

**MALVERNE UNION FREE SCHOOL DISTRICT  
ADMINISTRATION BUILDING**

**301 Wicks Lane  
Malverne, NY 11565  
516-887-6417**



**Corrective Action Plan**

Unit Name: Malverne Union Free School District

Audit Report Title: Annual Risk Assessment Update Pertaining to the Internal Controls of District Operations

Audit Report Fiscal Year Ending: June 2021

The Malverne Union Free School District Board of Education appreciates the efforts and recommendations to further strengthen the District's internal controls. The Board of Education agrees with the findings in the audit report.

For each current year observation and recommendation included in the annual report, the following is our corrective action taken or proposed.

**Audit Recommendation #1:**

We noted multiple instances where the grant application (form FS-10) was submitted after the NYSED deadline.

**Implementation Plan of Action:**

The District's Grant Administrators will be provided and reminded of NYSED grant application deadlines annually. The District will submit grant applications as per the NYSED deadline.

**Implementation Date:**

The implementation date for this audit recommendation will take effect by June 30, 2022.

**Person Responsible for Implementation:**

Grant Administrators, Assistant Superintendent for Business

**Audit Recommendation #2:**

We noted multiple instances where cash disbursements had confirming purchase orders where the services had been rendered and billed prior to approval of a purchase order in the district's financial accounting software. Confirming purchase orders can increase the risk of unauthorized payments to a vendor.

**Implementation Plan of Action:**

The Business Office will send annual reminders to all staff of the purchasing policy to prohibit confirming purchase orders in the future. In addition, the Business Office has implemented a procedure as to when a confirming purchase order is received a notice will be sent to the individual responsible requesting the reason and signature.

**Implementation Date:**

The implementation date for this audit recommendation will take effect by June 30, 2022.

**Person Responsible for Implementation:**

Requestors, Assistant Superintendent for Business

**Audit Recommendation #3:**

We noted multiple instances where employee reimbursements tested did not have a requisition or travel request form in place prior to the event or purchase. We also noted instances where employee reimbursements were not submitted within ninety (90) days of the event or purchase date or was missing proof of attendance documentation.

**Implementation Plan of Action:**

The Business Office will send annual reminders to all staff of the reimbursement requirements. Prior to reimbursement requestors will be required to provide travel request forms and submit proof of attendance in a timely manner. In addition the Business Office will send annual reminders to all staff of the purchasing policy to prohibit confirming purchase orders in the future. The Business Office has implemented a procedure as to when a confirming purchase order is received a notice will be sent to the individual responsible requesting the reason and signature.

**Implementation Date:**

The implementation date for this audit recommendation will take effect by June 30, 2022.

**Person Responsible for Implementation:**

Requestors, Assistant Superintendent for Business

The Malverne Union Free School District wishes to express its gratitude for the assistance and guidance from Nawrocki Smith, LLP. The District looks forward to working with the audit firm in the future.



**Malverne Union Free School District**

**Annual Risk Assessment Update  
Pertaining to the Internal Controls  
of District Operations**

**June 2021**

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES**

The Board of Education  
Malverne Union Free School District

We have performed the procedures enumerated below, which were agreed to by the Malverne Union Free School District (the "District"), solely to assist the District. This agreed upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have updated our June 2020 Risk Assessment by performing certain internal audit procedures pertaining to the time period starting July 1, 2020 through June 30, 2021. The updated Risk Assessment and related internal audit plan concentrates on the following key internal control areas:

- Governance and Planning
- Budget Management
- Accounting and Reporting
- Revenue and Cash Management
- Grants
- Payroll
- Human Resources
- Benefits
- Purchasing and Related Expenditures
- Facilities Maintenance
- Capital Projects
- Fixed Assets
- Food Service
- Extraclassroom Activity Fund
- Information Systems
- Cyber Security
- Student Data Management
- Pupil Personnel Services
- Transportation
- Security and Safety
- Insurance / Risk Management

Our engagement is limited in scope and will be confined to our agreed-upon procedures. We will not be conducting an audit or review of the district's financial statements and therefore we will not express an opinion or any other form of assurance on them.

At the end of our engagement, we will present the results of applying the agreed-upon procedures in the form of our findings in a report. Our accountants' report should be used only for the intent of the original users of this report and will include a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. As such, using this report for anything other than the original intent of the agreed-upon procedures could mislead the readers. You must notify us immediately if the original users of the report change.

Very truly yours,

***Nawrocki Smith LLP***  
October 25, 2021



Malverne Union Free School District

Annual Risk Assessment Update  
Pertaining to the Internal Controls  
of District Operations

June 2021

Table of Contents

Risk Assessment Overview.....	2
Internal Audit Objectives.....	2
Scope and Methodology.....	3
Internal Audit Risk Assessment Update Summary.....	4
Risk Rating and Internal Audit Plan.....	5
Risk Assessment Observations and Recommendations.....	8
Exhibits.....	13

**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

**RISK ASSESSMENT OVERVIEW**

This Risk Assessment report provides a presentation of our view of the school district's risk pertaining to its financial operations. It gives the District's administration the information necessary to help optimize its overall performance. The report identifies, expresses, and prioritizes the key program risks so that the District's administration can focus on those areas most critical to its success. This analysis is used to define the District's risk profile. It will provide an overview of the risks facing the District's operations.

In accordance with the laws of New York, 2005, Chapter 263, all school districts and BOCES were required to establish an internal audit function no later than July 1, 2006 and be in operation no later than December 31, 2006. This function should include, at a minimum, development of a risk assessment of district operations, including but not limited to:

- A review of financial policies, procedures and practices.
- An annual review and update of such risk assessment.
- Annual testing and evaluation of one or more areas of the District's internal controls.
- Preparation of reports which analyze significant risk assessment findings.
- Recommended changes for strengthening controls and reducing identified risk; and specifying time frames for implementation of such recommendations.

Pursuant to Section 170.12 – Regulations of the Commissioner of Education – School District Financial Accountability, each school district must prepare a corrective action plan, approved by the Board of Education in response to findings to final reports issued by the internal auditor. This plan should include expected dates of implementation and should be filed with the New York State Education Department.

**INTERNAL AUDIT OBJECTIVES**

The objectives of our engagement are as follows:

- Develop an understanding of the critical business processes of the District within each functional area.
- Identify and qualify risks based on the understanding of the business processes and stated business rules.
- Identify stated controls that are currently in place to address those risks and ascertain if they are operating effectively.
- Recommend improvements in internal controls.



**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

**SCOPE AND METHODOLOGY**

The Board of Education has engaged Nawrocki Smith as the District's internal auditor. In compliance with New York State Laws, we have performed an annual update to the District risk assessment with respect to policies, procedures, and internal controls pertaining to District operations. The procedures applicable to the annual update of the District's risk assessment were performed during the period July 1, 2020 through June 30, 2021 and were carried out in order to determine an internal audit plan for the fiscal year 2021/2022 and thereafter. This risk assessment will be updated annually to reflect any changes in the current control environment and the existing internal audit plan.

Our risk assessment consisted of the following methodology:

- Perform interviews of Administration and other appropriate personnel.
- Document procedures within key Functional Areas.
- Identify key controls and perform audit tests of those controls.
- Assess the effectiveness of the key controls.
- Identification and review of organization structure.
- Analysis of risks that are a threat to the achievement of objectives.
- Create a risk profile and internal audit plan.

In addition to the above procedures, we have also evaluated and considered the following within our overall risk assessment:

- District policies and procedures.
- Recent focus of State Comptroller Audits.
- Board of Education/Audit Committee Meetings.
- Materiality to Financial Statements.
- Changes in management or key personnel.
- Financial reports provided to the Board.
- External auditor management letters.
- District corrective action plans.
- Organizational chart and job descriptions.

