



CITY SCHOOL DISTRICT of ALBANY

Office of Business Affairs

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District Responses to the 2016-17 Internal Audit February 7, 2018

Each year, the District is audited by two separate CPA firms. Internal auditors (this audit) examine issues related to school district business practices and risks, while external auditors examine the financial records and issue an opinion regarding the financial statements of the school district.

Many of the areas below containing recommendations are based upon best practices in the field. As discussed with the District's Audit/Finance Committee and the auditors in reviewing the audit report, it is sometimes not practical to implement the best practices in every instance due to real-world circumstances such as high-volume, required turn-around times, or not having the resources available to increase administrative staffing to perform such functions. However, throughout Marvin and Company's *2016-17 Risk Assessment Report* you will note "compensating control" sections which represent practices in place that alleviate the auditor's concerns of any significant risks in District operations.

Payroll

Recommendation: *Access to limit pay rate changes to one individual in the department.*

Response: This is not feasible due to the magnitude of changes and adjustments that occur each payroll. The Director of Business Operations does review and signoff on the audit/change report that is run with each payroll. In the absence of the Director of Business Operations, the Deputy Superintendent of Business and Finance can perform this task.

Recommendation: *School-based substitutes should document who they sub for and be matched with teacher's attendance sheet to ensure that teacher's use of personal, sick, and conference days are recorded appropriately.*

Response: The Business Office revised the substitute service sheets to require the buildings to record who the substitute is replacing. Due to the high volume of positions needing substitutes daily, many slots cannot be filled each day. This results in the number of substitutes being paid daily to be less than the total number of teacher absences. Teachers enter their absences directly into the Absence Management System which triggers a call for a substitute, this also results in the

VISION STATEMENT

The City School District of Albany will be a district of excellence with caring relationships and engaging learning experiences that provide equitable opportunities for all students to reach their potential.

MISSION STATEMENT

We will work in partnership with our diverse community to engage every learner in a robust educational program designed to provide the knowledge and skills necessary for success.

teacher absence being recorded. In the event the teacher does not report their absence, the building designee records it for them and also attempts to assign a substitute.

Cash Disbursements

Recommendation: *The Purchasing Agent should continue to monitor purchases made without a purchase order and ensure the purchasing department is kept apprised of situations when purchase orders were not used and did not meet the criteria of an urgent or unexpected purchase.*

Response: As recommended, the Purchasing Agent is continuing to monitor purchases made without a purchase order and to communicate with individuals who are purchasing without a purchase order for situations that did not meet the criteria of an urgent or unexpected purchase. The Purchasing Department has been focused on this for the past two or three years and does follow-up with staff in the field to remind them of the process for purchasing.

Recommendation: *There should be a policy relating to how claim forms are assigned an invoice number in nVision, so they are input the same way every time. That way when the Purchasing Agent types in that assigned invoice number, nVision would notify you if this invoice has been paid already.*

Response: The Purchasing Office has been instructed and advised on how to assign invoice numbers to claims for payments when no invoice number exists. These situations commonly occur for the game fees of sports officials (assigned by the suburban council), and employee's claims for reimbursement for travel between buildings. A coding scheme such as "2/16/17 V basketball" or "travel 5/1/17 to 5/31/17", etc. could be assigned to a specific claim (invoice). While we currently do some form of this, the key is consistency. This way, if an individual submitted a second claim for the same game or travel reimbursement, the computer system would know that it's a duplicate invoice. In response to the audit, the Business Office did consider the idea of printing pre-numbered claim forms. However, given that the claim forms are received by the Purchasing Department from various individuals from within and outside the organization (that change constantly), the administrative time and costs associated with disbursing and providing customer service in this area seems to outweigh the benefit. The Business Office will continue to be open to discuss and possibly find a practical solution to further improve in this area. In the most recent conversations with the auditors, it seems that by the Business Office issuing an instructional memorandum to the buildings on coding, this finding would be satisfied.

Extra classroom Activity Funds (ECAAF)

Recommendations:

1. *Profit and loss statements should be required for all fundraising events and provided to the Central Treasurer. These statements should be complete and reconcile the actual cash collected to the amount deposited as well as the expenses incurred for each fundraiser. The profit and loss statements should also indicate leftover "inventory" from fundraisers that may be able to be used in future fundraisers.*
2. *Create a policy where the Central Treasurer approves all fundraisers.*

3. *Prior profit and loss statements should be reviewed in determining whether a fundraiser is viable.*
4. *For invoices related to the purchase of goods, packing slips should be reviewed and compared to goods received and signed off on. The packing slips should be maintained with the invoices and other documents retained with the copies of the checks and compared to the invoices to ensure payment is made only for items actually received.*
5. *Pre-numbered tickets should be used whenever possible to assist in ensuring the completeness of cash deposited.*

Response: For informational purposes, it should be stated that extra classroom funds represent non-taxpayer dollars and are maintained by students with the oversight of an advisor (usually a teacher). The advisor and students collect money for certain purposes and then make requests to spend the funds to the Business Office. The Business Office acts as a custodian of the funds. There are approximately 50 different funds (sets of accounting records) that are managed by over 100 individuals in the field; primarily teachers and students. As of 6/30/17 the balance in the accounts is \$192,731. Some examples of the clubs are: art, basketball, fashion, football, gay straight alliance, prisms, robotics, student government, bowling, wrestling, etc.

#1 Profit and loss statements are required to be filled out with each fundraiser. We have made great strides towards getting these filled out for each event. Advisors have been instructed to note on the profit and loss form any remaining inventory from their events and what their purpose will be (future events, donations, etc.).

