

Minutes: NCSD Board Audit Committee Meeting		Dec. 12, 2014 8:00 a.m. – 9:40 a.m.	District Board Room
Meeting called by	Patricia Lanotte called the meeting to order at 8:00 a.m.		
Type of meeting	Niskayuna Central School District, Board Audit Committee, Regular Meeting		
Note taker	Barbara Mauro		
Attendees	School Board Audit Committee Members: David Apkarian, Patricia Lanotte and Barbara Mauro; Audit committee Community Members Fred Shellard and Michael Foley; Interim Superintendent John Yagielski; Director Business and Finance Carrie Nyc-Chevrier; Accounting Supervisor John Tamburello; Kenneth Ziobrowski, CIA, CFE, Questar III BOCES.		

I. Annual Update of Questar III BOCES Financial Risk Assessment (May 16, 2014):

Overview of meeting: Ken Ziobrowski reviewed the annual update of the financial risk assessment report completed by Questar III BOCES, which had been provided to NCSD on May 16, 2014. A copy of the full report is attached to these minutes.

Ken explained that his office makes suggestions, but it is up to the district to take corrective actions. He asked the committee to consider “what kind of audit do you want next time?”
John Yagielski: staffing adequacies. Fred Shellard: Need to understand the materiality and risk level.

Ken reviewed the report section by section, answering questions during the review. At the conclusion of his review, Carrie Nyc-Chevrier updated the committee on corrective actions made to date.

Background on the reason for the report: The Questar III BOCES cover letter to the report explains the purpose, the legal requirement for the annual updates, and the methodology for carrying out the risk assessment:

“We have completed the annual update of the financial risk assessment for the Niskayuna Central School District. The basis for our current report was the initial financial risk assessment. One of the requirements of the 2005 School Financial Oversight and Accountability legislation is to update the risk assessment annually. Our engagement was designed to revisit the risks identified in the previously issued report and provide a report on the organization’s steps taken to mitigate those risks. As well as identifying new risks as conditions change within the district.

The purpose of the financial risk assessment was to review the internal controls that the district has in

place to prevent errors, detect fraud and ensure that financial reporting is accurate and that the district assets are safeguarded. 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.

We noted some areas where the district could improve the internal control structure. Our recommendations follow in the attached report.”

Pages 1 – 3 of the report: (1) summarized inherent risk areas that impact all school districts; and (2) listed specific functional areas and the **changes** in the risk classification for each functional area from the prior year to the current year for NCSD.

II. Previously identified functional areas of concern and progress to date

Prior Year’s Comments and Recommendations: (1) Cash (Balances, Receipts, and Disbursements) and Credit cards; (2) Extra-classroom; (3) Medicaid Revenues; (4) Purchasing; (5) Board Policies.

(1) (A). Cash (Balances, Receipts, and Disbursements):

Questar III report:

Condition: Segregation of duties issues remain, specifically over cash receipts and disbursements.

Recommended solution: test revised procedures to ensure that controls are adequate and that employees are not performing incompatible job duties.

May 2014 Update: No change to reduce risk; in addition, same person performs the tax and state aid collection accounting entry and performs the reconciliation **without** a second person review.

Carrie Nyc-Chevrier report (Dec 12, 2014 Update): the business office staff at their last monthly meeting discussed addressing issues with cash receipts, including cash receipt accountability issues at the high school (i.e., NHS main office is not using pre-numbered receipts, makes cash deposits; student life guard collects pool admissions cash.)

To address segregation of duties issues at the district office, one employee will be logging receipts, one will be depositing and entering cash receipts and the accounting supervisor will reconcile to the bank statement to create appropriate segregation of duties. To do this, the accounts payable clerk will also be responsible for cash receipts..

Goals: consistency in use of numbered receipts in the buildings, examining the use of online payments, i.e., for parking permits. Purchasing policy: transition from lowest bid to “best value”. Carrie has met with the transportation, facilities and food service departments to review purchasing requirements and to foster relationships.

(B). Credit cards:

Questar III report:

Condition: Credit card policy does not specify authorized users of district credit cards, creating risk of unauthorized use or of an unauthorized line of credit being opened in district's name.

Recommended solution: Board policy should be amended to include approved credit lines, maximum credit limits and authorized users (or board could approve authorized users at the annual organizational meeting.)