**INTERNAL AUDIT COVID PANDEMIC CONSIDERATIONS**

As Districts are challenged in carrying out certain internal control procedures during the COVID pandemic, our risk assessment included the following environmental considerations:

- Has Management's risk tolerance increased allowing for a lower level of control effectiveness?
- Have staff changes (reorganization, furloughs, and terminations) impacted controls, processes, performance, and increased opportunities for potential fraud?
- Have segregation of duty conflicts been managed with changes in people and processes?
- Has Management assessed the impact on key processes and controls including technology?
- Have there been any material changes in internal controls over financial reporting that will require disclosure in the previous and upcoming audit report?

**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

**INTERNAL AUDIT RISK ASSESSMENT UPDATE SUMMARY**

We have analyzed twenty-one (21) Business Process areas within the District and have developed an internal audit plan based upon our assessment of each area. Each of the twenty-one (21) Business Processes contains multiple categories for which an extensive cycle analysis will be performed during the proposed time period noted within the risk rating and internal audit plan. The plan as presented will be revised each year based upon the annual risk assessment update and events/requests that occur during the year which impact the priority of future internal audit services.

The results of our initial risk assessment are summarized below and, in the tables, presented on pages 5 through 7. We have utilized a "Low," "Moderate," and "High" control risk rating assessment scale of the organization.

<u>CURRENT YEAR RATINGS</u>		<u>CHANGE FROM PRIOR YEAR</u>	
<u>Rating</u>	<u>2020/2021</u>	<u>Category (*)</u>	<u>Count</u>
High	- 0.00%	"High" to "Low"	- 0.00%
Moderate	2 2.17%	"High" to "Moderate"	- 0.00%
Low	90 97.83%	"Moderate" to "Low"	4 80.00%
		"Low" to "Moderate"	1 20.00%
		"Moderate" to "High"	- 0.00%
<b>Total</b>	<b>92 100.00%</b>	<b>Total</b>	<b>5 100.00%</b>

Our June 2021 risk assessment update contains three (3) recommendations, as follows:

<u>Business Process</u>	<u>Ratings</u>				<u>Recommendation(s)</u>
	<u>Low</u>	<u>Moderate</u>	<u>High</u>	<u>Total</u>	
Grants	2	-	-	2	2
Purchasing & Related Expenditures	-	1	-	1	1
<b>Total</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>3</b>	<b>3</b>

The District has completed or taken action on eight (8) of the prior risk assessment report recommendations as follows:

	<u>Complete</u>	<u>In-Process</u>	<u>Not Started</u>	<u>Total</u>
<b>Recommendations</b>	<b>7</b>	<b>1</b>	<b>-</b>	<b>8</b>

We have summarized below our work plan for the 2021/2022 fiscal year:

**Cycle Review:**

- Safety & Security

**Other 2021/2022 Planned Internal Audit Services:**

- |   |  |
|---|--|
| • Key Control/Other Testing (See "T" categories on Pages 5-7) | • Grants Cycle Recommendations Follow-Up                           |
| • External Audit Corrective Action Plan Monitoring            | • Annual Risk Assessment Update as of June 2022                    |
| • Quarterly Internal Audit Status Reports                     | • Other Internal Audit Services at the Request of the District/BOE |



**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

***Risk Rating and Internal Audit Plan***

√ = Internal Audit Services Provided	X = Proposed Business Cycle Review
★ = Business Cycle Review Complete	T = Proposed Key Control Testing

	Business Process	Business Process Categories	Inherent	RISK		YEAR OF SERVICE		
				Control		Prior	21-22	Subsequent
				19-20	20-21			
1	Governance and Planning	1 Governance Environment	H	L	L	√		X
		2 Control Environment / Policies & Proc.	H	L	L			X
2	Budget Management	3 Budget Development	H	L	L			X
		4 Budget Monitoring & Reporting	H	L	L	√	T	X
3	Accounting & Reporting	5 Financial Accounting and Reporting	H	L	L	√	T	X
		6 External/Internal/Claims Auditing	H	L	L	√		X
		7 Fund Balance Management	H	L	L	√		X
4	Revenue and Cash Management	8 Real Property Tax	M	L	L	★		
		9 State Aid	H	L	L	★		
		10 Out of District Tuition/Reimb. Exp.	M	L	L	★		
		11 Use of Facilities	L	L	L	★		
		12 Donations	M	L	L	★		
		13 Vending Machines	H	L	L	★		
		14 Cash Receipts	H	L	L	★		
		15 Cash & Investment Management	H	L	L	★		
		16 Petty Cash	L	L	L	★		
		17 Bank Reconciliations	H	L	L	★	T	
		18 Online Banking	H	L	L	★		
		19 Accounts Receivable	H	L	L			
5	Grants	20 General Processing	H	L	L	★	T	
		21 Grant Application	M	L	L	★	T	
		22 Allowable Costs & Expenditures	H	L	L	★	T	
		23 Monitoring	M	L	L	★	T	
		24 Reporting	H	L	L	★	T	
6	Payroll	25 Payroll Disbursements	H	L	L	★	T	
		26 Overtime Reporting	H	L	L	★		
		27 Payroll Accounting & Reporting	H	L	L	★		
		28 Payroll Tax Filings	H	L	L	★		
		29 Payroll Reconciliation	H	L	L	★		
7	Human Resources	30 Employment Requisition/Hiring	H	L	L	★		
		31 Personnel Evaluation	H	L	L	★		
		32 Termination	H	L	L	★		
		33 Employee Attendance	H	L	L	★		

**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

**Risk Rating and Internal Audit Plan (Continued)**

√ = Internal Audit Services Provided

X = Proposed Business Cycle Review

★ = Business Cycle Review Complete

T = Proposed Key Control Testing

	Business Process	Business Process Categories	RISK			YEAR OF SERVICE		
			Inherent	Control		Prior	21-22	Subsequent
				19-20	20-21			
8	Benefits	34 Eligibility	H	L	L	★		
		35 Benefit Calculations	H	L	L	★		
		36 Patient Protection & Affordable Care Act	H	L	L	★		
		37 Retiree Benefits	H	L	L	★		
		38 ERS/TRS	H	L	L	★		
9	Purchasing and Related Expenditures	39 PO System & Vendor Database	H	L	L	★		
		40 Purchasing Process	H	L	L	★		
		41 Payment Processing	H	L	L	★		
		42 Employee Reimbursements	H	L	M	★		
		43 Credit Cards	H	L	L	★		
10	Facilities Maintenance	44 Facilities Maintenance/Work Orders	H	L	L	★		
		45 Staff Supervision	M	L	L			
		46 Preventive Maintenance	M	L	L			
		47 Coordination with Outside Vendors	M	L	L			
11	Capital Projects	48 Construction Planning & Monitoring	H	L	L	★		
		49 Capital Project Funding & Payments	M	L	L	★		
		50 Recordkeeping & Reporting	M	L	L	★		
12	Fixed Assets	51 Inventory/ Capitalization Policy	H	L	L	★		
		52 Acquisition and Disposal	H	L	L	★		
		53 Inventory Process & Recordkeeping	H	M	L	★		
13	Food Service	54 Sales Cycle and System	M	L	L	★		
		55 Inventory and Purchasing	M	L	L	★		
		56 Free & Reduced Meals	M	L	L			
		57 Federal and State Reimbursement	H	L	L	★	T	
		58 Financial Reporting & Monitoring	H	L	L	★		
14	Extraclassroom Activity Fund	59 General Controls	H	L	L	★		
		60 Revenue	H	L	L	★	T	
		61 Expenditures	M	L	L	★		
		62 Reporting	M	L	L			



