

HOMER CENTRAL SCHOOL DISTRICT

ENGAGEMENT LETTER

FOR

INTERNAL AUDIT SERVICES

For Fiscal Year Ended June 30, 2018

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

December 5, 2017

Mr. Michael Falls, Director of Finance and Business
Homer Central School District
80 South West Road
P.O. Box 500
Homer, New York 13077

Dear Mr. Falls:

We are pleased to confirm our understanding of the services we are to provide for the Homer Central School District. We will perform the internal audit function in accordance with Section 170.12 of the Commissioner's Regulations for the fiscal year 2018. Our internal audit plan is as follows:

Internal Audit Plan

Step 1 – Financial Risk Assessment

Financial Control Cycles -

During the risk assessment phase of the engagement we will update and document our understanding of the District's internal controls over the financial control cycles listed below:

- Policies and procedures adopted by the Board.
- Cash.
- Expenditures and accounts payable, including the role of the claims auditor.
- Revenue and receivables
- Personnel and payroll processing.
- General ledger maintenance and bank reconciliation process.
- Computerized accounting system.
- Centralized and decentralized cash receipt procedures.
- Fixed asset accounting.
- Extraclassroom accounting.
- State and Federal grant programs.
- Indebtedness.
- Long-Term financial planning.
- School Lunch operations.

Documentation of these control cycles will be accomplished through the use of questionnaires, flow charts and procedural narratives. A written summary will then be thoroughly reviewed with District personnel to ensure the accuracy and completeness of our understanding of these controls. We will also perform walk-through procedures to ensure controls are functioning as expected. When assessing risk over the financial controls identified, we will consider the following systems and procedures as material to the assessment process:

(Internal Audit Plan) (Continued)

- a. Independent review/segregate of duties
- b. Nature or complexity of function.
- c. Competency of personal/years in position.
- d. Oversight and monitoring.
- e. Regulatory review
- f. Potential for fraud
- g. Volume and dollar value of transactions.
- h. Systems to independently reconcile data
- i. Completeness of documentation.
- j. State and Federal compliance

A partial list of the documents to be requested will include:

- 1. Copies of the two most recent:
 - a. Management letters and corrective action plans
 - b. Financial statement audits
 - c. Extraclassroom audit reports
 - d. The New York State Comptroller's audit report (if it has been completed and issued)
 - e. Any other communications of findings not included in the management letters
 - f. External auditor adjusting journal entries
 - g. Prior year risk assessment report
- 2. Copies of the most recent:
 - a. Budget brochure (for current fiscal year)
 - b. SBM1 (if prepared)
 - c. FS-10, FS-25, FS-10F for Title I and Section 611 grants
 - d. Month ended journal entries for all funds
- 3. Copies of relevant policies (such as):

Purchasing	Reserves	Federal fund reporting
Travel reimbursement	Insurance coverage	Extraclassroom accounting
Cash receipts	Credit cards	Investments
Fixed assets	Meal and refreshment reimbursement	Billing
Budgeting	Fund balance and fund balance projection	School tax collections
Whistleblower		

- 4. Copies of all board minutes for the current fiscal year.
- 5. Written job descriptions for:
 - a. Business office personnel
 - b. Other individuals with cash handing responsibilities
- 6. Updated organizational chart
- 7. A listing of names and phone extensions for individuals typically interviewed:

Superintendent	Payroll Clerk	Federal Coordinators
Principals	Treasurer	School Lunch Manager
Business Administrator	Buildings & Grounds Director	Central Treasurers of the Extraclassroom Accounts
Accounts Payable Clerk	Transportation Director	Athletic Director
Claims Auditor	(IT) Program Coordinator	

Risk Assessment Reporting -

Upon gaining a thorough understanding of the District's current financial operations, and other factors, both internal and external, we will assess risk for each identified financial control cycle as either low, medium or high. The risk assessment rating will be based upon the following criteria:

- a. Materiality of potential misstatement of financial statements.
- b. Opportunity for personal gain.
- c. Public sensitivity/trust.
- d. Overall best practices.

Our risk assessment will also identify risk areas within a financial control cycles. For example, the control cycle identified as revenue and receivables would include a detailed review of the school lunch cash collection procedures and any identified risk noted in that area. Similarly, the cycle for expenditures and payables would include evaluating controls over credit card usage, payments to individuals, and meal and conferences.

The final step in this process will be to compile all risk areas identified into a written comprehensive risk assessment document. This document will then be reviewed with the audit committee/board to assist in identifying areas for more in-depth testing. This document will also provide recommendations to assist the District with minimizing risk.

Step 2 – Internal Audit Testing

Utilizing the Risk Assessment document, we will review with the Board/Audit committee the cycles considered to be of the highest risk and develop a plan to perform detailed testing for those areas. This testing will be documented through a separate Agreed-Upon Procedures Engagement Letter. Once the areas to be tested have been fully identified, the Agreed-Upon Procedures Engagement Letter will outline the specific procedures for selecting transactions to be tested, the number of transactions to test, and the documentation to be reviewed.

After completion, of Step 2, a report to the Board will be prepared summarizing the results of the testing of the high risk areas and final recommendations for improvements to the District's internal accounting control structure.

We will provide an immediate written report of all irregularities and illegal acts or indications of illegal acts of which we become aware to the Audit Committee.

Audit Fees and Other

Our fee to complete the above Internal Audit services risk assessment as required by the regulations will not exceed \$6,100. If your Board would require areas tested, the charge would be at \$85 per hour plus expenses (not to exceed \$3,500).

If the above terms are acceptable, please sign the enclosed copy where indicated below and return it to us. If you have any questions concerning the items discussed, please do not hesitate to call.

Sincerely,
Raymond F. Wager, CPA, P.C.



Raymond F. Wager

Accepted By: _____

Dated: _____