

ASBO
NEW YORK

ASSOCIATION
OF SCHOOL
BUSINESS OFFICIALS

Are You Ready For Your Audit?

Financial Management Auditing & Accounting Workshop

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Planning for the Audit

- Provide auditors with all significant activities/transactions that will have an impact on the risk assessment for the audit or the audit itself.
- Prepare all planning documents and update for any changes per auditing standards.

Planning for the Audit

- Schedule a planning meeting with the audit committee and auditors to discuss the audit plan.
- Schedule planning meeting with the audit team to discuss audit strategy and perform fraud risk brainstorming. Schedule a meeting with the business office staff to discuss implementation of any new accounting standards.

Planning for the Audit

- School district should review the audit request document and forward the required items to relevant departments. Create a timeline.
- Update and send the school district an audit request list and schedule interim and year end dates.

Planning for the Audit

- Provide auditors with new or closed bank accounts, Board members and Administrators for related party confirmations, debt and attorney information necessary for confirmations.
- Prepare audit confirmations incorporating any new changes.

Planning for the Audit

- Provide auditors with copies of current risk assessments, claims auditor reports, internal audits, OSC audits (and the corrective actions to those reports), OPEB actuary reports, GASB 68 information, self insurance financial reports, lease agreements (GASB #87), Subscription based IT arrangements (SBITA – GASB #96) and information on tax abatements.
- Coordinate with firms performing other services (i.e., financial statement preparation, maintenance of depreciation records).

Planning for the Audit

- Pass resolutions for funding of reserves. The initial resolution should be completed before June 30. A follow-up resolution should be completed before the setting of the tax levy.
- Schedule tentative Audit Committee and Board Meeting dates to present the results of the audit to ensure timely filing by the October 15 deadline.

General Information

- Board minutes
- New contracts (look for changes in benefits)
- New bonds or BANs
- SBITA – Subscription Based IT Arrangements (GASB #96) – **NEW!**
- Journal entries

General Fund

- Bank reconciliations and Treasurer's report should be reconciled to the general ledger.
- Interfund receivables, payables and transfers should be reconciled and verified not greater than one year old.
- State aid revenue and receivables should be adjusted to most recent GEN aid reports (www.stateaid.nysed.gov).

General Fund

- Verify August and September excess cost aid and September basic aid have been accrued.
- Record any state aid adjustments as a liability.
- BOCES aid receivable should agree to most recent BOCES output report.
- Receivables for out of district tuition, health services, and special education services (DOL) should be recorded.

General Fund

- Old encumbrances and blanket purchase orders should be closed out prior to rollover. This begin prior to year-end.
- Ensure proper cut-off for recording payables and receivables in the proper period.
- Liabilities and encumbrances should be properly classified.

General Fund

- Due to TRS and ERS should be calculated using current rates and include retirement incentives and compared to estimated bills.
- Due to ERS - actual salaries for April, May and June multiplied by the rate for each Tier.
- Retro - pay should be accrued for expired contracts.
- Record Deferred Inflows and Outflows of Resources.

General Fund

- Properly record deferred building aid.
- Fund balance should be properly classified in accordance with GASB Statement No. 54.
- Verify that unassigned fund balance is in compliance with RPTL 1318.
- Reserve activity should be properly recorded and approved (i.e., use, funding, allocations of interest).

School Lunch Fund

- Receivables for state and federal aid claims should be recorded in the proper period.
- Benefits for ERS and health insurance should be properly allocated.
- Inventory should be adjusted to reflect year end counts.

School Lunch Fund

- Commodities including diverted foods should be recorded.
- Subsidy from general fund should be recorded.
- Prepaid student balances should be booked as a liability.
- Negative student balances should be booked as receivables if collections efforts are being made.

School Lunch Fund

- Verify fund balance does not exceed 3 months expenditures per Federal regulations.
- If fund balance is negative, a reserve for advances should be recorded in general fund.

Special Aid Fund

- Federal Stimulus Funds (CRRSA and ARP Act)
- Benefits for ERS, TRS and health insurance should be allocated.
- Grant revenues generally equal expenditures and fund balance is zero.
- Old receivables for Summer School Handicapped program (SSH) should be written off. Investigate why payments have not been made.

Special Aid Fund

- Transportation cost for SSH program should be recorded. Often payments are held pending documentation.
- Local share of 4201 students should be recorded properly.
- Expenditures for federal grants should be reconciled to the Schedule of Federal Awards.

Capital Projects Fund

- Bond Anticipation Notes - Properly record premium, interest and pay down.
- Energy performance and installment purchase debt - record current year activity.
- Supplemental schedule for capital projects should be reconciled to accounting information system, authorizations, funding and expenditures by project.

