

**HOMER CENTRAL SCHOOL DISTRICT**

**FINANCIAL RISK ASSESSMENT**

**For Year Ended June 30, 2015**

**Raymond F. Wager, CPA, P.C.**  
**Certified Public Accountants**

**Shareholders:**

**Raymond F. Wager, CPA**  
**Thomas J. Lauffer, CPA**  
**Thomas C. Zuber, CPA**

Members of  
American Institute of  
Certified Public Accountants  
and  
New York State Society of  
Certified Public Accountants

April 22, 2015

To the Members of the Audit Committee  
Homer Central School District, New York

We have performed the procedures enumerated below, solely to assist the Homer Central School District Board of Education with evaluating the District's internal control structure and completion of a financial risk assessment in accordance with the Five Point Plan Legislation.

The objective of the financial risk assessment was to review the internal control structure that the District has in place to prevent errors, detect fraud and ensure that financial reporting is accurate and not misleading. In conducting the financial risk assessment we considered significant classes of assets and transactions. We interviewed key staff to obtain an understanding of the financial processes.

The procedures performed were as follows:

1. Through the use of flowcharts, narratives and questionnaires we have documented our understanding of the District's key financial internal controls over the following business office cycles:
  - a. Policies and procedures adopted by the Board
  - b. Procurement, bidding and cash disbursements, including the role of the claims auditor
  - c. Personnel and payroll processing
  - d. General ledger maintenance
  - e. Centralized and decentralized cash receipt procedures
  - f. Fixed asset accounting
  - g. Extraclassroom accounting
2. We reviewed the following District records:
  - a. Financial statements for the years ended June 30, 2013 and June 30, 2014.
  - b. Management letters for the years ended June 30, 2013 and June 30, 2014.
  - c. Current and prior year's budget
  - d. Policy manuals
  - e. Employee directory and organizational chart
  - f. Board minutes.

3. We interviewed the following individuals:

- |   |                                    |
|---|------------------------------------|
| a. Superintendent                               | i. Transportation Supervisor       |
| b. Jr. High School Principal                    | j. School Lunch Manager            |
| c. Director of Business and Finance             | k. Athletic Director               |
| d. District Treasurer                           | l. Information Technology Director |
| e. Superintendent of Building and Grounds       | m. Payroll Clerk                   |
| f. Grants Coordinator, Title Grants             | n. Accounts Payable Clerk          |
| g. High School Extraclassroom Central Treasurer | o. Tax Collector                   |
| h. Jr. High Extraclassroom Central Treasurer    | p. Claims Auditor                  |

4. We have prepared our risk assessment document (Attachment A) identifying internal control weaknesses, the associated assessment of risk together with recommendations for improvements. The risk assessment rating (low, medium, high) was based on the following criteria:

- a. Materiality of Potential Misstatement of Financial Statements
- b. Opportunity for Personal Gain
- c. Public Sensitivity/Trust

As noted, the purpose of our engagement was to assist you in improving the process by which you monitor and manage the risks that face your District. However, it is ultimately your responsibility to assess the adequacy of your risk management system.

We suggest the next step in the process would be to develop an internal audit plan utilizing the risk assessment document. The plan should include selection of at least one high risk area for detailed testing and development of a corrective action plan addressing each of the findings listed in the risk assessment document.

In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited, examined, or reviewed the information, and therefore, express no assurance on it. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Homer Central School District Board of Education and is not intended to be and should not be used by anyone other than those specified parties.

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We would like to express our appreciation to the District's staff for all the courtesies extended to us during the course of our engagement. If you have any questions regarding the above items, please do not hesitate to call.