#2 We will review the process and consider changing it. Currently the faculty advisor is responsible for approving fundraising activities.

#3 These are currently reviewed by the Chief Faculty Advisor on the Fundraising Activity Request sheets. No fundraising events are held that do not turn a profit. In other words, no event results in a monetary loss.

#4 This will be reiterated to faculty advisors. Items are usually shipped to the school or advisors homes.

#5 In 2017 we created an admissions form which requires beginning and ending ticket stubs be attached. Currently the Drama Club uses this form, the Central Treasurer has requested that Marching Band, Class of 2018, and Class of 2019 also use this form to track their admissions. A ticket template has now been shared with all parties so that tickets can be produced for events.

General Ledger Access Levels

Recommendation: The District's IT Department should be the only user with administrative rights. All other users should be given rights only to those modules (and the specific functions within

those modules) that are required to perform their job duties and override privileges should be restricted to only appropriate business office staff. If this recommendation would not be effective other controls should be implemented to monitor employees who have administrative rights that would negate appropriate segregation of duties that are not consistent with general ledger access.

Response: The District's IT professional is currently responsible for setting up/removing/making changes to any accounts; however this is done under the direction of the Business Office. Due to the limitation of the IT department's involvement with the nVision software and their limited knowledge of the voluminous financial industry-specific rights; a Director-level member of the Business Office has maintained administrative rights for the purpose of advising the IT professional with administrative rights of changes to be made at a very detailed level. The Director in the Business Office does not actually make changes. This can be verified by an audit/change report. The Business office will request that the IT Department schedule this audit report to run at least two times annually to verify that the Business Office has not changed any rights. The IT Department will be informed that the audit reports are to be maintained and will be subject to future audits for verification purposes. The District went through a major software upgrade in October of 2017. At the time profile groups were set up by BOCES to streamline an individual's access by placing them in a specified profile group. The IT Department and Business Office will work together to further streamline the groups by job function allowing the Business Office to eventually not need administrative rights.

Claims Auditor Function

Recommendation: *The Claims Auditor should be reporting to the Board monthly with any issues/exceptions or stating that there was nothing of significance to report.*

Response: The Claims Auditor has been completing a monthly report that has been kept on file. Periodically the Deputy Superintendent of Business and Finance has provided this to the Board in a weekly update. The Business Office will implement a process to assure all monthly reports are shared with the Board. The Claims Auditor has recently met the Board's Audit/Finance Committee and is fully aware of the independent role he performs and his ability to communicate with the Board at any given time.

Recommendation: *The Claims Auditor should be maintaining documentation to support the check sequence between warrants and between funds to ensure all checks have been subject to his review.*

Response: The District put this process in place effective July 1, 2017. The actual audit period for the internal audit was for the period July 1, 2016 – June 30, 2017.

Recommendation: *The Claims Auditor should follow Board policies and review the procurement policy.*

Response: The District agrees with the recommendation. The previous Claims Auditor and the recently hired Claims Auditor have been provided with Board policies relating to purchasing as well as Claims Auditor training materials. Additionally SED guidance documents have also been provided.

Recommendation: The Claims Auditor should include a review of the Trust and Agency payroll items by agreeing the transactions to the payroll register totals.

Response: The payroll is audited annually by the External Auditors.

Accounts Receivable Process

Recommendation: The District should consider using the accounts receivable module in nVision instead of using an excel spreadsheet to track accounts receivable. With the Accounts Receivable module, you have access to run aging reports which better track accounts receivable.

Response: The District converted to nVision in October 2017 and will begin to utilize this module.

Scholarships and Memorial Funds

Recommendation: Create a standard form for incoming scholarships or memorial fund donations that include when funds should be released and what criteria should be met.

Response: The District Office is working with the Audit/Finance Committee to develop a recommendation for Board approval. A new policy will be put in place specific to scholarships. Additionally a standard form for incoming scholarships will be developed for internal purposes and shared with appropriate staff.

Recommendation: Create a standard form for disbursements from scholarships or memorial fund donations that include how the recipient of the disbursement has met the approved designations.

Response: For the awards disbursed in June 2017, a newly created form was completed and submitted with each award request. The form lists the award name, awarded amount, criteria, student name and school year awarded. This form will continue to be used for disbursements from scholarships or memorial funds.

Recommendation: For scholarship and memorial funds that do not have any support for the designations, we recommend that there is a procedure in place to set criteria on the funds that met the most likely designations set at the time of the award and keep this documentation going forward.

Response: The District will review this and implement a process.

Benefit Deductions (Selected Testing Area for 2016-17 Audit)

Detailed Testing

A - Results: Noted 14 out of 148 enrollment forms not available for these employees. We verified that they have been in the same Plans since 2004.

Response: HR currently administers benefit information, prior to 2013 it was administered in the Business Office. 2004 is the date all benefits were rolled into our nVision system. HR was able to validate that the 14 individuals are current or retired employees and enrolled in appropriate plans for their position and if applicable, premium payments are occurring.

B - Results: *No exceptions noted.*

Response: The District is pleased with this result.

C - Results:

- *59 out of 148 Subscribers' were retirees and would not have any payroll deductions, however, confirmed payment of premium was received by Benetech.*
- *11 out of the 148 Subscribers' enrolled into their select Plans after the pay period selected for testing and appropriately did not have any deductions in the pay period selected for testing.*

Response: The District is satisfied with these results.

General and Analytical Testing

Results: *None indicated.*

Response: The District is satisfied with these results.