



2018 Top Ten Internal Control Deficiencies Cited in the New York State Comptrollers Reports – School Districts

10. School Food Service Program

- ◆ The Board did not adopt formal policies and procedures regarding cafeteria collections.
- ◆ The school lunch fund experienced an operating loss.
- ◆ The school lunch fund relied heavily on general fund subsidies and loans, which it may never be able to repay.
- ◆ School lunch collections were not deposited intact.
- ◆ School lunch collections were not properly recorded.

9. Cash Management

- ◆ District officials did not properly oversee the bank reconciliation and accounting processes of the Treasurer.
- ◆ District officials did not identify federal withholding penalties that were incurred and paid by the Treasurer.
- ◆ Bank reconciliations were not prepared timely.
- ◆ The bank reconciliations were reviewed by an individual who was not independent of the cash receipt and journal entry recording processes.
- ◆ The book balance for one of the District's bank accounts did not accurately reflect the true cash balance.

8. Online Banking

- ◆ The Board did not adopt a comprehensive online banking policy.
- ◆ District officials did not develop procedures to adequately segregate online banking duties.
- ◆ District officials did not ensure that authorized access to online bank accounts was limited.
- ◆ District officials did not provide online banking users with cyber security training.
- ◆ District officials lacked adequate banking agreements.
- ◆ Online banking users had excessive permissions.
- ◆ Users were able to access online banking from non-district devices.
- ◆ A dedicated computer was not utilized for all online banking.

7. Information Technology

- ◆ The Board did not adopt adequate information technology security policies and procedures.
- ◆ Officials did not disable or remove unnecessary user accounts in a timely manner.
- ◆ District officials did not properly secure the server room.
- ◆ District employees and staff were not provided information technology security or cybersecurity awareness training.
- ◆ The District's Disaster Recovery Plan was inadequate.

- ◆ Access to the District's financial application was not properly segregated.
- ◆ District computers were being used for personal use.
- ◆ Users accessed websites which were not related to business activities.
- ◆ The web filtering software did not enforce the technology use policy.

6. Payroll & Personnel

- ◆ The Board did not adopt written policies, and District officials did not develop written procedures formalizing controls and oversight associated with the payroll function.
- ◆ District officials did not properly monitor and approve overtime.
- ◆ District officials paid double time for hours worked on Sundays, which was not authorized by the employment contracts or by Board resolution.
- ◆ District officials did not independently verify whether retirees were living and still eligible for coverage.
- ◆ District officials did not ensure an independent review of separation payment calculations was performed for all payments processed in the payroll system.
- ◆ The District's payroll policy did not have adequate guidance relating to overtime.
- ◆ Overtime was not preapproved in writing.
- ◆ Errors were noted in the District's calculation of 403(b) matching contributions, and in the employee-paid portion of health and dental insurance premiums.
- ◆ An employee reviewed her own time sheet.
- ◆ Teachers were paid stipends at rates which were not established by a collective bargaining agreement, employment contract, or Board resolution.
- ◆ The head custodian did not sign off on employee time sheets to indicate his review of their hours worked.
- ◆ Leave balances were overstated and the system for tracking leave accruals was not reliable.

5. Transportation

- ◆ District officials did not apply for transportation aid in a timely manner, resulting in aid being delayed.
- ◆ The District did not ensure that all pre-trip bus safety inspections were completed and reviewed.
- ◆ The District did not sufficiently monitor in-house drivers or contractual transportation vendors.
- ◆ The District had no formal mechanism for following up on complaints.
- ◆ District officials did not account for all fuel inventories.
- ◆ Fuel purchases were not compared to fuel usage records.
- ◆ Fuel storage tanks were not adequately secured or inspected.
- ◆ Vehicle fuel inventory records were not maintained.
- ◆ Vehicle mileage records were not compared to fuel consumption.
- ◆ Bus drivers did not complete the required training.
- ◆ Bus drivers were omitted from random drug testing.
- ◆ Bus safety drills were not completed or adequately documented.
- ◆ The Superintendent did not annually approve all bus drivers.