Supplemental Schedule for Capital Projects

Supplemental Schedule #6

UNION FREE SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Project Title	Project #	Expenditures to Date				Unexpended Balance	Methods of Financing				Fund Balance June 30, 2021			
		Original Appropriation	Revised Appropriation	Prior Year's	Current Year		Proceeds of Obligations	Budgetary Appropriation	State Aid	Capital Reserve II				
19/20 MS Curbing/Paving	002-031	\$386,221	\$341,020		\$60,366	\$60,366	\$	280,654	341,020			\$341,020	\$	280,654
19/20 MS Bathrooms	002-031	225,000	620,894	1,920	58,343	60,263	560,631				620,894	620,894		560,631
19/20 HS Valves/Abatements	N/A	188,779	133,980			-	133,980		133,980			133,980		133,980
19/20 HS Bathrooms	008-049	225,000	616,099	1,880	79,715	81,595	534,504				616,099	616,099		534,504
19/20 Elementary Roof	006-024	2,525,000	2,525,000	36,508	489,857	526,365	1,998,635				2,525,000	2,525,000		1,998,635
2019 Bond HS Lab	008-050	1,475,000	1,475,000		739	739	1,474,261					-		(739) *
2019 Bond Playground/Doors	010-020	193,520	193,520		13,660	13,660	179,860					-		(13,660) *
2019 Bond Playground/Doors	007-024	193,520	193,520		14,960	14,960	178,560					-		(14,960) *
2019 Bond Playground/Doors	006-025	311,520	311,520		15,460	15,460	296,060					-		(15,460) *
2019 Bond Future Bond Projects	N/A	11,326,440	11,326,440			-	11,326,440					-		-
20/21 MS Roof	010-021	675,000	675,000			-	675,000				675,000	675,000		675,000
20/21 SSBA PH 1	N/A	848,033	847,740		847,740	847,740	-			847,740		847,740		-
TOTAL		\$18,473,033	\$19,259,733	\$40,308	\$1,580,840	\$1,621,148	\$17,638,585	\$	-	\$475,000	\$847,740	\$4,436,993	\$5,759,733	\$4,138,585

* The negative fund balances will be eliminated once permanent financing is received.

Capital Projects Fund

- Funding sources should be tracked by project for proper fund balance classification (i.e., restricted or assigned).
- Review the individual projects to determine that expenditures have been charged appropriately.
- Verify your total project costs, as reported on the ST-3 and supplemental schedules in the audit reports are reconciled to the final cost reports.

Capital Projects Fund

- It is critical that expenditures are properly classified as this will impact how much building aid the District will receive.
- Record transfers for closed projects.
- The Final Cost Reports have time limits for submission to the State. Aid payments will not be made until received.

Capital Projects Fund

- Deferred revenue will be eliminated and revenue recognized on the Government Wide Financial Statements.
- If smart bond plan is approved, and expenses incurred, receivable and deferred revenue should be booked if not going to be received within 90 days.

Debt Service Fund

- Record debt refunding and obtain all required documents (i.e., official statement and sources and uses statement).
- Record interest earned and unneeded authorizations from capital fund.
- Record interfund transfer from general fund and debt service payments when applicable.

Special Revenue (CM) Fund

- Extra classroom cash and fund balance need to agree with report. Need to record revenues and expenses.
- Review scholarship activity including donations, interest and awards.

Custodial Fund

- Record real property taxes collected on behalf of governments (i.e. Library).

Capital Assets

- Verify outside capital asset inventory and depreciation is accurate and timely prior to audit.
- Reconcile equipment additions to the .200 codes and building additions to capital outlay.
- Verify construction in progress is properly recorded (reconcile to capital fund expenditures).
- Depreciation should be allocated by function/program.

Long Term Liabilities - Compensated Absences

- Classify amount due and payable within one year on District Wide Financials (this does not include short-term amounts booked on fund level already).
- Calculate based on December 2008 OSC Accounting Bulletin - Consider using tiered approach based on age, years of service and likelihood of retiring from the school district.
- Include associated benefits (i.e., FICA, ERS and TRS).

Long Term Liabilities - Retirement Incentives

- Record in accordance with GASB Statement No. 47.
- Retirement incentives should not be included in EBALR reserve unless tied to compensated absences.

Long Term Liabilities - TRS/ERS Net Pension Liability

- Requires recognition on a district wide basis of the net pension liability, which is the present value of projected benefit payments less the amount of the pension plan's funding in accordance with GASB 68.
- Requires additional note disclosures and required supplementary information.
- No effect on the fund statements.

Long Term Liabilities - TRS/ERS Net Pension Liability

- ERS and TRS will prepare the applicable schedules for each district. Districts need to log on to the employer web portal to access the information.
- District needs to calculate covered payroll and contribution amounts for the fiscal year, as well as for the measurement period of each plan to the auditor and financial statement preparer.