May 2014 Update: Board policy includes maximum credit limits on each card.

Carrie Nyc-Chevrier report (Dec 12, 2014 Update): We will follow the recommendation of approving authorized users at our reorganizational meeting.

(2) Extraclassroom:

Questar III report:

Condition: Funds are separate from district funds, but Board of Education is responsible. We are following NYS Education Dept regulations. ISSUE: controls over activity in the extra-classroom fund could be improved. Biggest weakness in many school districts is collection and accountability of cash. Need a faculty auditor.

Recommended solution: Annual training with club advisors and student treasurers; use NYS Education Dept's Finance Pamphlet 2.

May 14 Update: The extra-classroom central treasurer took over the responsibility as of April 2014 but has not received formal training. District has developed forms for documenting accountability of cash at point of sale and for inventory controls, however they may not be consistently used by the clubs.

Condition: Not all clubs maintain a club charter (to ensure that all clubs have been properly approved by the Board of Education), or meeting minutes (to document student involvement and key decisions made by the clubs.)

Recommended solution: Each club needs a charter with: name and purpose of club, advisor, student officers, source and purpose of fundraising. Principal's written approval needed prior to fundraising efforts. Clubs should maintain minutes.

May 14 Update: No change from prior report.

Carrie Nyc-Chevrier report (Dec 12, 2014 Update): has not yet focused on this area.

Discussion: possibility of getting community help for extracurriculars, with district training similar to the training of PTO officers.

John Yagielski suggested training the club advisors, who could then tell district how the clubs could use community help; "parent-student advocate" to show parents how to go about solving a problem. How to fund advocate? Mike Foley asked if there is an ombudsman for anonymous reporting of concerns.

(3) Medicaid revenues:

Questar III report:

Condition: The settlement between NYS and the Federal government changed Medicaid reimbursement regulations, i.e., the types of services that can be submitted for reimbursement and the documentation requirements for reimbursement.

Recommended solution: Ensure that all district staff involved in provision of Medicaid eligible services are trained in accordance with the revised regulations, that the training includes the types of services that can be billed, the revised documentation requirements for billing the services to Medicaid, and the licensure requirements for individuals providing services. Ensure that the amount due from Medicaid is tracked, monitored and recorded accordingly.

May 2014 Update: Staff received the training. The district has addressed this area of concern.

Discussion: difficulty of staying on top of this, government making it difficult with many details; special ed audits vs. Medicaid audits; risks with providers and “session notes”; involvement of Office of Medicaid Inspector General; software such as “IEP Direct”; possible benefits of using an outside service; “Special Ed Solutions” for Medicaid outsourcing to maximize resources; Questar III BOCES is working on this; uses an aidable COSER.

Carrie Nyc-Chevrier report (Dec 12, 2014 Update): Since the auditor determined that the district addressed the concern no further action has been taken.

(4) Purchasing:

Questar III Report:

Condition: District does not include a right-to-audit clause in formal contract agreements.

Recommended solution: Include right-to-audit clause in at least capital projects contracts and service agreements. Could provide legal right to audit a vendor’s accounting records if billing information is suspect to improper charges. Consult attorney.

May 14 Update: No change from prior report.

Carrie Nyc-Chevrier report (Dec 12, 2014 Update): Capital projects – architect’s review all bills for charges and we also receive a certified payroll for all payments, so there is an adequate review process in place. However, we will look at adding this language into our contract language.

(5) Board Policies:

Questar III Report:

Condition: Many of the district’s policies have not been reviewed and updated in several years.

Recommended solution: Establish as schedule to review and update all policies, to be current and meet NYS regulations.

May 2014 Update: The district continues to update the board policy manual but a fair amount of financial policies have not been updated since 1996.

Audit committee will work with district staff to update financial policies.

III. Issues identified in current year from the 2013-2014 risk assessment

Questar III report: Eleven functional areas could use improvement to their internal controls. Comments and recommendations provide a tool for management to assist in developing or maintaining a risk management system that mitigates risk to an acceptable level as determined by the Board of Education.

(1) **Patient Protection and Affordable Care Act (PPACA):**

Questar III report:

Condition: PPACA requires coverage for employees working an average of 30 or more hours a week or 130 or more hours a month. Includes substitutes (teachers, food service, transportation, etc). Districts need to track hours, particularly for substitutes. Currently, Finance Manager does not have capability of tracking individual's daily hours worked.