**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

**Risk Rating and Internal Audit Plan (Continued)**

√ = Internal Audit Services Provided  
 ★ = Business Cycle Review Complete

X = Proposed Business Cycle Review  
 T = Proposed Key Control Testing

	Business Process	Business Process Categories	Inherent	RISK		YEAR OF SERVICE		
				Control		Prior	21-22	Subsequent
				19-20	20-21			
15	Information System	63 Governance	H	L	L	★		
		64 Inventory	H	L	L	★		
		65 Network Security	H	L	L	★		
		66 Application Security	H	L	L	★		
		67 Physical Security	H	L	L	★		
		68 Disaster Recovery	H	L	L	★		
16	Cybersecurity	69 General Controls	H	L	L			X
		70 Information & Asset Security	H	L	L			X
		71 Vulnerability Assessment	H	L	L			X
		72 Incident Response & Recovery	H	L	L			X
17	Student Data Management	73 Registration & Enrolment	H	M	M			X
		74 Student Attendance	H	L	L			X
		75 Student Performance	H	L	L			X
		76 Student Eligibility	H	L	L			X
18	Pupil Personnel Services	77 Budgeting and Planning	H	L	L			X
		78 STAC Reimbursement	H	L	L	√		X
		79 Medicaid Reimbursement	H	L	L	√		X
		80 RFP and Contracts	H	L	L			X
19	Transportation	81 Fleet Inventory and Maintenance	H	L	L	★		
		82 Bus Routing and Planning	H	M	L	★		
		83 Labor and Supervision	H	M	L	★		
		84 Contract Management	H	M	L	★		
		85 Federal and State Reimbursement	H	L	L	★		
20	Safety & Security	86 Plan Development & Strategy	H	L	L		X	
		87 Building Access & Security System	H	L	L	√	X	
		88 Compliance and Incident Reporting	H	L	L		X	
		89 Safety & Security Monitoring	H	L	L		X	
21	Insurance / Risk Management	90 General	H	L	L			X
		91 Policy Management	H	L	L			X
		92 Claims Reporting	H	L	L			X

**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

**Inherent Risk** - Inherent risk pertains to the overall school district industry. Inherent risk is the risk of a material misstatement may occur assuming the absence of internal controls.

**Control Risk** - Control risk pertains specifically to the Malverne Union Free School District. Control risk is the risk that a material misstatement will not be detected and corrected by Management's internal controls on a timely basis.

**RISK ASSESSMENT OBSERVATIONS AND RECOMMENDATIONS**

***Current Year Observations and Recommendations***

**Grants**

1. We noted multiple instances where the grant application (form FS-10) was submitted after the NYSED deadline.
  - *We recommend that the district submit all grant applications prior to the NYSED deadline. This will ensure that the District is in compliance with NYSED's filing application deadlines and eligible for reimbursements of grant expenditures.*
2. We noted multiple instances where cash disbursements had confirming purchase orders where the services had been rendered and billed prior to approval of a purchase order in the district's financial accounting software. Confirming purchase orders can increase the risk of unauthorized payments to a vendor.
  - *We recommend that confirming purchase orders be minimized and only occur in emergency situations. A purchase order should be created prior to the receipt of goods or services by the District or once employee travel has been approved and a cost can be estimated. This will enhance the controls surrounding the purchasing process.*

**Purchasing and Related Expenditures**

3. We noted multiple instances where employee reimbursements tested did not have a requisition or travel request form in place prior to the event or purchase. We also noted instances where employee reimbursements were not submitted within ninety (90) days of the event or purchase date or was missing proof of attendance documentation.
  - *We recommend that all reimbursements to district employees should have a purchase requisition or travel request form in place prior to the event or purchase. In addition, we recommend that all employee reimbursements maintain a proof of attendance and be reimbursed within ninety (90) days of the event or purchase date. This will enhance the controls of the reimbursement process and reduce the risk of potentially reimbursing an employee twice.*

**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

*Status of Prior Year Recommendations*

We have performed follow-up internal audit services applicable to our previously issued risk assessment update report dated June 2020. The services we performed included observing and evaluating the implementation status of the District's action plan in respect to our risk assessment recommendations.

The June 2020 risk assessment update report identified eight (8) recommendations within four (4) distinct business processes. The District has completed or taken action on eight (8) of the recommendations as follows:

<b>Business Process</b>	<b>Complete</b>	<b>In-Process</b>	<b>Not Complete</b>	<b>Total</b>
Fixed Assets	2	-	-	2
Information Technology	1	-	-	1
Student Data Management	-	1	-	1
Transportation	4	-	-	4
<b>Total</b>	<b>7</b>	<b>1</b>	<b>-</b>	<b>8</b>

**Fixed Assets**

1. The District has not developed documented guidelines regarding the Fixed Assets Inventory process. Fixed Asset Inventory procedures are performed based upon past practices and verbal guidelines.

➤ *The District should develop documented guidelines regarding the Fixed Asset Inventory process. Procedures should be periodically reviewed to ensure that the responsibilities are adequately performed by the District.*

**Status at June 2021: Complete**

2. We noted multiple instances where an asset was not tagged, not in the location as per the inventory database, did not reconcile to the inventory database, could not be traced to the inventory database, were unable to be located or were inaccessible.

➤ *We recommend that an in-house observation be performed on an annual basis. In addition, we recommend that the District implement an Asset Transfer Form. These recommendations will ensure that District inventory records are accurate and up to date and assets can be easily identified at any point in time. Upon our finding, the District has implemented an Asset Transfer Form.*

**Status at June 2021: Complete**

**Information Technology**

3. We noted multiple instances for which assets traced were either not tagged or tagged with the incorrect asset number, assets vouched for were unable to be traced back to the Property Ledger or were located in a different location than stated on the Property Ledger. In addition, we observed that the District's Property Ledger was not up to date. We noted, on multiple occasions, that fixed asset information was missing from the District's Property Ledger such as serial numbers and item location.



**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

- *The District should review and reconcile the accuracy of the information technology fixed asset data to the District's Property Ledger. The review function should be conducted on a periodic basis. The District should consider performing an internal review on an annual basis to ensure that newly purchased information technology equipment is properly tagged and logged into the Property Ledger. In addition, the District should ensure that the newly acquired fixed assets are entered into the District's Property Ledger on a timely basis. This will ensure that the District's Property Ledger is accurate.*

**Status at June 2021: Complete**

<b>Student Data Management</b>
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4. We noted multiple instances where students did not have a completed Student Registration Form on file, did not have proof of custody on file, did not have proof of residency on file, did not have proof of age on file, did not have record of immunization on file or did not have form STAC 202 on file.
  - *We recommend that all required documentation for student enrollment be obtained prior to entry into the District's student management system, eSchool Data. In addition, we recommend that the District review enrollment records to ensure that all documentation has been obtained.*

**Status at June 2021: In-Process**

<b>Transportation</b>
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5. We noted multiple instances where we were unable to reconcile invoice rates to the contract rates. In addition, we noted multiple instances where an invoice was dated prior to the purchase order date.
  - *We recommend that the Transportation Department review all of the District's transportation invoices to ensure that they are being charged the proper contractual rates. This will ensure that the District is following the Board of Education approved purchasing policy. In addition, we recommend that all purchase orders are approved prior to purchasing goods. This prevents the possibility of unauthorized purchases.*