*Raymond J. Weger, CPA, PC*

April 22, 2015

**HOMER CENTRAL SCHOOL DISTRICT  
RISK ASSESSMENT FOR THE YEAR ENDED JUNE 30, 2015  
SUMMARY OF PRIOR YEAR RISK ASSESSMENT FINDINGS - CORRECTIVE ACTION TAKEN**

<u>Internal Control Process Area</u>	<u>CORRECTIVE ACTION TAKEN</u>
<u>Payroll:</u>	
Segregation of Duties	Payroll checks are no longer returned to the Payroll Clerk for distribution after they are printed by BOCES.
Tracking of Time Off	The District has implemented procedures to review and ensure regular bus drivers time sheets are accurately filled out when a substitute driver is used.
<u>Procurement and Payables:</u>	
Claims Auditor	We confirmed that the Claims Auditor prepares written reports that are provided to the Board of Education. In addition, the Claims Auditor now meets with the Board.
Cash Disbursements	Original invoices and vendor statements were attached to all voucher packets we examined at the CBO.
<u>Fixed Assets</u>	
IT Equipment	Our examination revealed that the IT equipment listing was updated in a timely manner during the 2014-15 fiscal year.
<u>Financial Reporting</u>	
Budget Transfers	The Superintendent now approves all budget transfers under \$10,000. In addition, all budget adjustments are presented to the Board monthly.
<u>Oversight</u>	
Fund Balance Projection	The District's unassigned fund balance did not exceed the 4% cap outlined in Real Property Tax Law (Code Section 1318).

**HOMER CENTRAL SCHOOL DISTRICT  
RISK ASSESSMENT FOR THE YEAR ENDED JUNE 30, 2015  
SUMMARY OF PRIOR YEAR RISK ASSESSMENT FINDINGS - PENDING CORRECTIVE ACTION**

<u>Internal Control Process Area</u>	<u>PRIOR YEAR FINDINGS PENDING CORRECTIVE ACTION</u>	<u>Risk Level</u>	<u>Recommendations</u>
<u>Payroll:</u>			
Segregation of Duties	We reviewed the job duties of the Payroll Clerk, as well as her levels of access in the accounting system and noted that W-2 Forms returned to the District are investigated by the Payroll Clerk.	Low	We recommend that an individual who is not involved in the processing or authorization of payroll be assigned the duties of investigating W-2 Forms returned to the District.
<u>Oversight:</u>			
Long-Term Budget Projection	At the time of our procedures, the District had an updated 5-year budget projection. The Administration is working on evaluating the budget, including the use of reserves.	Low	The Administration should continue to investigate whether other sustainable sources of revenue might be available or identify additional cost reductions rather than relying too heavily on appropriated reserves and fund balances.
Written Administrative Procedures	The District does not have written Business Office procedures for all financial cycles.	Low	The Business Office should review this item to determine the necessary action required to adopt written procedures for these areas.
<u>School Lunch:</u>			
Inventory	Based upon our discussions with school lunch management, we noted that inventory is maintained on a periodic basis due to the nature of items in inventory, which makes a perpetual inventory impractical. However, we noted the following: <ul style="list-style-type: none"> <li>* While physical inventory counts are performed monthly, there is no formal documentation to support adjustments to inventory records based upon the results of the counts.</li> <li>* Although our discussions with the School Lunch Manager indicate that it is possible to compare changes in inventory to estimates based upon meals served during a particular month, there is no formal documentation that this analysis is being performed to detect expected variances.</li> </ul>	Low	We recommend that adjustments to inventory records based upon the results of physical counts be reviewed and authorized by management, and that documentation be maintained to support the adjustments. In addition, a process should be developed to perform a monthly analysis of meals served to inventory used, and that this analysis be reviewed by an individual other than the preparer.

