

Frontier Central School District – Audit Committee Meeting Minutes
Thursday April 7, 2016 @ 7:00 AM @ FEC

Attendees: Jerry Bartone, Pat Boyle, Nancy Cox, Dave Patton, Carolyn Robertson, and David DiTanna (Buffamante Whipple Buttafaro, P.C.)

1. 2016 Internal Risk Assessment – Dave DiTanna of Buffamante Whipple Buttafaro, P.C.

Mr. DiTanna shared the attached draft proposal/engagement letter for 2015-16 internal audit services for the District (Attachment #1). BWB's work will address the required annual risk assessment and mandatory testing of at least one internal audit control system. The committee discussed other potential areas for the testing and decided to go with Ms. Robertson's suggestion of examining the Before and After School and Community Education Programs as outlined in the proposal.

Action Item: Mrs. Robertson will get a final copy of the proposal/engagement letter from Mr. DiTanna and get a resolution on the next BoE agenda requesting approval of the BWB work for the 2015-16 school year.

2. **BOCES Computer Services:** The committee reviewed a summary of the application modules used by the business office within the BOCES Finance Manager Application Suite and received data regarding what the district pays BOCES for use of these computer applications. Mrs. Robertson also gave the committee an update on her thoughts about expanding our use of available functionality to reduce paper flow and improve controls.
3. **BWB Risk Assessment Tracker:** Mrs. Robertson walked the committee through the Priority 1 items which were open as of our December meeting and updated us on each one's status. The assessment tracker has been updated and will be forwarded to all committee members. (BWB 2015 Risk Assessment Tracker v6 4-7-2016.xlsx)
4. **Update on Referrals to Policy Committee from Our Committee:** Eight items sighted in the 2015 BWB Risk Assessment (item #s 5, 6, 7, 8, 9, 62, & 63) involved suggestions around District policies. All of those items were submitted to the Policy Committee for attention/review. Four of those items have been addressed by the Policy Committee and will be submitted to the BoE for first reading at the next meeting. Copies of these proposed policies were given out at the meeting. The four items and corresponding policies are:
 - a. Item 7, Policies 1514 Code of Conduct for Board Members
6110 Code of Ethics for Board Members and All District Personnel
 - b. Item 8, Policy 6470 Staff Use of Computerized Information Resources
 - c. Item 62, Policy 5674 Data Networks and Security Access
 - d. Item 63, Policy 5674 Data Networks and Security Access
5. **Review Claims Auditor Reports Dec'15 thru Mar'16:** Copies of Mr. Speranza's Detailed Claims Auditor Reports were reviewed. The reports indicate minor issues which have been immediately cleared up and show the control processes and reviews are working. Thank you to all of our District employees for their continued in keeping our financial processes; accurate, auditable, and transparent.

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6. Next Meeting Date: Thursday June 9th 7 AM

Kathy Barrett from Freed Maxick CPAs, P.C. will be at this meeting to present/review the 2015-16 external audit plan with the committee.

Respectfully submitted on
April 8, 2016 by P. Boyle

QTB

Attachment #1

Draft

B·W·B

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.
Certified Public Accountants • Business Advisors

April 6, 2016

Mr. Patrick Boyle, Chairman
and Audit Committee
Frontier Central School District
5120 Orchard Avenue
Hamburg, New York 14075

Dear Patrick:

This letter sets forth our arrangements for the internal auditing services we will perform for Frontier Central School District for the period from April 1, 2016 through December 31, 2016.

Our services and reports are intended for the specific purpose of providing internal auditing services and shall not be used for any other purpose. Our report may not be used or relied on by any third party, and we shall incur no liability and / or disclaim any responsibility for the use or reliance upon our reports by any third party. Furthermore, any report issued by us may not be published, in whole or in part, without our prior written consent. However, reports are a matter of public record.

Our procedures will include inquiries, observation, and examination of supporting documentation as detailed below. Our services are not guaranteed to identify fraud and our services should not be expected to identify fraud. As a result, we will not accept any liability for the failure of our procedures to identify fraud. However, we will inform you if we become aware of fraudulent activity.

Our engagement will be performed in accordance with consulting standards promulgated by the American Institute of Certified Public Accountants. Our services do not constitute financial audit, review or verification of your financial statements or underlying financial records. We will not express an opinion or any other form of assurance on your financial statements. In addition, this engagement is not an evaluation of internal controls of Frontier Central School District as defined in Statement of Auditing Standards promulgated by the AICPA.

We will use generally accepted consulting standards in performing the obligations of this agreement. If there is a breach of such obligations, including negligence, the cumulative liability of our Company and our employees for all types of damages incurred or suffered shall be limited to the lesser of the amount paid by you or the actual amount of the damages.

The District's management is responsible for management decisions and functions and for designating an individual with suitable skill, knowledge or experience to oversee consulting services we provide and is responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. The District is also responsible for establishing and maintaining internal controls, including monitoring ongoing activities, although as part of our services we may recommend certain internal controls that the District should potentially implement.