**Status at June 2021: Complete**

6. We noted multiple instances where the students selected for testing were over the eligible transportation threshold and one (1) student selected for testing was under the eligible transportation threshold to receive transportation services as per limits set by District policy.
  - *We recommend that transportation mileage limits specified in District Policy #5730 Transportation of Students, be strictly followed. As per the New York State Education Department, "There are two ways in which transportation can be provided for pupils who live beyond the mileage limits specified in the law. First, with voter approval, non-city school districts may provide transportation beyond specified limits. A second way is through what is known as the pickup point law. This provision of the Education Law requires school districts which are currently transporting pupils to a nonpublic school to designate one or more public schools as centralized pickup points for nonpublic school pupils who live beyond the 15-mile limit." In addition, we recommend that the District maintain the proper documentation for each bus route over the set threshold.*

**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

**Status at June 2021: Complete**

7. Upon the procedures performed, we noted multiple instances where the 19-A files did not include required documentation or we were unable to obtain the proper documentation from the contractor. We have summarized our findings for our sample of twenty-nine (29) employees in the following table:

<b>Missing Documents</b>	<b>Findings</b>
Driver's License Information	1
Form DS-870	10
Form DS-3.6	29
Abstract of Operating Record	3
Form DS-872	6
Form DS-873	8
Form DS-874	4
Form DS-875	5
Form DS-875Q	12
19-A Status	4
Final Qualification Notice	12
Pre-Service Training	12
30 Hour Certification	2
Fall Refresher	9
Spring Refresher	7

- *We recommend that the District request and review all of the driver related documentation from contracted bus companies. This will ensure the District has the proper documentation on file regarding contracted drivers and is in compliance with NYS DMV requirements and NYS Department of Transportation standards.*

*The Transportation Department should maintain all 19-A related documents within each driver file for contracted drivers and in-house drivers. We have listed the following documents recommended to be maintained within a 19-A file:*

- a. Driver's License Information*
- b. Form DS-870*
- c. Form DS-3.6*
- d. Abstract of Operating Record*
- e. Form DS-872*
- f. Form DS-873*
- g. Form DS-874*
- h. Form DS-875*
- i. Form DS-875Q*
- j. 19-A Status*
- k. Final Qualification Notice*
- l. Pre-Service Training*
- m. 30 Hour Certification*
- n. Fall Refresher*
- o. Spring Refresher*

**Status at June 2021: Complete**

**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

8. During the course of our audit, we were unable to obtain maintenance information for the selected contracted buses.

- *We recommend that the District request and review a sample of maintenance records on a periodic basis for busses operating in the District. This will ensure that the buses are properly maintained and deemed safe for student transport as per annual DOT inspection.*

**Status at June 2021: Complete**

**Malverne Union Free School District**  
**Annual Risk Assessment**  
**June 2021**

**EXHIBITS**

***Exhibit I***      History of Internal Audit Reports Issued

***Exhibit II***      Internal Audit Plan for 2021/2022

06/07 07/08 08/09 09/10 10/11 11/12 12/13 13/14 14/15 15/16 16/17 17/18 18/19 19/20 20/21

[illegible]



**Malverne Union Free School District**

**Nawrocki Smith - Internal Audit**

**2021/2022 INTERNAL AUDIT PLAN**

**(Based upon June 2021 Risk Assessment Update)**

**Exhibit II**

**2021/2022 Cycle Review**

**Status**

- **Safety and Security**

**Planned for Nov-21**

**Key Control Testing Areas**

**Status**

- **Budget Transfers**
- **Journal Entries**
- **Bank Reconciliations**
- **Payroll Disbursements**
- **Food Service: Federal and State Reimbursement**
- **Extraclassroom Activity Fund: Cash Receipts**

**Planned for Nov-21**

**Planned for Nov-21**

**Planned for Nov-21**

**Planned for Jan-22**

**Planned for Jan-22**

**Planned for Feb-22**

**Additional Internal Audit Services**

**Status**

- **External Audit Corrective Action Plan Monitoring**
- **Grants Cycle Follow Up**
- **Annual Risk Assessment Update as of June 2022**
- **Issue Quarterly Status Reports**
- **Other Internal Audit Services at the Request of the District**

**Planned for May-22**

**Planned for May-22**

**Planned for Jun-22**

**Quarterly**

**As Requested**

**Tentative On-Site Internal Audit Schedule**

**TBD**

**Malverne Union Free School District**

**Report on the Internal Controls of the  
Grants Cycle**

**June 2021**





**Malverne Union Free School District  
Report on the Internal Controls of the Grants Cycle  
June 2021**

*Table of Contents*

I.	Scope of Engagement	Page 1
II.	General Controls and Governance	Page 2
III.	Grant Application and Award	Page 2
IV.	Grant Expenditures and Allowable Costs	Page 3
V.	Employee Payroll Certification	Page 4
VI.	Cash Management	Page 5
VII.	Reporting and Monitoring	Page 6
VIII.	Risk Rating and Audit Opinion	Page 7

Functional Area Exhibit (please see attached)

- A. Narrative of Functional Area Procedures
- B. Control Matrix of Functional Area Procedures

<b>I. Scope of the Engagement</b>
-----------------------------------

The Board of Education of the Malverne Union Free School District has engaged Nawrocki Smith LLP to provide internal audit services with respect to the District's policies, procedures, and internal controls pertaining to the Grants Cycle. As part of this engagement, we performed extensive analysis and validation tests surrounding the District's policies and procedures of the Grants Cycle.

The objectives of our audit were to determine if the internal controls within the Grants Cycle are adequate to ensure that there is proper segregation of duties and that controls surrounding grants are properly implemented thus safeguarding the District's assets.

We have analyzed the financial and operational documents made available to us by the District as well as interviewed various employees who have responsibilities within the Grants Cycle.

**Malverne Union Free School District  
Report on the Internal Controls of the Grants Cycle  
June 2021**

Our analysis within each functional area consisted of the following:

- Review of documented policies and procedures applicable to the Grants Cycle after interviews and discussions with key employees.
- Identified controls within the Grants Cycle and performed tests of those controls, including review of grant application and award, grant expenditures and allowable costs, employee payroll certifications, cash management, and reporting and monitoring of grants.
- Made observations and recommendations pertaining to the internal controls of the Grants Cycle based on observed procedures and testing that was performed.

Interviews and inquiries were conducted with the following District employees:

<b>Title</b>	<b>Department</b>
Assistant Superintendent for Business	Business Office
District Treasurer	Business Office

Accordingly, we documented the current procedures within each functional area of the Grants Cycle by way of a narrative and control matrix within the attached Exhibits A and B.

## **II. General Controls and Governance**

The attached Exhibit A summarizes the organizational structure and policies applicable to the District's Grants Department. Based upon our analysis, we have made the following observations and recommendations:

The District maintains the following procedure manual and policies regarding the grants function:

- Federal Funds Procedure Manual – Malverne Union Free School District *(June 2021)*
- #5230 – Acceptance of Gifts, Grants and Bequests to the School District *(Revised 2013)*
- #5550 – Maintenance of Fiscal Effort (Title I Programs) *(Adopted December 11, 2007)*
- #8260 – Programs and Projects Funded by Title I *(Adopted December 11, 2007)*

*No recommendation at this time.*

## **III. Grant Application and Award**

The attached Exhibit A summarizes the procedures pertaining to grant applications and awards. Based upon our analysis, we have made the following observations:

The District currently received six (6) grants for the 2019-2020 school year:

- IDEA Section 611
- IDEA Section 619
- Title I
- Title IIA
- Title IV
- Teacher Centers



**Malverne Union Free School District**  
**Report on the Internal Controls of the Grants Cycle**  
**June 2021**

District administrators are responsible for researching grant opportunities that the District may qualify for based on the District's statistical and demographic information as well as grants received in prior years. The Superintendent of Schools will determine which grants the District will apply for each year.

