Board did not appropriately manage the District's fund balance to ensure financial stability.
- ◆ The District continually financed operating deficits with fund balance and reserves, negatively impacting the District's financial condition.