Recommended solution: Consider a substitute and attendance management software system, to better track substitutes in all departments on a 3 or 12 month basis, whichever the district chooses.

Carrie Nyc-Chevrier update: Niskayuna needs to be in compliance with the Affordable Care Act by January 1st based on our plan renewal date. Carrie has looked at substitutes' hours; none reached the threshold for being eligible for district health insurance coverage. We are also in the process of developing a declination form for eligible employees who decline health insurance to sign. This will help protect the district in case an eligible employee applies for health insurance through one of the exchanges.

Discussion: measurement period, requirement to keep track annually, identifying what the measurement period should be to start the plan year. District consultant First Niagara suggests a longer look back period.

(2) **Business Office Staff:**

Questar III report:

Condition: Small size of business office staff makes segregation of duties difficult. Concern with cash receipt process without having compensating controls. NCS D has small business office staff compared to other districts in relation to student enrollment. Business office has not developed operational procedures for the key functions.

Recommended solution: Evaluate to ensure proper staffing to improve internal controls and to minimize risk of not meeting daily business obligations. Create operational procedures for key business office responsibilities.

Carrie Nyc-Chevrier update: With the reduction in staff that has occurred within the business office, creating operational procedures has not been a priority.

Discussion:

(3) **Cash receipts:**

Questar III report:

Condition: Cash receipts at NHS main office, guidance office, and athletic office need improved records for accountability. The business office does not receive documentation to support the cash collected for deposit other than a bank deposit receipt. Guidance uses pre-numbered cash receipts for AP exam payments, but receipt book is not verified to the actual deposits during a bank reconciliation process. Lifeguards collect money for daily pool usage without record of accountability other than providing an amount to athletic office for deposit. Money received by athletic office is counted by two people, properly safeguarded, and timely deposited at the bank.

Recommended solution: Ensure proper staff training for those responsible for collecting cash at the buildings and departments; use pre-numbered cash receipt books to ensure accountability of cash collection is documented. An appropriate individual should periodically review records to ensure that cash collections are properly accounted for and the deposits are made intact.

Carrie Nyc-Chevrier update: At our last business staff meeting we discussed getting pre-numbered receipt books for staff responsible for collecting money. We also discussed the possibility of implementing an on-line payment system to reduce the amount of cash that is handled by staff members.

Discussion:

(4) Staff Attendance:

Questar III report:

Condition: Individuals responsible for updating staff attendance records in Finance Manager also have access to and update their own attendance records. Attendance reporting and accountability is decentralized by building and department without being reviewed by the business office to ensure the information was correctly recorded in Finance Manager.

Recommended solution: Consider implementing a system safeguard that will prevent individuals from accessing Finance Manager to add or modify their own attendance records.

Carrie Nyc-Chevrier update: Staff attendance used to be done in the district office but now the process is very decentralized. The district office is not currently reconciling attendance. Finance Manager is flawed in terms of not being able to limit access to records.

Discussion: issue of time and attendance records; low business office staffing levels.

John Yagielski -- district office is looking at situation of gaps with manpower, the depts have been left to their own devices, most importantly we need to analyze the issues first.

John Tamburello – Would cost \$90,000 to implement swipe system; principals and directors do a good job of keeping track of traveling teachers' claims for reimbursement.

(5) Public Use of Facilities:

Questar III report:

Condition: The use of facility program is decentralized. Each building maintains its own facility use schedule, usually a paper calendar. Difficult to have independent oversight.

Individuals in the buildings are not trained on what to look for in the insurance documents required of outside organizations. The Building Use Form (implemented by the district to document organizations using a facility and for generating a bill for payment) is not always completed when received by the business office, or emails are sent instead of the form being used.

Recommended solution: Consider using an electronic program to schedule and account for use of district facilities, where all appropriate staff have access. An individual should have oversight to ensure proper billing, and availability and central location of insurance documents. Train staff in the buildings who receive the insurance documents on what to look for in the insurance documents, which should be kept centrally at the district office. Train staff who do the scheduling in each building. Building use forms supports the district's billing.

Carrie Nyc-Chevrier update: This area is one that needs review. It varies by building how well building use is communicated back to the business office for billing purposes.