The Grant Coordinator, Director of Special Education and the Director of Malverne Teacher Center are responsible for preparing grant applications, Form FS-10 – *Proposed Budget for Federal or State Project* ("Form FS-10"), based on the District's eligibility and the approval of the Superintendent of Schools.

We selected six (6), or one hundred percent (100%), of the Federal grants awarded to the District for the 2019-2020 school year and reviewed grant applications (Form FS-10 – *Proposed Budget for Federal or State Project*), grant amendments (Form FS-10-A – *Proposed Amendment*), if applicable, and supporting documentation to:

- Determine if Form FS-10 was submitted prior to the applicable deadline
  - Determine if Form FS-10 was certified by the Superintendent of Schools and approved by the New York State Education Department ("NYSED")
  - Determine if Form FS-10-A, if applicable, was certified by the Superintendent of Schools and approved by the NYSED
- All grant applications were certified by the Superintendent, including any proposed amendments, when applicable.

**Observation/Recommendation #1**

- We noted three (3) instances where the grant application (form FS-10) was submitted after the NYSED deadline.

***We recommend that the District submit all grant applications prior to the NYSED deadline. This will ensure that the District is in compliance with NYSED's filing application deadlines and eligible for reimbursements of grant expenditures.***

**IV. Grant Expenditures and Allowable Costs**

The attached Exhibit A summarizes the procedures pertaining to grant expenditures and allowable costs. Based upon our analysis, we have made the following observations:

The Assistant Superintendent for Business is responsible for administering and approving all payments from the grants. All grant payments are also reviewed by the Accounts Payable Clerk. Grant expenditures must follow grant guidelines, including that expenditures be properly supported, including detailed vendor invoices and must also be for legitimate authorized grant purposes.

We selected twenty (20) of the non-payroll related cash disbursements for the 2019-2020 school year in regard to the District's grants. The cash disbursements were reviewed to:



**Malverne Union Free School District**  
**Report on the Internal Controls of the Grants Cycle**  
**June 2021**

- Determine if the cost was included in the Form FS-10
- Determine if the cost was in compliance with conditions set forth in the grant
- Determine if the expenditure was in compliance with District policy
- Determine if there was proper supporting documentation for the expenditure
- Verify that purchase orders were issued after the grant start date but before the grant end date
- Ensure that the cost was not included in any other Federal aided project

The following table represents the reviewed disbursements for each grant. Payroll was reviewed separately under Section IV of this report.

#	Grant	Grant Amount	Number of Disbursements	Disbursements Amount
1	IDEA - Part B, Section 611	\$519,399.00	4	\$13,726.00
2	IDEA - Part B, Section 619	\$13,987.00	4	\$2,360.00
3	Title I	\$193,384.00	1	\$2,304.94
4	Title IIA	\$24,034.00	5	\$1,444.00
5	Title IV	\$14,582.00	0	\$0.00
6	Teacher Centers	\$23,505.00	6	\$2,525.92
<b>Total</b>		<b>\$788,891.00</b>	<b>20</b>	<b>\$22,360.86</b>

- All cash disbursements selected for testing were included in the appropriate Form FS-10 and were in compliance with the conditions set forth in the grant.

**Observation/Recommendation #2**

- We noted that four (4) cash disbursements had confirming purchase orders where the services had been rendered and billed prior to approval of a purchase order in the district's financial accounting software. Confirming purchase orders can increase the risk of unauthorized payments to a vendor.

*We recommend that confirming purchase orders be minimized and only occur in emergency situations. A purchase order should be created prior to the receipt of goods or services by the District or once employee travel has been approved and a cost can be estimated. This will enhance the controls surrounding the purchasing process.*

**V. Employee Payroll Certification**

The attached Exhibit A summarizes the procedures pertaining to employee payroll certifications. Based upon our analysis, we have made the following observations:

Grant funds received by the district can be used to pay salaries, if included in the approved grant, for employees who are directly working on the grant project. Certain records must be maintained for each grant-funded position.

**Malverne Union Free School District**  
**Report on the Internal Controls of the Grants Cycle**  
**June 2021**

Employees for a district-wide, single grant program are required to certify semi-annually that they worked solely on that program. The certification must be signed by the employee or by the supervisor. Applicable payroll payments incorporated in the grant must be supported by semi-annual payroll certifications. Employees who work under multiple grant programs must prepare time and effort reports on a monthly basis. These reports must be signed by the employee and their supervisor.

We selected one-hundred percent (100%) of the Federal grants that had payroll related expenditures for the 2019-2020 school year and reviewed all positions listed on Form FS-10-F under professional staff or support staff to ensure that the proper documentation was maintained at the District as per OMB Circular A-87 and to confirm the following:

- The employees and amounts paid agree to Form FS-10-F
  - PAR forms are properly completed and signed by the employee timely, if applicable
  - Time and effort reports were properly completed and signed by the employee and supervisor, if applicable
- All amounts paid to employees and employee positions reconciled to Form FS-10-F.
  - All PAR forms were properly completed, approved and filed in a timely manner.

*No recommendation at this time.*

<b>VI. Cash Management</b>
----------------------------

The attached Exhibit A summarizes the procedures pertaining to cash management. Based upon our analysis, we have made the following observations:

School districts may request grant funds by submitting Form FS-25 *Request for Funds*. Requests for funds may only include actual expenditures to date.

We selected six (6), or one hundred percent (100%), of the Federal grants awarded to the District for the 2019-2020 school year and reviewed Form FS-25 – *Request for Funds* ("Form FS-25"), if applicable, appropriation status reports from nVision, and supporting documentation to:

- Determine if Form FS-25 was properly completed for grants, if required
- Determine if Form FS-25 was certified by the Superintendent of Schools and approved by the New York State Education Department (NYSED)
- Determine if the correct budget codes are being utilized for grant funds as per Federal and State guidelines

In addition, we performed an analysis of each grant budget including total spending, payments received, and any carryover funds, if applicable.

- All Form FS-25's were properly completed by the District for all approved grants.
- All Form FS-25's were properly certified by the Superintendent of Schools, and approved by the NYSED.



**Malverne Union Free School District**  
**Report on the Internal Controls of the Grants Cycle**  
**June 2021**

- All grant fund cash receipts maintained the proper revenue codes in nVision as required by the Federal guidelines and request for funds were only for actual expenditures to date.

*No recommendation at this time.*

**VII. Reporting and Monitoring**

The attached Exhibit A summarizes the procedures pertaining to reporting and monitoring. Based upon our analysis, we have made the following observations:

Once project activities are completed and all expenditures have been made, the District submits the Form FS-10-F *Final Expenditures*. The NYSED reviews the final expenditure report, determines the final approved total of project expenditures, and reimburses any funds owed to the District. The grant is then closed out.

We selected six (6), or one hundred percent (100%), of the Federal grants awarded to the District for the 2019-2020 school year and reviewed reports from the District's accounting system, nVision, Board of Education meeting minutes, Form FS-10-F - *Final Expenditures*, and supporting documentation to:

- Determine if the District monitors grant budgets and spending.
  - Determine if the Board of Education is updated on the status of grants
  - Determine if Form FS-10-F was properly completed and includes all expenditures
  - Determine if Form FS-10-F was submitted prior to the applicable deadline
  - Determine if Form FS-10-F was certified by the Superintendent of Schools and approved by the NYSED
- All administrators utilize nVision to monitor their respective grant budgets and spending throughout the school year.
  - All grants were reviewed by the Board of Education on a monthly basis.
  - All Form-FS-10-F's were properly completed for all awarded grants.
  - All Form-FS-10-F's included the applicable expenditures.
  - All Form-FS-10-F's were submitted prior to the applicable deadline.
  - All Form-FS-10-F's were properly certification by the Superintendent of Schools, and approval by the NYSED.