Long Term Liabilities - OPEB

- Verify outside actuary report will be received before the audit. Provide the actuary with current year premiums paid and covered payroll.
- Verify full appraisal is done every two years.
- Have census data ready for auditors.
- Review reports for accuracy (i.e., current plan parameters, reasonable interest rate, method).

Long Term Liabilities - Claims Payable

- Verify outside actuary report will be received prior to the audit to calculate IBNR claims payable.
- Classify claims due and payable in one year on financials.
- Verify third party administrator will provide report for unpaid claims.
- Coordinate with Consortium auditors to receive reports for recording liabilities.

Long Term Debt - Bonds

- Compile amortizations schedules and official statements for new and refunded debt.
- Obtain sources and uses statement for refunded debt.
- Add new debt, remove old debt and amortize any gain or loss on refunding (bond issuance costs are no longer amortized).

Long Term Debt - Other

- Capital Leases - Obtain amortization schedules (need to review for GASB #87).
- Subscription Based IT Arrangements (SBITA) (need to review for GASB #96).
- Energy Performance Contracts - Obtain amortization schedules and bank statements from outside financing company.

**2022 Top Ten Internal Control
Deficiencies Cited in the New York
State Comptrollers Reports – School
Districts**

10. Online Banking

- The District did not have an adequate written bank agreement for online banking or ensure that authorized access was limited.
- A third-party administrator was allowed to access a District bank account.
- The online banking policy was outdated and did not reflect the current online banking practices.

10. Online Banking (Cont.)

- The online banking policy assigns oversight of the online banking practices to the Internal Auditor, however the District does not have an Internal Auditor.
- The District did not have a dedicated computer to utilize for online banking.

9. Revenue and Billings

- The District did not perform a cost-benefit analysis for approved non-resident tuition rates with another school district. Taxpayers were not informed whether these costs were covered by revenues generated from tuition charged.
- The District non-resident tuition rate exceeded the New York State Education Department's maximum allowable rate.

8. Extraclassroom Activity Funds

- The Board of Education did not adopt a comprehensive *Extraclassroom* policy, nor provide oversight of extraclassroom activity funds.
- The District did not properly appoint faculty auditors and ensure that each club maintains separate records from central treasurers.
- The District did not have adequate oversight, segregation of duties and there was a lack of written policies and procedures for scholarship funds.

8. Extraclassroom Activity Funds (Cont.)

- Some collections were not recorded nor deposited in the bank and payment requests did not have sufficient documentation.
- Bank reconciliations were incorrect and included many reconciling items such as checks and deposits that were never recorded, and old outstanding checks dated more than a few years old.

7. Capital Assets

- Capital assets had missing and inaccurate information on the capital asset records and disposals did not have Board approval.
- The capital asset policy was not comprehensive or not followed and there were no procedures to ensure asset tags were affixed to assets.
- The District did not establish adequate written policies and procedures over disposals of District property to ensure they receive the best value for the property items.

7. Capital Assets (Cont.)

- Physical inventories could not be performed for some technology assets as the related inventory records were not recorded.
- Unused information technology assets were stored in an unsecured area.
- Obsolete unused information technology equipment data was not erased and information technology assets were not listed on the inventory schedule.

6. Capital Improvement Projects

- The District did not share additional capital project details with voters and did not solicit competitive bids when required.
- Change orders were not properly approved and filed timely with New York State Education Department.
- The Business Administrator maintained appropriation status reports, however the reports were not provided to the Board for review.

6. Capital Improvement Projects (Cont.)

- The Claims Auditor did not audit four of the claims due to insufficient supporting documentation maintained.
- The District borrowed more money than needed for the original project, which was utilized for non-voter approved renovations. Funds were borrowed too early, since the capital project did not commence until months later, resulting in unnecessary interest.

6. Capital Improvement Projects (Cont.)

- Project management agreements did not define the services and paid related claims had insufficient detail.
- The District had change orders for the same material or service, which appeared to have been split to avoid the required competitive bidding thresholds.

5. Payroll

- The District did not calculate and pay unused leave benefits and leave accruals accurately.
- Two employees' pay rates were not accurate compared to Board authorized rates. Leave accruals did not reflect benefits in employment contracts.
- The payroll supervisor was responsible for all aspects of the payroll process including affixing the Treasurer's signature to checks.

5. Payroll (Cont.)

- A teaching assistant received monies for future health insurance coverage and a separation payment. However, she did not meet the eligibility requirements as per the respective employment contract. The former Superintendent received more than what was stipulated in his employment contract.
- Employees were not covered under a collective bargaining agreement, thus entitled benefits could not be determined.

5. Payroll (Cont.)

- The payroll clerk was not provided with an updated administrator's employment agreement and salaries were overpaid.
- Payroll processing duties were not properly segregated.