Some of the services that we intend to provide include the following:

- Correspondence and meetings with management and audit committee.
- Performance of annual risk assessment update
- Preparation and presentation of risk assessment update report.
- Performance of testing of an internal control system or area based on risk assessment. Preparation of findings and recommendation report at the conclusion of testing the internal control system.
- Other procedures as deemed necessary.

Risk assessment Update

The objective of the risk assessment update is to determine whether the District has taken steps to address the risks identified in our initial risk assessment performed in June 2015.

Our approach to update the risk assessment will be similar to that taken during the initial risk assessment process. We intend to review the initial report with the Assistant Superintendent for Business, along with interviewing certain personnel that we previously met with during our previous visit. These interviews serve three purposes which include:

1. Re-affirm our understanding of the internal controls currently in place
2. Identify changes in the day-to-day operation of the internal control structure
3. Assess whether our initial recommendations have been implemented.

To achieve these objectives, we will rely on inquiries of management and personnel, which will include having personnel update previously developed process narratives and questionnaires. Similar to the initial risk assessment, we would like to coordinate providing the narratives to the District and receiving them back prior to our arrival.

Our fees for performing the risk assessment update will be \$6,500, as previously presented in our dollar cost bid for internal auditing services. Once completed, we will present the District with a risk assessment update report which will be reviewed with the audit committee.

Internal Audit Testing

Internal audit testing includes performing detailed testing in specific areas that we have identified as having higher risk, as directed by the audit committee. The New York State Comptroller's Office requires that school districts perform internal auditing for a minimum of one internal control system during each fiscal year.

Based on discussions with management, it is our understanding that you would like us to review processes over the extended day (before and after school program) and community education billing. We estimate our fees for performing such services would range from \$6,500 - \$9,000.

We have developed a plan to both understand and test various facets of the District's extended day and community education billing and collection.

The first phase of the internal audit testing would be to schedule time to meet with representatives of the School who is involved with the extended day and community education programs to document the District's processes with regards to:

- Developing a tuition rate schedule
- Communicating rates to the public
- Registering students
- Documenting attendance
- Preparing bills
- Sending bills to parents/payers
- Collecting tuition
- Depositing tuition payments
- Oversight of uncollected billings
- Issuing refunds
- Making adjustments to billings
- Reconciling tuition receipts to billings
- Providing information to the business office that substantiates cash collections and billings

Once we have gained an understanding of these processes, we would perform phase two of the internal audit testing which would include testing a sample transactions in the extended day and community education programs, to determine whether processes communicated in phase one were being followed. Our testing would include the following:


Internal Audit Testing (continued)

- Review calculation of how tuition rate was developed for reasonableness.
- We will select a sample of 20 bills (10 extended day and 10 community education program) and perform the following:
 - Determine that the rate per student or rate per course was consistent with approved rate schedule.
 - Verify that attendance records verifies that the student participated in program.
 - Determine if timing of when bill was sent parent/payer was done so in timely manner.
 - Determine if amount was bill amount was collected in timely manner and if not, whether a past due notice was sent to parent/payer.
- We will select a sample of 20 students from attendance records (10 extended day and 10 community education program) and determine whether the student was appropriately billed for days in session for one billing period and the amount billed was collected and deposited to the District.
- We will select a sample of 20 cash receipts (10 extended day and 10 community education program) from the period from July 1, 2015 through April 30, 2016 noting whether proper policies and procedures are being followed and whether proper documentation exists and can be obtained in a timely manner. As part of this testing, we will review cash receipts to ensure that:
 - Point of sale records exist
 - Amounts agree and are consistent with point of sale records
 - Receipt is deducted from student account
 - Deposit slips exist
 - Receipts are appropriately authorized
 - Deposits were made in a timely manner
 - Deposit posted to proper account in general ledger
 - Agrees to deposit made on bank statement
 - Cash receipts log/treasurers receipts are reconciled to the G/L and bank statement
- Inquire whether there were any adjustments made to the bills after sent to parent/payer during period from July 1, 2015 through April 30, 2016. If so, select 5 bills and determine if adequate justification for the bill adjustment exists.
- Inquire whether there were any refunds issued during period from July 1, 2015 through April 30, 2016. If, so select 5 refunds and determine adequate for the refund exists.

At the conclusion of our discussions, we intend to write a report to the Committee which would outline any suggestions or recommendations we might have with regards to the District's processes in this area, along with the results of our testing. This testing will then be reviewed with the audit committee.

Please let us know if you would like us to proceed with the engagement as outlined above and we will coordinate dates to perform such services with Carolyn Robertson, CPA, Assistant Superintendent for Business.

Sincerely,



David V. DiTanna, CPA, CIA, CGFM
Buffamante Whipple Buttafaro PC