*No recommendation at this time.*

**Malverne Union Free School District  
Report on the Internal Controls of the Grants Cycle  
June 2021**

<b>VIII. Risk Rating and Audit Opinion</b>
--

**Inherent Risk Rating:** High

**Control Risk Rating:** Low

**Audit Opinion:** Satisfactory

**Audit Comment:** The District's control environment pertaining to Grants is satisfactory. The recommendations noted above are aimed to improve the effectiveness of the Grants process within the District.

**RISK RATING DEFINITIONS**

**Inherent Risk** – Inherent risk is the risk of a material misstatement in the un-audited information assuming the absence of internal control procedures. Inherent risk includes any risk arising from fraud. As with other risks, inherent risk may be evaluated at various levels of aggregation (e.g. financial statement level, account balance assertion level) and at various stages during the course of the audit (e.g. client acceptance/retention state, audit planning stage, etc...).

***Inherent Risk** is particular to the area being reviewed if there were no controls in place. Thus, if there were no control procedures in place pertaining to the particular area, what is the risk of a material misstatement.*

**Control Risk** – Control risk is the risk that a material misstatement in the un-audited information will not be detected and corrected by management's internal control procedures on a timely basis. Auditors evaluate control risk at the account balance assertion level based on a detailed knowledge of the client's business. Auditors may evaluate this risk in the second, third, and forth audit stages, namely the audit planning, control testing, and substantive testing stages.

***Control Risk** is particular to the District's controls currently in place in the area being reviewed. Thus, what is the risk of a material misstatement with the control procedures currently in place.*

**Audit Opinion** – Based upon the audit work performed and our assessment of the controls within each particular audit area an audit opinion is provided for each audit area from one of the following three (3) categories:

Satisfactory: Controls are operating effectively

Needs Improvement: Controls need improvement for effectiveness

Unsatisfactory: Controls are unacceptable and need immediate improvement

Please contact our Melville, New York office @ 631-756-9500 if you should have any questions in this regard.

**Malverne Union Free School District  
Narrative of the Grants Cycle – Exhibit A  
June 2021**

**Auditors Spoke with:**

Assistant Superintendent for Business – Christopher Caputo  
District Treasurer – Alyssa Contarino

The following is a narrative, or a sequence of events, which describes the step by step process within the Grants function of the Malverne Union Free School District. The narrative was derived from discussions and interviews with key personnel as well as observations of each step in the process. The Grants function has been outlined by area for ease of reference, including the following areas:

- I.** General Controls and Governance
- II.** Grant Application and Award
- III.** Grant Expenditures and Allowable Costs
- IV.** Employee Payroll Certification
- V.** Cash Management
- VI.** Reporting and Monitoring

Blue = Internal Control

**I. General Controls and Governance**

Procedure Manual

- Federal Funds Procedure Manual – Malverne Union Free School District (*June 2021*)

District Policies

- #5230 – Acceptance of Gifts, Grants and Bequests to the School District (*Revised 2013*)
- #5550 – Maintenance of Fiscal Effort (Title I Programs) (*Adopted December 11, 2007*)
- #8260 – Programs and Projects Funded by Title I (*Adopted December 11, 2007*)

Grant Coordinators

- Shannon Kelly – Grant Coordinator
- Meredyth Martini – Director of Special Education
- Marguerite Izzo – Director of Malverne Teacher Center Grant

**II. Grant Application and Award**

- District administrators are responsible for researching grant opportunities that the District may qualify for based on the District's statistical and demographic information as well as grants received in prior years.
- At the beginning of the school year, the Superintendent of Schools and Assistant Superintendent for Business discuss which grants the District should pursue.
- Ultimately, the Superintendent of Schools will determine which grants the District will apply for each year.
- The Grant Coordinator is responsible for preparing grant applications, Form FS-10 – *Proposed Budget for Federal or State Project* ("Form FS-10"), for the title grants based on the District's eligibility and the approval of the Superintendent of Schools.
- The Director of Special Education is responsible for preparing grant applications, Form FS-10 – *Proposed Budget for Federal or State Project* ("Form FS-10"), for Section 611 and 619 grants based on the District's eligibility and the approval of the Superintendent of Schools.



**Malverne Union Free School District**  
**Narrative of the Grants Cycle – Exhibit A**  
**June 2021**

- The Director of Malverne Teacher Center Grant is responsible for preparing grant applications, Form FS-10 – *Proposed Budget for Federal or State Project* (“Form FS-10”), for the Teacher Center grant based on the District’s eligibility and the approval of the Superintendent of Schools.
- The District had a total of six (6) grants for the 2019-2020 school year which included Title I, Title IIA, Title IV, Teacher Centers, 611, and 619.
- The Grant Coordinator approves the FS-10 for title grants. The Director of Special Education approves the FS-10 for the Section 611 and 619 grants. The Director of Malverne Teacher Center Grant approves the FS-10 for the Teacher Center grant.
- The Superintendent of Schools reviews and certifies Form FS-10 for all grants upon completion, but prior to submission to the New York State Education Department (NYSED).
- The Superintendent of Schools will not approve the grant application without the appropriate individual approval.
- The Assistant Superintendent for Business receives notification via email from New York State for grant approval. The email is forwarded to the District Treasurer who files the grant approval from NYSED and prepares the journal entries in nVision to create the grant budgets.
- The District receives a Grant Award Notification from the New York State Education Department.
- The Assistant Superintendent for Business forwards a copy of Form FS-10 once it’s approved by the NYSED to the Grant Coordinator for title grants, to the Director of Special Education for the 611 and 619 grants, and to the Director of Malverne Teacher Center Grant for the Teacher Center grant.
- The “Grant Award Notification” includes the total approved budget for the grant which is then utilized to set up the total budget for each grant within the District’s accounting system, nVision.
- If there are leftover funds in a grant from the previous school year, the appropriate administrator will include the remaining funds (up to 15%), on the current year Form FS-10 for the grant or complete Form FS-10-A – *Proposed Amendment for a Federal or State Project* (Form FS-10-A) to request that the funds be added to the current year grant.
- Form FS-10-A is also completed if an adjustment to the approved grant budget is needed throughout the school year. The adjusted amounts and the reasons for the adjustments are indicated on the form.
- Once complete, Form FS-10-A is reviewed and certified by the Superintendent of Schools prior to submission to the NYSED.
- The grant budget in nVision will be adjusted once a NYSED approved Form FS-10-A is received by the District.

**III. Grant Expenditures and Allowable Costs**

- The District Treasurer establishes a budget for each approved grant in nVision upon NYSED approval and will notify the departments when purchase order requisitions can be submitted to the Purchasing Agent for review and approval.
- For the Title I, Title IIA, and Title IV grants, the Grant Coordinator determines how to spend the funds.
- For the Section 611 and 619 grants, the Director of Special Education determines how to spend the funds.
- For the Teacher Center grant, the Director of Malverne Teacher Center Grant determines how to spend the funds.
- The Grant Coordinator, Director of Special Education, and Director of Malverne Teacher Center Grant begin the purchasing process when a purchase requisition is entered into nVision for their respective grants. They send the completed requisition to the Assistant Superintendent for



**Malverne Union Free School District**  
**Narrative of the Grants Cycle – Exhibit A**  
**June 2021**

Business to review. Upon final approval the Purchasing Agent converts the requisition into a purchase order electronically in nVision.

- All grant invoices are reviewed and/or signed by the Grant Coordinator, Director of Special Education or Director of Malverne Teacher Center Grant and are then sent to the Accounts Payable Clerk for payment.
- The Accounts Payable Clerk pays the bills out of the Federal (F) Fund in nVision as part of the regular warrant schedule.
- The Assistant Superintendent for Business and the District Treasurer monitor the budget for spending purposes.