4. Financial Management

- District officials did not adopt fund balance and reserve policies.
- The District developed and adopted unrealistic budgets and prepared unreliable annual financial reports.
- District officials did not have a written multiyear financial plan.
- Budgeted expenditures were overestimated, and the District underestimated revenues and projected operating deficits, but instead had surplus funds.

4. Financial Management (Cont.)

- The District did not utilize the debt reserve to fund debt service payments as required.
- The District overfunded the reserves for more than permitted by Board resolution.
- The District made unbudgeted transfers at year-end to reserves.

4. Financial Management (Cont.)

- The District improperly overstated fiscal year-end encumbrances.
- The surplus fund balance exceeded the 4 percent statutory limit as per Real Property Tax Law §1318.

3. Purchasing and Procurement

- District officials did not always have written agreements for professional service providers.
- The District did not seek competition for professional service providers.
- The District approved purchases as a sole source provider without confirming the purchase met these requirements.

3. Purchasing and Procurement (Cont.)

- The District did not seek competition for public works projects. Project proposals lacked sufficient detail or were not submitted to the Director of Facilities for approval.
- The Board of Education and District officials did not develop adequate purchasing policies and procedures or update the purchasing policy.
- Contract award and pricing information were missing on supporting documentation for purchases.

2. Claims Processing

- The District did not ensure an independent individual served as the Claims Auditor. The former Superintendent also served as the Purchasing Agent and audited and approved claims.
- Claims were not always properly authorized and lacked supporting documentation.
- The Claims Auditor did not determine if the claims were valid, billed correctly and complied with the purchasing policy.

2. Claims Processing (Cont.)

- The District had BOCES claims audited by a BOCES Claims Auditor that was not independent of the claims process.
- The Claims Auditor did not audit and approve claims before payment as required.

1. Information Technology

- The Board and District officials did not adopt an adequate password security policy.
- The District did not monitor compliance with the computer acceptable use policy and did not maintain a current authorized user list.
- The District did not periodically compare installed software to authorized software inventory records.
- District officials did not develop written procedures for granting, changing and revoking user access to the overall network.

1. Information Technology (Cont.)

- The District did not ensure procedures were followed to communicate network user account changes to the vendor.
- District officials did not provide information technology awareness training for all District employees who utilize District information technology.
- The District did not establish sufficient procedures such as an inventory of personal private and sensitive information (PPSI).

1. Information Technology (Cont.)

- The District had network user accounts that allowed the users to install software on their computers without authorization.
- The District did not properly maintain electronic records as per applicable legal and regulatory requirements.
- The District's service level agreement with the District's information technology service provider did not clearly identify the provider's responsibilities and services.

1. Information Technology (Cont.)

- Personal internet use was found on computers assigned to employees who routinely accessed personal, private and sensitive information (PPSI). The Board did not adopt a disaster recovery plan and ensure it was comprehensive, distributed and tested. The District did not post required information such as external audit reports, original and final annual budgets and Board meeting minutes.

Common Mistakes, Errors or Omissions in the Preparation of Financial Statements Per State Education Department

Management Letter and Corrective Action Plan

- Not submitted by the District.
- Corrective action plan did not provide a specific plan to address issues.
- Corrective action plan for Single Audit or yellow book findings not submitted or do not contain the required elements.

Management Discussion and Analysis

- Did not include all elements required by GASB Statement No. 34.
- Discrepancies with other sections of the prior and current year financials.
- Insufficient analysis of changes in net position, fund balances or budget.
- Appears to be prepared by auditor.
- Did not include the name of contact person.

Government-Wide Financials

- Long-term liability balances differ from balances in footnotes.
- Net investment in capital assets does not agree with supplemental schedule.
- Depreciation expense and employee benefit expense not allocated between functions/programs.
- Insufficient disclosures for prior period adjustments.

Fund Level Financial Statements

- Debt service not classified as principal and interest.
- Reserves not authorized by General Municipal Law or Education Law.
- Reconciliation between fund statements and district wide financials incomplete or inaccurate.

Notes to Financials

- Beginning balances do not agree with ending balances from prior year financials.
- Capitalization thresholds not reasonable or missing.
- Lack of or insufficient disclosures for short term debt.

Notes to Financials

- Reversals and accruals of interest not disclosed.
- Inadequate disclosures of interfund transactions.
- Fund balance was over 4% limit for unassigned fund balance and not disclosed.
- Deficit fund balance was not disclosed.

Supplemental Schedules

- Expenditures exceed available appropriations.
- Capital projects not broken down by project number and could not be verified to capital projects data submitted on the ST-3.
- Calculation of unrestricted fund balance limits not properly calculated.
- Net Investment in Capital Assets did not agree to Statement of Financial Position.

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Questions???

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