4. Extraclassroom Activity Fund

- ◆ The Board and District officials did not adopt and implement procedures governing the operations of extraclassroom activity funds as required.
- ◆ The Board did not appoint a faculty auditor to reconcile the Central Treasurer's records with the extraclassroom clubs' records.
- ◆ The District's extraclassroom activity fund policy was not comprehensive.
- ◆ Cash receipts were not remitted to the Central Treasurer.
- ◆ Extraclassroom clubs did not maintain adequate supporting documentation for collections, and some clubs did not maintain ledgers.
- ◆ For extraclassroom collections, funds were not set aside for sales tax to be remitted to the State.
- ◆ Student treasurers did not issue duplicate press-numbered receipts or prepare adequate accountabilities for all extraclassroom collections.
- ◆ Student treasurers' records were inaccurate.
- ◆ Student treasurers were not adequately involved.
- ◆ The Central Treasurer and the clubs did not have supporting documentation for cash receipts.
- ◆ The Central Treasurer did not always deposit funds in a timely manner.
- ◆ The Central Treasurer did not issue pre-numbered, duplicate receipts for all funds placed in her custody.

3. Purchasing & Procurement

- ◆ The Board appointed two of its members to audit claims, rather than the entire Board as required by Education Law.
- ◆ The Board did not establish adequate policies or ensure that District officials developed adequate written procedures for procuring professional services.
- ◆ District officials did not seek competition, or did not properly award competitive bids for purchases or professional services providers.
- ◆ District officials lacked adequate evidence to show they sought competition for purchases.
- ◆ District officials made purchases without obtaining or documenting price quotes as required by the purchasing policy.
- ◆ Checks were printed and signed before the claims auditor audited and approved them.
- ◆ Claims were not audited and approved before payments were made.
- ◆ Claims were paid without the claims auditor's authorization.
- ◆ Not all individual claims were reviewed during the audit.
- ◆ The claims auditor approved claims for payment for purchases containing confirming purchase orders.
- ◆ The claims auditor did not audit and approve scholarship payments.
- ◆ The claims auditor did not review the detailed supporting documentation for health insurance claims.
- ◆ The District paid claims without proper supporting documentation.
- ◆ Purchases were made without requisition forms.
- ◆ Purchases were made without prior approval.
- ◆ The District lacked written contracts with professional service providers.
- ◆ An unauthorized employee was able to override the approval process for purchases.

- ◆ Expenses for cell phones were not properly approved, documented, or necessary.
- ◆ The District reimbursed employees for travel expenses in excess of federal per diem guidelines and District policy.
- ◆ The District reimbursed employees for unnecessary travel costs.

2. Reserve Funds

- ◆ The Board did not adopt a reserve policy.
- ◆ The District did not develop a written reserve fund policy that describes the maximum funding level and the planned use of the reserves.
- ◆ District officials did not prepare and submit a plan for reserves annually.
- ◆ District officials did not transparently budget to fund reserves, and instead passed consent resolutions at the end of each fiscal year to increase reserves.
- ◆ The District retained funds in the debt service fund which were not utilized for debt service payments.
- ◆ District officials improperly restricted funds in a debt service reserve in the debt service fund, which made it appear that unrestricted fund balance was within the statutory limit.
- ◆ Reserves were over funded or unneeded.
- ◆ Reserve funds were not utilized as intended or as budgeted.
- ◆ The District did not utilize available reserves for related expenditures.

1. Financial Management & Budgeting

- ◆ The Board did not adopt a comprehensive multi-year financial and capital plan.
- ◆ The Board did not adopt a fund balance policy.
- ◆ The Board relied on unrestricted fund balance to fund recurring expenditures, and completely exhausted the District's unrestricted fund balance.
- ◆ District officials did not perform budget transfers, which resulted in appropriations exceeding budgeted line items.
- ◆ District officials under estimated revenues.
- ◆ Adopted budgets overestimated appropriations.
- ◆ The District budgeted appropriated fund balance which was not utilized.
- ◆ The District's unrestricted fund balance exceeded the statutory limit.
- ◆ Despite budgetary surpluses and excess fund balance, the Board increased the tax levy.
- ◆ Despite significant amounts of accumulated fund balance, the Board annually increased the tax levy and did not take steps to reasonably fund reserves.
- ◆ District officials appropriated more fund balance than was available.
- ◆ Fund balance in the general fund decreased significantly during the year.
- ◆ The reported results of operations and fund balance in the general fund were inaccurate due to capital proceeds being transferred to, and accounted for in, the general fund, which should have been accounted for in the debt service fund.