#### **IV. Employee Payroll Certification**

- The District Treasurer is responsible for the personnel activity report ("PAR") forms.
- All personnel activity report ("PAR") forms contain the following information:
  - The grant that applies to the employee
  - The percentage (FTE) of the employee's salary the grant is budgeted to.
- The District Treasurer will assign the appropriate budget code to the employees via nVision upon review of the FS-10.
- The District Treasurer forwards the personnel activity report ("PAR") forms to payroll for payment.
- The Payroll Clerk enters the time into nVision.

#### **V. Cash Management**

- Every month, the Assistant Superintendent for Business logs into nVision to see how much of each grant has been spent.
- The District Treasurer completes Form FS-25 – *Request for Funds* ("Form FS-25") when required by the grant and when District spending warrants a request for additional grant funds.
- The Superintendent of Schools must sign and approve Form FS-25.
- The Form FS-25 must then be mailed to the NYSED.
- Upon NYSED approval of Form FS-25, the District receives payments.

#### **VI. Reporting and Monitoring**

- The Assistant Superintendent for Business utilizes nVision to monitor the status of each grant throughout the grant period, which includes reviewing open purchase orders and spending under all grant budget codes.
- The District Treasurer also monitors the budget for each grant when completing Form FS-25.
- A Federal and State Grant Status Report is available on the NYSED website and is usually sent to the District on a quarterly basis for each open grant.
- The Assistant Superintendent for Business and the District Treasurer will perform a review and reconciliation of all grant funds at the end of year.
- The District Treasurer completes Form FS-10-F - *Final Expenditures* (Form FS-10-F) for all grants as per nVision expenditure reports.
- Form FS-10-F is due within thirty (30) days of a state aided grant's end date, or within ninety (90) days of a federally funded grant's end date.
- The Superintendent of Schools certifies Form FS-10-F for each of the District's grants prior to submission to the NYSED.

**Malverne Union Free School District  
Narrative of the Grants Cycle – Exhibit A  
June 2021**

- The District Treasurer maintains the following documentation:
  - Initial Approvals
  - Copies of FS-10
  - Copies of FS-10-A
  - Copies of FS-25
  - Copies of FS-10-F
  - Copies of personnel activity report ("PAR") forms

**Malverne Union Free School District**  
**Control Matrix of Functional Areas**  
**Jun-21**  
**Exhibit B**

Sub Process	Control Number	Control Description	Control Owner	Preventative / Detective
General Controls	A-1	The Grant Coordinator approves the FS-10 for title grants. The Director of Special Education approves the FS-10 for the Section 611 and 619 grants. The Director of Malverne Teacher Center Grant approves the FS-10 for the Teacher Center grant.	Grant Coordinator, Director of Special Education, and The Director of Malverne Teacher Center Grant	Detective
General Controls	A-2	The Superintendent of Schools reviews and certifies Form FS-10 for all grants upon completion, but prior to submission to the New York State Education Department (NYSED).	Superintendent of Schools	Detective
General Controls	A-3	The Superintendent of Schools will not approve the grant application without the appropriate individual approval.	Superintendent of Schools	Preventative
General Controls	A-4	Once complete, Form FS-10-A is reviewed and certified by the Superintendent of Schools prior to submission to the NYSED.	Superintendent of Schools	Detective
Grant Expenditures and Allowable Costs	A-5	All grant invoices are reviewed and/or signed by the Grant Coordinator, Director of Special Education or Director of Malverne Teacher Center Grant and are then sent to the Accounts Payable Clerk for payment.	Grant Coordinator, Director of Special Education, and The Director of Malverne Teacher Center Grant	Detective
Grant Expenditures and Allowable Costs	A-6	The Assistant Superintendent for Business and the District Treasurer monitor the budget for spending purposes.	Assistant Superintendent for Business and District Treasurer	Preventative / Detective
Employee Payroll Certification	A-7	The District Treasurer will assign the appropriate budget code to the employees via nVision upon review of the FS-10.	District Treasurer	Preventative / Detective
Cash Management	A-8	The Superintendent of Schools must sign and approve Form FS-25.	Superintendent of Schools	Detective
Reporting and Monitoring	A-9	The Assistant Superintendent for Business utilizes nVision to monitor the status of each grant throughout the grant period, which includes reviewing open purchase orders and spending under all grant budget codes.	Assistant Superintendent for Business	Preventative / Detective
Reporting and Monitoring	A-10	The Assistant Superintendent for Business and the District Treasurer will perform a review and reconciliation of all grant funds at the end of year.	Assistant Superintendent for Business and District Treasurer	Detective
Reporting and Monitoring	A-11	The Superintendent of Schools certifies Form FS-10-F for each of the District's grants prior to submission to the NYSED.	Superintendent of Schools	Detective

# **INTERNAL AUDITOR'S REPORT**

## **Malverne Union Free School District**

### ***Budget Transfers***

### ***March 2021***

**Inherent Risk Rating:** High

**Control Risk Rating:** Low

**Audit Opinion:** Satisfactory

#### **Purpose/Objectives:**

The objective of budget transfer testing is to ensure that transfers are being properly approved and completed in accordance with District policy. It must also be ensured that budget transfers are in conformance with the restrictions of Section 170.2(1) Commissioners Regulations and Chapter 436 of the Laws of 1997, regarding transfers to and from non-contingent expense codes. Documented oversight of budget transfers, that is both consistent and reliable, can increase the District's control over this process and reduce the likelihood of error or misappropriation. Testing procedures were conducted to assess the processing and maintenance of budget transfers.

The objectives of the testing were to:

- Determine compliance with District policies and procedures
- Determine if there is proper supporting documentation for each transfer
- Determine if proper approval is obtained in accordance with transfer amount
- Determine if supporting documentation agrees to Budget Transfer Reports
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

#### **Scope:**

We have selected fifteen (15) out of seventy-five (75) budget transfers for the time period of July 2020 through November 2020 and tested the selected transactions against our audit criteria.

#### **Observations:**

Based upon the testing procedures performed, we noted the following:

1. All budget transfers were accurately entered into nVision.
2. All budget transfers tested had sufficient supporting documentation.
3. All budget transfers tested were properly approved.
4. All budget transfers tested were in accordance with NYCRR §170.2(l).

#### **Recommendations:**

- No recommendations at this time.



# **INTERNAL AUDITOR'S REPORT**

## **Malverne Union Free School District**

### ***Journal Entries***

### ***March 2021***

**Inherent Risk Rating:** High

**Control Risk Rating:** Low

**Audit Opinion:** Satisfactory

#### **Purpose/Objectives:**

Journal entries, may encompass a wide range of infrequent or perhaps unexpected transactions. For that reason, there is a greater than normal likelihood of error or misappropriation. Documented, knowledgeable oversight of the general journal can increase the District's control over its resources. Testing procedures were conducted to assess the processing and maintenance of journal entries.

The objectives of the testing were to:

- Ensure compliance with District policies and procedures
- Ensure proper approval was obtained prior to processing
- Evaluate the sufficiency of supporting documentation
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

#### **Scope:**

We have selected fifteen (15) out of eighty-five (85) total journal entries for the time period of July 2020 through November 2020 and tested the selected transactions against our audit criteria.

#### **Observations:**

Based upon the testing procedures performed, we noted the following:

1. All journal entries tested traced and agreed to the query report.
2. All journal entries tested had sufficient supporting documentation.
3. All journal entries tested were approved subsequent to being entered into nVision.

#### **Recommendations:**

- No recommendations at this time.