Discussion: Mike Foley—do issues come up over who uses the buildings?

(6) Continuing Education:

Questar III report:

Condition: The Board of Education does not review and approve the amount payable to the continuing education instructors. The amounts are established by the continuing education administrator and the instructors.

Recommended solution: The Board of Education should review and approve the amount payable to continuing education instructors.

Carrie Nyc-Chevrier update: The continuing education coordinator negotiates a rate with each instructor. Instructors are typically paid by a percentage, hourly rate, flat fee or a per student fee. Establishing one rate would make some classes unaffordable and in other cases could result in the instructors making more money than they currently do.

Discussion: Establishing minimum and maximum thresholds.

(7) Information Technology:

Questar III report:

Condition: The IT department does not have a process for identifying and cleaning hard drives from copy machines. A leased copy machine primarily used by teachers was recently returned to the vendor without cleaning or disposing of the hard drive.

Recommended solution: Develop a process to identify all equipment having a hard drive where sensitive data may be stored and ensure the items are properly destroyed or erased when designated for disposal.

Carrie Nyc-Chevrier update: Talked with Ed Alston III and the IT department has changed their process to make sure that hard drives are wiped clean before they are disposed of. In addition, we are currently purchasing all of our copiers through NERIC. NERIC disposes of the copiers on our behalf and they also have a procedure in place to wipe all the hard drive. This creates a redundancy for erasing, making sure we comply with this recommendation.

Discussion:

(8) Special Education:

Questar III report:

Condition: For the summer of 2010 the district submitted \$91,943 for transportation cost but from 2011, 2012, and 2013 no transportation costs were reported in STAC for the Extended School Year (ESY) program.

Recommended solution: The district should calculate and submit the transportation costs for each year that was not submitted for aid. The district should develop a formal process ensuring the transportation costs are included when reporting the ESY programs in STAC. The individual who finalizes the STAC entries should ensure the transportation costs are included.

Carrie Nyc-Chevrier update: John T. met with individuals from State Aid Planning to review where we are with our STAC's. We can still recover transportation aid for 2011, 2012, and 2013. John will be working on this within the next few months.

Discussion: John Yagielski – met with appropriate staff; going in the right direction.

(9) Accounts Payable:

Questar III report:

Condition: The deputy purchasing agent is also directly involved with accounts payable where at times also performs invoice entries, which are incompatible duties.

Recommended solution: The purchasing agent should not perform invoice entries and should not have access in Finance Manager to do so.

Carrie Nyc-Chevrier update: The purchasing agent no longer performs accounts payable. The business office will be turning over administrative rights for Finance Manager to the IT department. A part of that process will be to review the rights of all users in the business office and align access to current responsibilities.

Discussion: This segregation of duties situation has been corrected.

(10) Operations & Maintenance and Transportation:

Questar III report:

Condition: The facilities used by these two departments, which includes fuel pumps, does not have camera surveillance or alarm system. A significant amount of district assets are maintained at this facility.

Recommended solution: Consider installing camera surveillance and/or alarm system on the building and fuel pumps.

Carrie Nyc-Chevrier : The fuel pumps are on a fob system to monitor usage. Installing a camera surveillance or alarm system is a cost issue.

Discussion:

(11) Food Service:

Questar III report:

Condition: The food service program does not maintain a perpetual inventory program.

Recommended solution: Consider using electronic spreadsheet for maintaining inventory records. Update as new inventory arrives and adjust as inventory levels are used. Compare to each weekly physical inventory presently being completed to identify irregularities. The database can be used to assist with re-ordering and with annual budgeting.

Condition: There is no formal inventory transfer form when items are transferred to other locations. Each school has inventory storage for food service. One school (Hillside) has extra storage available and is utilized to store items for the other schools.

Recommended solution: Consider creating an inventory transfer form to be utilized for inventory transfers from one location to another. Transfer sheets should be forwarded with month end inventory sheets to the business office so transfer can be recorded in the month end profit and loss financials.

Carrie Nyc-Chevrier update: The school lunch program implemented a transfer form this September. They have also reduced the amount of transferring between locations. In addition, our vendors are also invoicing the correct school even though Hillside may be the delivery site. This helps assign costs appropriately. We are also looking at a new software program that has a more user friendly way of tracking inventory.

Discussion: