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Board of Education
Hicksville Union Free School District
200 Division Avenue
Hicksville, NY 11801

Re: Internal Audit Report

Board of Education:

We have performed internal audit services for Hicksville Union Free School District applicable to various key controls within the Business Office. The services we performed include testing, reviewing and evaluating internal controls pertaining to selected transactions and accounting functions within the Business Office of the District. Enclosed within this correspondence are individual internal audit reports for work performed to date in the following audit areas:

- Bank Reconciliations**
- Budget Transfers**
- Cash Receipts**
- Journal Entries**
- Transportation Contracts**
- User Permissions**

If you have any questions or you would like to discuss this matter further, please contact our offices.

Very yours,

Nawrocki Smith LLP

Nawrocki Smith LLP

Risk Rating Definitions:

Inherent Risk – Inherent risk is the risk of a material misstatement in the un-audited information assuming the absence of internal control procedures. Inherent risk includes any risk arising from fraud. As with other risks, inherent risk may be evaluated at various levels of aggregation (e.g. financial statement level, account balance assertion level) and at various stages during the course of the audit (e.g. client acceptance/retention state, audit planning stage, etc).

***Inherent Risk** is particular to the area being reviewed if there were no controls in place. Thus, if there were no control procedures in place pertaining to the particular area, what is the risk of a material misstatement?*

Control Risk – Control risk is the risk that a material misstatement in the un-audited information will not be detected and corrected by management’s internal control procedures on a timely basis. Auditors evaluate control risk at the account balance assertion level based on a detailed knowledge of the client’s business. Auditors may evaluate this risk in the second, third, and fourth audit stages, namely the audit planning, control testing, and substantive testing stages.

***Control Risk** is particular to the District’s controls currently in place in the area being reviewed. Thus, what is the risk of a material misstatement with the control procedures currently in place?*

Audit Opinion- Based upon the audit work performed and our assessment of the controls within each particular audit area an audit opinion is provided for each audit area from one of the following three (3) categories:

Satisfactory: Controls are operating effectively

Needs Improvement: Controls need improvement for effectiveness

Unsatisfactory: Controls are unacceptable and need immediate improvement

INTERNAL AUDITOR'S REPORT

Hicksville Union Free School District

Bank Reconciliations and Treasurer's Reports

November 2019

Inherent Risk Rating: High

Control Risk Rating: Low

Audit Opinion: Satisfactory

Purpose/Objectives:

Bank reconciliations and Treasurer's Reports show the relationship between the recorded cash inflow and outflow and the actual cash inflow and outflow. For that reason, it is imperative to monitor this relationship to identify and rectify outstanding and unusual items in a timely manner. Documented, knowledgeable oversight of the bank reconciliations and Treasurer's Report can increase the District's control over its resources. Testing procedures were conducted to assess the processing and maintenance of the bank reconciliations and the Treasurer's Reports.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Review for mathematical accuracy
- Determine if bank balances agree to bank statements
- Determine if book balances agree to general ledger balances
- Review for old outstanding items and any unusual reconciling items
- Determine if information from the bank reconciliations agree to the Treasurer's Reports
- Evaluate the sufficiency of supporting documentation
- Determine if beginning book balances agree to the prior month's ending book balance
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

Scope:

We analyzed one hundred percent (100%) of bank reconciliations, totaling thirteen (13) bank accounts and monthly Treasurer's Reports, for the months of August and September 2019 against the objectives noted above.

Observation

We noted that all bank reconciliations for the period selected were in compliance with the objectives noted above. Treasurer's Reports were prepared accurately and submitted to the Board of Education on a timely basis.

➤ *No recommendation at this time.*

Audit Comment:

The District's controls surrounding the bank reconciliation and Treasurer's Report function are operating effectively.

INTERNAL AUDITOR'S REPORT
Hicksville Union Free School District

Budget Transfers
December 2019

Inherent Risk Rating: High

Control Risk Rating: Low

Audit Opinion: Satisfactory

Purpose/Objectives:

The objective of budget transfer testing is to ensure that transfers are being properly approved and completed in accordance with District policy. It must also be ensured that budget transfers are in conformance with the restrictions of Section 170.2(1) Commissioners Regulations and Chapter 436 of the Laws of 1997, regarding transfers to and from non-contingent expense codes. Documented oversight of budget transfers, that is both consistent and reliable, can increase the District's control over this process and reduce the likelihood of error or misappropriation. Testing procedures were conducted to assess the processing and maintenance of budget transfers.

The objectives of the testing were to:

- Ensure compliance with District policies and procedures
- Ensure that proper supporting documentation was attached to each transfer
- Ensure proper approval in accordance with transfer amount
- To trace and agree supporting documentation to Budget Transfer Report
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

Scope:

We analyzed fifteen (15) budget transfers for the months of July through November 2019 to ensure that the District is in compliance with Section 170.2(1) of the Commissioners Regulations and Chapter 436 of the Laws of 1997 and the objectives noted above.

Observation

We noted that all budget transfers tested were in accordance with the testing objectives noted above.

- *No recommendation at this time.*

Audit Comment:

The District's controls surrounding the budget transfer function are operating effectively.

INTERNAL AUDITOR'S REPORT

Hicksville Public Schools

Cash Receipts February 2020

Inherent Risk Rating: High
Control Risk Rating: Low
Audit Opinion: Satisfactory

Purpose/Objectives:

Cash receipts consist of cash and checks received by the District as a source of revenue to offset certain expenses. Cash receipts include, but are not limited to, cash and checks received for field trips, health insurance, out of district tuition, use of facilities, and donations. Documented, knowledgeable oversight and proper segregation of duties of the cash receipts process can increase the District's control over its resources. Testing procedures were conducted to assess the processing and maintenance of the cash receipts.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Verify that the cash receipt report agrees to deposit slips
- Verify that the cash receipt report agrees to bank statements
- Verify that the cash receipt report agrees to the cash log book
- Verify that cash receipts are deposited in a timely manner
- Verify that the cash receipt report is periodically reconciled to the cash log book
- Verify the proper classification of cash receipts
- Determine the sufficiency of supporting documentation
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

Scope:

We selected twenty five (25) cash receipts for the months of July through October 2019 in order to test that the District's handling of cash receipts is in compliance with the objectives outlined above.

Observation

We determined that all cash receipts selected for testing were in compliance with our objectives noted above.

- *No recommendation at this time.*

Audit Comment:

The District's controls surrounding the cash receipt function are operating effectively.

INTERNAL AUDITOR'S REPORT

Hicksville Public Schools

Journal Entries

April 2020

Inherent Risk Rating: High
Control Risk Rating: Low
Audit Opinion: Satisfactory

Purpose/Objectives:

Journal entries include a wide range of infrequent or perhaps unexpected transactions. Documented oversight of the general journal, that is both consistent and reliable, can increase the District's control over its journal entries and reduce the likelihood of error or misappropriation. Testing procedures were conducted to assess the processing and maintenance of journal entries.

The objectives of the testing were to:

- Ensure compliance with District policies and procedures
- Ensure proper approval was obtained prior to processing
- Evaluate the sufficiency of supporting documentation
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

Scope:

We analyzed fifteen (15) journal entries for the months of July 2019 through November 2019 and tested each against the audit criteria above.

Observation

We noted that all journal entries tested were in compliance with the objectives outlined above.

- *No recommendation at this time.*

Audit Comment:

The District's controls surrounding the journal entry function are operating effectively.

INTERNAL AUDITOR'S REPORT
Hicksville Union Free School District

Transportation Contracts
March 2020

Inherent Risk Rating: High
Control Risk Rating: Low
Audit Opinion: Satisfactory

Purpose/Objectives:

Transportation contracts and extensions are awarded on a school year or annual basis, if summer services are included in the contract. The District properly bids for transportation services. All transportation contracts must be approved by the New York State Education Department once they are approved by the District. Proper oversight of contracts and subsequent invoicing by the vendor is necessary to ensure filing deadlines are met, contracts are approved, and invoices agree to the contracted rates.

The objectives of the testing were to:

- Evaluate internal controls for overseeing transportation contracts
- Determine that transportation contracts have been approved by all required parties
- Determine if invoices agree to contracted rates
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

Scope:

We reviewed the transportation contracts for all District vendors, three (3) in total, to determine if the contract was properly approved and filed timely. We also reviewed the November 2019 invoices for these vendors to determine that the rates charges agree to the contract.

Observation

We noted that the contracts were properly approved and filed timely. We also noted that the rates charged on the November 2019 invoices agreed to the contracted rates.

➤ *No recommendation at this time.*

Audit Comments:

The District's controls surrounding transportation contracts are operating effectively.

INTERNAL AUDITOR'S REPORT

Hicksville Union Free School District

nVision User Permissions *March 2020*

Inherent Risk Rating: High
Control Risk Rating: Low
Audit Opinion: Satisfactory

Purpose/Objectives:

Financial application security involves properly protecting the information contained in the District's financial application. Limiting employee access to certain areas within the financial application and ensuring that there are proper segregation of duties surrounding the ability to add, modify, approve, and delete certain types of data can decrease the risk of unauthorized transactions or manipulation of data. Therefore, it is imperative to monitor and control employee access to the financial application.

The objectives of the testing were to:

- Evaluate internal controls for the District's financial management system including proper segregation of duties and appropriate permissions to the respective nVision modules
- Determine that all active users of nVision are current employees or consultants for the District
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

Scope:

We obtained the *User Permission Report* from the nVision financial application as of February 4, 2020, consisting of one hundred eleven (111) active user accounts. We compared the *User Permission Report* to the District's active employee listing to determine the employment status of nVision users. We also analyzed the permissions assigned to each user to determine if permissions were in line with expected job responsibilities.

Observation and Recommendation #1

We noted twenty nine (29) users whose permissions appear to conflict with or not be necessary for their expected job responsibilities. Three (3) of these users appeared to have modify permissions in a conflicting module and the remaining twenty six (26) permissions were regarding access to requisition approval paths. Mitigating controls are in place to prevent or detect unauthorized transactions.

- *We recommend that the District review the permissions assigned to the users identified and determine if adjustments are needed.*

Audit Comments:

The District's controls surrounding nVision user permissions are operating effectively. However, the implementation and reinforcement of the recommendation noted above will provide for an increased control environment.