# INTERNAL AUDITOR'S REPORT

## Malverne Union Free School District

### *Bank Reconciliations* *March 2021*

**Inherent Risk Rating:** High

**Control Risk Rating:** Low

**Audit Opinion:** Satisfactory

**Purpose/Objectives:**

Bank reconciliations show the relationship between the recorded cash inflow and outflow and the actual cash inflow and outflow. For that reason, it is imperative to monitor this relationship to identify and rectify outstanding and unusual items in a timely manner. Documented, knowledgeable oversight of the bank reconciliations can increase the District's control over its resources. Testing procedures were conducted to assess the processing and maintenance of the bank reconciliations.

The objectives of the testing were to:

- Ensure compliance with District policies and procedures
- Check for arithmetic accuracy
- Ensure bank balances agree to bank statement
- Ensure book balances agree to general ledger
- Review for any old uncleared items
- Review for any unusual reconciling items
- Ensure the timeliness of reporting to the Board of Education
- Evaluate the sufficiency of supporting documentation
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

**Scope:**

We have examined one hundred percent (100%) of the eleven (11) bank accounts for the general, cafeteria, federal, capital, trust & agency, and scholarship funds for the month of September 2020 against our audit criteria.

The following table summarizes the number of District bank accounts by fund:

<u>Fund</u>	<u>Bank Accounts</u>
General	3
Cafeteria	1
Federal	1
Capital	3
Trust & Agency	2
Scholarship	1
<b>Total</b>	<b>11</b>

**Internal Audit Report:**  
**Bank Reconciliations**

**Observations:**

Based upon the testing procedures performed, we noted the following:

1. All Treasurers' reports were prepared and presented to the Board in a timely manner.
2. All bank reconciliation reports agreed to the Treasurers' report.
3. All bank balances agreed to the bank statements.
4. All book balances agreed to the trial balances.
5. We noted that two (2) bank accounts have outstanding checks which are over six months outstanding.

**Recommendations:**

1. We recommend that the District continue to monitor outstanding checks and send a letter to the vendors or employees once a check has been outstanding for at least six (6) months. However, once a check has been outstanding for more than one (1) year, the check should be cancelled as per General Municipal Law Section 21. The District should also maintain records regarding the cancelled checks. This will ensure that the District has the appropriate documentation on file and is in compliance with General Municipal Law.

# **INTERNAL AUDITOR'S REPORT**

## **Malverne Union Free School District**

### ***Payroll Disbursements March 2021***

**Inherent Risk Rating:** High  
**Control Risk Rating:** Low  
**Audit Opinion:** Satisfactory

#### **Purpose/Objectives:**

Payroll disbursements are processed in the Business Office and consist of semi-monthly payments to employees for contractual, hourly, per diem, and overtime hours worked. Payment rates vary by employee type, title and years at the District. For that reason, it is imperative to monitor payroll disbursements to ensure that the District is paying employees in accordance with employee bargaining unit contracts, individual contracts, or Board of Education approval. Testing procedures were conducted to assess the processing and monitoring of payroll disbursements.

The objectives of the testing were to:

- Ensure compliance with District policies and procedures
- Verify that the rate of pay in the District's accounting software agrees to salary schedules in employee contracts or Board of Education approval
- Verify that employee step and level are accurate
- Verify that overtime payments have prior approval
- Verify that hourly employees are paid timely and hours worked are in the proper pay period
- Verify that timesheets have the proper approvals and are mathematically accurate
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process; if applicable

#### **Scope:**

We selected thirty (30) employees, fifteen (15) contractual and fifteen (15) hourly, included in the September 11, 2020 payroll disbursements and tested such transactions against the objectives noted above.

#### **Observations:**

Based upon the testing procedures performed, we noted the following:

1. All employee rates of pay, levels and steps were traced to nVision as per the appropriate bargaining unit or BOE approval.
2. All overtime had documented prior approval.
3. All hours worked were appropriately reflected on the proper payroll period.
4. All timesheets tested had the appropriate approval signatures.



***Internal Audit Report:  
Payroll Disbursements***

**Recommendations:**

- No recommendations at this time.

# **INTERNAL AUDITOR'S REPORT**

## **Malverne Union Free School District**

### ***Employee Attendance***

### ***March 2021***

**Inherent Risk Rating:** High

**Control Risk Rating:** Low

**Audit Opinion:** Satisfactory

#### **Purpose/Objectives:**

Employee attendance, by its nature, shows employees' time off, including how many vacation days they have left, how many sick days they've used, and if they have personal days remaining. For that reason, it is imperative to monitor the labor management to identify and rectify outstanding and unusual trends in a timely manner. Documented, knowledgeable oversight of employee attendance can increase the District's control over its resources. Testing procedures were conducted to assess the processing and maintenance of employee attendance.

The objectives of the testing were to:

- Verify Absence Request Form was properly submitted and approved
- Verify correct days were entered into the accounting software
- Verify days were posted to the correct absence code (i.e., vacation) in the accounting software
- Verify employees did not exceed the allowable amount of time they are entitled to as per contract
- Identify weaknesses, if any, in the internal control process
- Recommend possible enhancements to the process, if applicable

#### **Scope:**

We have selected fifteen (15) employees and tested their attendance for the time period of March 2020 through January 2021 against our audit criteria.

#### **Observations:**

Based upon the testing procedures performed, we noted the following:

1. All absences were posted to the correct absence code.
2. All absences were properly approved.
3. All absences were entered correctly into nVision.
4. All employees tested were within the allowable amount of time as per contract.

#### **Recommendations:**

- No recommendations at this time.

# **INTERNAL AUDITOR'S REPORT**

## **Malverne Union Free School District**

### ***Employee Reimbursements***

#### ***March 2021***

**Inherent Risk Rating:** High

**Control Risk Rating:** Moderate

**Audit Opinion:** Needs Improvement

#### **Purpose/Objectives:**

Employee expenditures consist of reimbursable expenditures to employees which were disbursed as a result of attending conferences/workshops or purchases that were approved by the District. For that reason, it is imperative to monitor the employee's expenditures to ensure the District is held accountable solely for the expenditure allowance approved for the employee and in accordance with District policy in relation to the conference/workshop attended or purchase made. Testing procedures were conducted to assess the processing of travel and conference expenditures and purchases of District employees.

The objectives of the testing were to:

- Verify that purchase requisitions, purchase orders and/or travel conference request forms were properly submitted and approved
- Verify the accuracy of invoices and travel conference request forms
- Verify that proof of attendance was properly submitted, if applicable
- Ensure that the reimbursement request was submitted timely

#### **Scope:**

We have randomly selected twenty-five (25) employee reimbursements during the time period of August 2019 through November 2020 to ensure that expenditures were in compliance with the objectives outlined above.

#### **Observations:**

Based upon the testing procedures performed, we noted the following:

1. All employee reimbursements tested were approved by the Purchasing Agent.
2. All employee reimbursements tested maintained itemized invoices.
3. We noted that thirteen (13) out of the twenty-five (25) employee reimbursements tested did not have a requisition or travel request form in place prior to the event or purchase.
4. We noted that one (1) out of the twenty-five (25) employee reimbursements tested did not maintain proper proof of attendance.

*Internal Audit Report:*  
*Employee Reimbursements*

5. We noted that six (6) out of the twenty-five (25) employee reimbursements tested were not submitted within ninety (90) days of the event or purchase date.

**Recommendations:**

1. We recommend that all reimbursements to district employees should have a purchase requisition or travel request form in place prior to the event or purchase.
2. We recommend that all applicable employee reimbursements for conferences/workshops maintain a proof of attendance certificate prior to reimbursement.
3. We recommend that all employee reimbursements be reimbursed within ninety (90) days of the event or purchase date. This will enhance the controls of the reimbursement process and reduce the risk of potentially reimbursing an employee twice.