

HOMER CENTRAL SCHOOL DISTRICT

FINANCIAL RISK ASSESSMENT

For The Year Ended June 30, 2017

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

June 20, 2017

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, 2015 and June 30, 2016.
 - b. Management letters for the years ended June 30, 2015 and June 30, 2016.
 - 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:

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|---|------------------------------------|
| a. Superintendent | i. Transportation Supervisor |
| b. 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 F. Wager, CPA, PC

June 20, 2017

**HOMER CENTRAL SCHOOL DISTRICT
RISK ASSESSMENT FOR THE YEAR ENDED JUNE 30, 2017
SUMMARY OF PRIOR YEAR RISK ASSESSMENT FINDINGS - CORRECTIVE ACTION TAKEN**

Internal Control Process Area

CORRECTIVE ACTION TAKEN

Oversight:

Long-Term Budget
Projection

The District has experienced increases in fund balance over past two years and is projecting an increase for 2016-17. The 2017-18 budget includes reduced appropriations and reduced reliance on appropriated reserves.

Payroll:

Segregation of Duties

Undelivered W-2 forms are now returned to the internal claims auditor rather than the payroll clerk.

Receipts & Receivables:

Segregation of Duties

The process for billing and collecting retiree health premiums has been segregated between two separate individuals.

**HOMER CENTRAL SCHOOL DISTRICT
RISK ASSESSMENT FOR THE YEAR ENDED JUNE 30, 2017
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>Oversight:</u>			
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>Fixed Assets:</u>			
Physical Inventory	Our examination of the process for tracking and safeguarding fixed assets revealed that there are no procedures currently in place to update fixed asset records for the movement of equipment between locations.	Low	We recommend the Administration consider developing procedures for updating fixed asset records for the movement of assets between locations.
<u>Oversight:</u>			
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	Change funds are established by a check written to the Principal rather than to the Faculty Advisor.	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.

**HOMER CENTRAL SCHOOL DISTRICT
 RISK ASSESSMENT FOR THE YEAR ENDED JUNE 30, 2017
 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>Extraclassroom (Continued):</u>			
IRS Form 1099	Based upon our discussions with staff there is no clear process being followed for the issuance of IRS Form 1099 to vendors paid in excess of \$600 in a calendar year out of the extracurricular accounts.	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>Cash Disbursements:</u>			
Purchase orders	While examining a sample of cash disbursements we identified ten instances where a claim form was used when a purchase order may have been more appropriate.	Low	We recommend that whenever possible, purchase orders should be obtained prior to placing orders with vendors.
<u>Claims Audit:</u>			
Check log	While the Claims Auditor does compare checks to warrants to ensure completeness of the vouchers provided, the beginning check number on the warrant is not compared to the prior warrant to insure continuity.	Medium	We recommend the Claims Audit process include procedures, such as a check log, to verify the numerical sequence of checks issued.