**HOMER CENTRAL SCHOOL DISTRICT  
RISK ASSESSMENT FOR THE YEAR ENDED JUNE 30, 2015  
SUMMARY OF PRIOR YEAR RISK ASSESSMENT FINDINGS - PENDING CORRECTIVE ACTION**

<b><u>Internal Control Process Area</u></b>	<b><u>PRIOR YEAR FINDINGS PENDING CORRECTIVE ACTION</u></b>	<b><u>Risk Level</u></b>	<b><u>Recommendations</u></b>
<i>Fixed Assets:</i>			
Physical Inventory	<p>Our examination of the process for tracking and safeguarding fixed assets revealed the following:</p> <ul style="list-style-type: none"> <li>* There are no procedures currently in place to update fixed asset records for the movement of equipment between locations (excluding IT equipment).</li> <li>* There is no process to perform periodic physical inspections of assets to confirm existence, location, condition, and whether the asset is properly tagged as District property.</li> </ul>	Low	We recommend the Administration consider developing procedures for updating fixed asset records for the movement of assets between locations. In addition, the Administration should consider implementing a process for the periodic inspection of assets, along with the tagging of all District owned assets.
<i>Procurement and Payables:</i>			
Vendor Quotes	<p>While we commend the District for updating its purchasing policies to comply with recent changes in bidding law, we noted that the District's purchasing regulation, was not updated to reflect changes in bidding thresholds as provided by General Municipal Law (GML) (i.e., \$20,000 for equipment, materials or supplies, and \$35,000 for public works projects). In addition, the thresholds for quoting have not been updated.</p>	Low	We recommend the Administration review the purchasing regulation and increase the bidding thresholds in accordance with GML. In addition, quotation thresholds should be updated as well.
<i>IT Computer Controls:</i>			
Access Rights	<p>During our walkthrough procedures we noted that the Business Office secretary appeared to have access rights to incompatible functions in the FM system and has multiple user ID's.</p>	Low	We recommend the Administration review these levels of access and remove access to any functions not needed based upon current job duties.
Insurance	<p>The District maintains fidelity, fleet, and property/equipment damage insurance, however, a summary of coverage is not prepared and shared with the Board of Education annually.</p>	Low	It is our understanding that coverage will be reviewed with the Board as part of the District's process to review proposals from carriers.

**HOMER CENTRAL SCHOOL DISTRICT  
RISK ASSESSMENT FOR THE YEAR ENDED JUNE 30, 2015  
SUMMARY OF CURRENT YEAR RISK ASSESSMENT FINDINGS**

<u>Internal Control Process Area</u>	<u>CURRENT YEAR FINDINGS</u>	<u>Risk Level</u>	<u>Recommendations</u>
<u>Oversight</u>			
Investment Policy	The Board approves the District's investment policy on an annual basis and authorizes the financial institutions in which the District can maintain funds. However, the Board does not specify the maximum amount that may be maintained on deposit with any one financial institution.	Low	We recommend the Board include maximum amounts that may be deposited with specific financial institutions in its annual resolution, in accordance with General Municipal Law (GML).
Online Banking	Our examination revealed the District's investment policy requires two individuals to be involved in all wire transfers. Per discussion with the District Treasurer, we noted that she can make transfers up to \$500,000 without another individual approving the transfer online.	Medium	We recommend the District review this situation to ensure compliance with the provisions of the District's on-line banking policy.
<u>Extraclassroom:</u>			
Change Funds	A change fund was established by a check made payable to the Central Treasurer	Low	We recommend all change funds, deemed necessary, be established by a check made payable to the Faculty Advisor and at the end of the event or at year end, the change fund should be re-deposited into the extraclassroom bank account.
IRS Form 1099	Our examination revealed that the process for issuing IRS Form 1099 to vendors paid in excess of \$600 did not appear to be followed by the Central Treasurer of the Intermediate School and Junior High School.	Low	We recommend the District review the current procedures being followed in order to develop the appropriate corrective action for compliance with IRS regulations.
<u>Receipts &amp; Receivables</u>			
Segregation of Duties	One individual is responsible for billing and collecting retiree health premiums.	Medium	We recommend the District implement procedures which would require two individuals to be involved in this process.
<u>Procurement and Payables:</u>			
Bidding Procedures	Our examination revealed one instance in which a tractor was purchased from a vendor quote, however, the purchase price exceeded the competitive bid threshold when trade-in value is not considered.	Low	We recommend the District review its procedures to ensure compliance with the bidding requirements included in General Municipal Law.