

**Frontier Central School District – Audit Committee Meeting Minutes**  
**Thursday June 14, 2018 @ 7:00 AM @ FEC**

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**Attendees:** Kathryn Barrett (Freed Maxick), Patrick Boyle, Richard Hughes, Carolyn Robertson, and J. Mark Robinson

1. **Presentation by Kathryn Barrett on the External Auditors Year End Audit Plan:** Ms. Barrett walked the committee through the attached plan ("Frontier Central School District Audit Plan June 30, 2018") and addressed our questions. Freed Maxick will get a final draft to the Audit Committee in late September for review, so it can be on the Board of Education's agenda for their first meeting in October. Reports must be filed at NYSED by October 15th each year. Two tangential items that came up were suggestions that more focus on "Lunch Shaming" and "Crowd Funding" by SED should motivate the District to look at its' policies in these areas and ensure the District is addressing them appropriately.  
**Action Item:** Mr. Boyle will identify potentially impacted policies and reach out to the Policy Committee to get them on their radar screen.
2. **Review Claims Auditor Reports March '18 thru May'18:** Copies of Mr. Speranza's monthly reports for the past three months were reviewed. The number of exceptions noted is minimal and no recurring indicators of problem areas were identified. The committee appreciates receiving these reports via e-mail monthly.
3. **Action Items from Last Meeting:**
  - a. **Response from Erie 1 BOCES on IT Assurances:** In mid-April we received a response from Erie 1 BOCES describing the IT services we subscribe to and information about their security and disaster recovery preparedness. Copies of all of the materials we received (approximately 40 pages) were sent to all committee members. BOCES also sent us information about an additional service the District does not subscribe to called "Enhance Cyber Security Service". This service includes cyber security areas like; vulnerability assessments, penetration testing, security event monitoring & alerting, data segmentation, threat detection, etc.  
**Action Item:** Ms. Robertson will reach out to BOCES to get pricing information on this cyber security service for the committee to review at a future meeting.
  - b. **NYSED regulation regarding who needs to sign off on capital project changes.** Ms. Robertson reported that a process has been implemented under which an email goes out to all BOE members whenever a change order is initiated. The e-mail goes out explaining why the change is needed with the change in costs. Any Board member with questions or concerns needs to respond within a fixed period of time, or the change order is passed by the BoE (by virtue of no objections or feedback from the e-mail) and then signed off on by the superintendent. This process is acceptable to the committee.
  - c. **Review Any Updates to BWB Risk Tracker:** Ms. Robertson made the committee aware of efforts underway to update the specific regulations supporting the purchasing/procurement policies dealing with specifics like the number and formality of quotes based on spend amounts.
4. **BWB Focused Testing for Next Year:** As determined by e-mail correspondence among the committee during April, we have decided to have BWB's testing focused on extra-classroom activities funds for next year. Ms. Robertson has passed that selection along to Mr. DiTanna at BWB. We had a short discussion about possibly asking to see the books/controls from one or more of the 501c organizations that raise funds for specific District purposes. While we have no direct oversight of these organizations, their actions

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do reflect on the district. No specific recommendations were made at this time to take to the full Board of Education along these lines.

5. **Upgrading of the District's Financial Computer Applications:** Ms. Robertson reported the District is on schedule to move to the new financial accounting system at BOCES (nVision) by the end of August. Testing and staff training are going well. This application has more electronical workflow (better controls) and enhanced tools to extract and analyze data (slicing and dicing). We are looking forward to a successful transition.
6. **Meeting Schedule for the 2018-19 School Year:** Action Item - Mr. Boyle will develop a proposed schedule and send it out to the committee members for their input during July. Our regularly scheduled quarterly meetings occur in September, December, March, and June.

Respectfully submitted on  
June 25, 2018 by P. Boyle

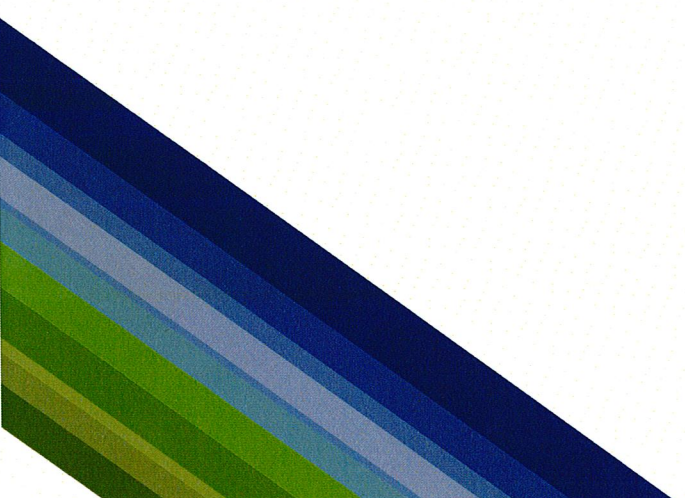


Frontier Central School District

# Audit Plan

JUNE 30, 2018

*Handwritten:*  
→ Laura Shain  
→ Court Smith  
Patt  
Patt





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June 14, 2018

Audit Committee Members  
Frontier Central School District  
Hamburg, New York

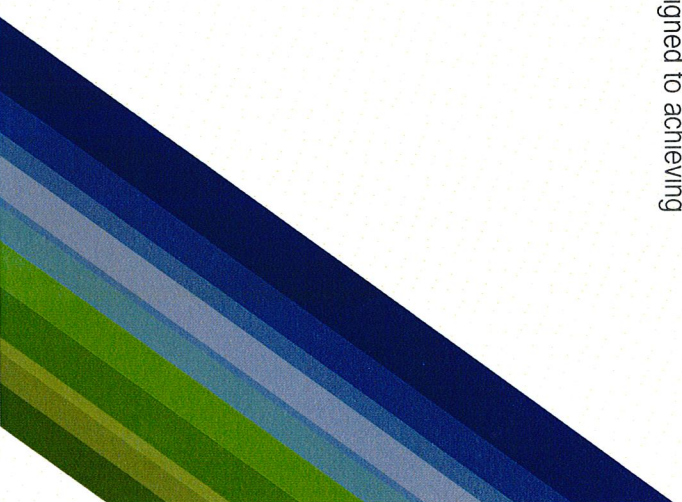
Dear Audit Committee Members:

We are pleased to present you with our audit plan for the fiscal year ending June 30, 2018, for the Frontier Central School District (the District). Our plan includes a summary of our mutual understanding and expectations between you and others within the District and Freed Maxick CPAs, P.C., an analysis of key audit risks, our audit strategy and responses to identified audit risks, the reporting and audit timetable and other matters of relevance to the Audit Committee Members. Discussion of our plan with you ensures our Freed Maxick engagement team members fully understand your concerns and that we agree on mutual needs and expectations to provide the highest level of service quality. We believe our approach is designed to achieving those outcomes.

If you have any questions regarding this plan please contact Kathryn Barrett at (585) 344-1967.

*Freed Maxick CPAs, P.C.*

Freed Maxick CPAs, P.C.

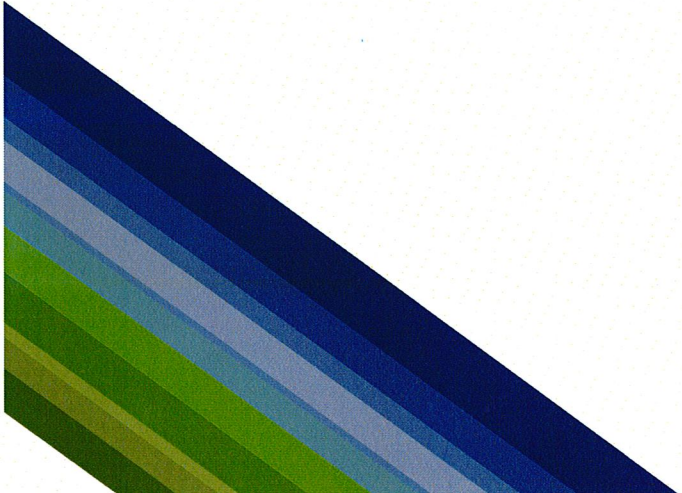




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## Engagement Management Team

The following individuals have been assigned to lead and manage the District's audit engagement for 2018. All are available to management and the Audit Committee Members at any time.

Name	Role	Email	Telephone
Kathryn Barrett, CPA <i>Engagement Director</i>	Engagement relationship coordination and oversight of audit services	kathryn.barrett@freedmaxick.com	(585) 344-1967
Laura Landers, MPA, CPA <i>Technical Director</i>	Technical Director	laura.landiers@freedmaxick.com	(585) 344-1967
Nicole Ryan, CPA <i>Single Audit Manager</i>	Day-to-day supervision of the compliance audit of federally funded programs	nicole.ryan@freedmaxick.com	(585) 344-1967
Kristen Rutkowski <i>Engagement Supervisor</i>	Day-to-day supervision of the audit fieldwork	kristen.rutkowski@freedmaxick.com	(716) 847-2651



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## Understanding Your Needs and Expectations

To provide an effective and efficient audit, we wish to discuss and agree with the District on our mutual needs and expectations. A summary of our understanding of what has been agreed to is set out below:

Needs and Expectations	Freed Maxick Response
<i>Maintain consistency of directors, managers and supervisors on the District's service team and meet reporting deadlines</i>	We strive to maintain top management consistency. Any significant changes would be discussed with the District. As a result, management will have multiple points of consistent Freed Maxick contact with whom they can communicate. Further, we will continue to use formal and regular face-to-face communications with management and the audit team to ensure all reporting deadlines are met.
<i>Avoid surprises. Communicate accounting and auditing issues on a timely basis and work with management to ensure appropriate resolution</i>	We will continue to notify management as audit issues are identified and will continue to hold update meetings throughout fieldwork. Upon completion of our procedures, we will conduct a formal exit conference with management to discuss our findings and results.
<i>Upfront planning and coordination, early concurrence on key estimates and judgments; tests of internal controls and compliance tests in accordance with the Single Audit Act performed at interim to reduce burden on year-end fieldwork</i>	We have proposed a detailed audit timetable that has been discussed with and agreed to by management. This timetable lays out timing during which these key activities will occur.
<i>Timely resolution to issues and responses to questions; empowered, responsive engagement team who are readily accessible</i>	Our core engagement management team has been structured to allow for proactive, timely responsiveness and service. We work closely with all local resources and decision makers to ensure timely resolution to issues that arise.



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## Reporting Timetable

### Reporting/deliverables:

Your Freed Maxick team works on the engagement throughout the year to provide the District with timely, responsive service. Below are the dates that have been scheduled for the audit fieldwork and dates you can expect our audit reports and related deliverables.

Audit Stage	Completed by:
Detailed audit plan and list of schedules to be prepared by the District	April 2018
Fieldwork – Interim (including tests of internal controls) – Year-end (to be completed no later than)	May 31 – June 1, 2018 <u>August 20-24, 2018</u> <i>audit</i>
Issuance of <u>draft reports</u> (to be completed no later than)	September 21, 2018
Issuance of final financial statements including required communications to the Audit Committee and the Board of Education (to be completed no later than)	October 15, 2018
Presentation to the Board of Education	To Be Determined

*10/15/18 available*

*CSA 14 to board w/ SEC*



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## Audit Objectives

Our audit of the District is directed toward delivering assurance to three key stakeholders:

**For the Board of Ed.**

Independent audit opinions and other reports that add credibility to financial information released by the District.

**For Audit Committee**

Assistance to District's Audit Committee Members discharging their governance and compliance responsibilities.

**For Management**

Observations and advice on financial reporting and business issues from senior professionals who have in-depth understanding of your organization and industry. We also share experience on industry best practice issues.





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## Developments Affecting Your Business & Financial Reporting

Based upon discussions with management, and our understanding of the District, we have identified the following recent developments affecting your operations and our audit approach. Our audit strategy has been developed to give consideration to the impact of these factors on your financial accounting and reporting environment.

### ORGANIZATIONAL DEVELOPMENTS

- OSC completed their audit in March.
- 2018 capital project to begin this Summer.
- Approximately \$1 million of unbudgeted technology purchases through BOCES.
- Expect to fund the capital reserve by approximately \$2.0 million.
- Risk management activities / internal control efforts.

### INDUSTRY DEVELOPMENTS

- Every Student Succeeds Act (ESSA) – Federal Regulation requiring Districts to track School Level Spending. Effective for the 18/19 fiscal year with findings to be reported by December 2019. Actual expenditures to be reported for all funds.
- Education law 3614 Statement of Total Funding Allocation – State Law requiring districts to implement school level budgeting. Effective for Frontier District for the 19/20 fiscal year. Budgeted expenditures for General Fund only.
- Charitable gifts trust funds – Monetary gifts, grants or bequests received to support education – No IRS decision yet.
- Section 908 of Education Law – Lunch Shaming. Districts that participate in the national school lunch and/or breakfast programs must develop a plan to ensure that children with unpaid meal balances are not shamed. Plan must be submitted to the Commissioner by 7/1/18. Plan must be posted on the District's website.
- The European Union's General Data Protection Regulations (GDPR). Applies to any entity that holds, transmits or processes EU resident data (i.e. foreign exchange students) or who interact with EU residents. Enforcement starts May 25, 2018.
- Awareness of crowd funding (Go-Fund-Me) occurring in districts. Districts/teachers not permitted to raise money through crowd funding. Districts should have policies in place and have oversight of extracurricular clubs using crowd funds.



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## Developments Affecting Your Business & Financial Reporting (continued)

### FINANCIAL REPORTING AND AUDITING DEVELOPMENTS

- GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits other than Pension* (effective for June 30, 2018)
- GASB Statement No. 85, *Omnibus* (effective for June 30, 2018, early application is encouraged)
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* (effective June 30, 2018)
- GASB Statement No. 84, *Fiduciary Activities* (effective for June 30, 2020, early application is encouraged)
- GASB Statement No. 87, *Leases* (effective June 30, 2021, early application is encouraged)

GPM 2c - ~~not~~ Disclosures

✓ SGA

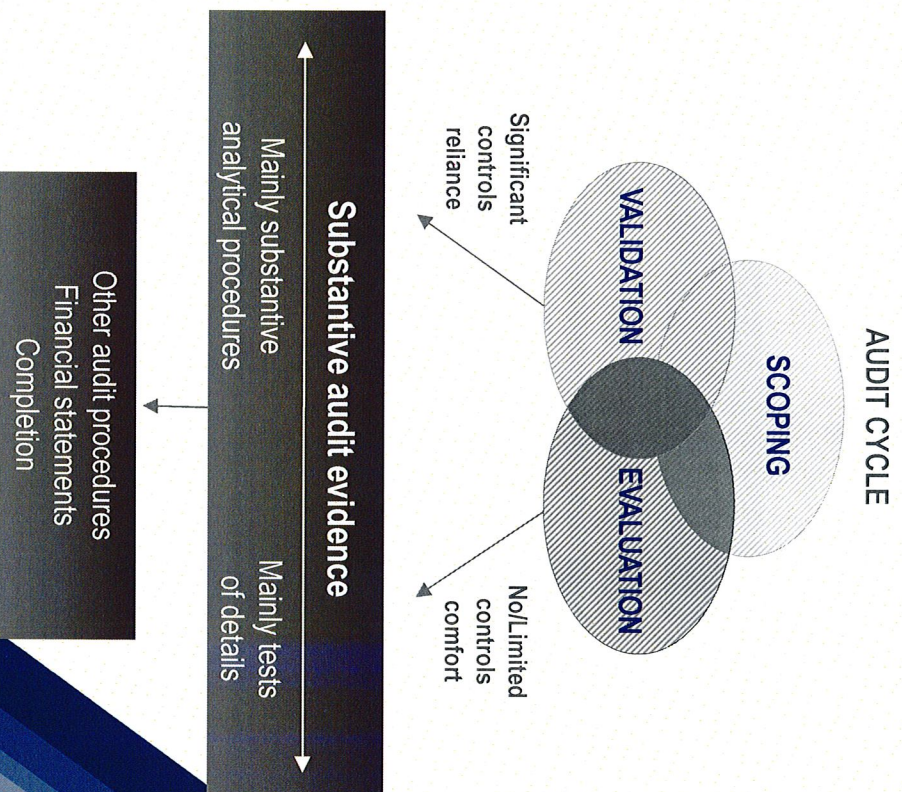


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## Audit Strategy Overview

The Freed Maxick audit process is based on the following principles and practices:

- A thorough and detailed understanding of your organization and its risks;
- Gathering much of our audit evidence through a process of inquiry, observation and testing which evaluates how your internal controls address the risks identified and whether assertions about control effectiveness can be supported by verifiable evidence (i.e. documentation, re-performance, etc.);
- Periodically evaluating our progress to date and assessing the extent to which we need to further support the audit work done with additional substantive audit procedures and evidence;
- Communicate regularly with management to avoid surprises, resolve identified issues and share best practices.





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## Audit Risk Assessment & Approach

Based on the Freed Maxick engagement team's prior experience with the District, review of the prior years financial statements and audit work papers, and experience with other districts, we have identified the following risk areas that will require particular attention during the course of our audit of the District:

Audit Risk Areas	Audit Approach
<i>Financial statement presentation and disclosures</i>	Review accounting and disclosures for appropriateness, transparency and consistency with the District's policies and industry guidance.
<i>Cash and investments</i>	Confirm balances. Test reconciliations. Review collateral. Review contracts and agreements for accounting and disclosure implications.
<i>Accounts receivable, sales tax receivable and Federal and State aid receivable</i>	Obtain understanding of management's estimation process. Perform substantive testing of significant accounts receivable. Perform analytical procedures.
<i>Land, construction work-in-progress, buildings, improvements and vehicles and equipment</i>	Verify significant additions, significant deletions and construction work-in-process. Review for reasonableness of depreciation expense and other related costs. Review for potential impairments.



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# Audit Risk Assessment & Approach (continued)

Audit Risk Areas		Audit Approach	
Accounts payable		Obtain understanding of management's estimation process. Perform substantive testing of significant accounts payable including review of subsequent disbursements. Perform analytical procedures.	
Accrued liabilities		Obtain understanding of management's estimation process. Perform substantive testing of significant accrued liabilities. Test computation of payroll, vacation and sick day accrual to the District's accrued vacation and sick day carryover policy. Test computation of the District's self funded workers' compensation and self funded health insurance liabilities. Perform analytical procedures.	
Due from other funds and due to other funds		Determine accounts are in balance and no unusual entries were recorded. Evaluate substance of transactions as well as appropriateness of classification and disclosure in the financial statements. Evaluate ability of funds to pay liability and whether reclassification to permanent transfers is appropriate.	



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## Audit Risk Assessment & Approach (continued)

Audit Risk Areas		Audit Approach
<i>Due to retirement systems</i>		Obtain understanding of management's estimation process. Perform substantive tests of the accrued liability and related expense. Perform census data testing, as deemed necessary, and analytical procedures. We will obtain GASB 68 information from the retirement systems specific to the District and ensure pension liabilities, deferred outflows of resources and deferred inflow of resources are properly stated.
<i>Debt structure and covenants including accrued interest payable, bond anticipation notes payable, capital leases and serial bonds payable</i>		Obtain understanding of debt structure. Trace and agree amounts from amortization schedules to current year's expenditures. Recalculate interest expenditure for reasonableness.
<i>OPEB liability</i>		We will obtain the most recent actuary report, review actuarial assumptions for reasonableness and perform census data testing as deemed necessary. We will ensure that long-term OPEB liabilities are properly stated and reported in the financial statements in accordance with GASB Statement No. 75.
<i>Fund balances</i>		Determine opening balances are properly stated. Examine documentation for any direct adjustments to equity accounts. Review all resolutions related to establishment of restricted, committed, and assigned fund balances and current year contributions. Examine transfers to and expenditures from restricted, committed, or assigned fund balances for appropriateness. Review District's spending policy for restricted, committed, and assigned fund balances.



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## Audit Risk Assessment & Approach (continued)

Audit Risk Areas		Audit Approach
Revenues		Document and test internal controls over a sample of receipts to ensure internal controls are operating as intended. Test for supervisory review and approval of bank reconciliations. Confirm major revenue sources. Review budgeted and actual results for significant fluctuations. Perform analytical procedures.
Expenditures		Document and test controls over a sample of disbursements in order to verify that the District is complying with their procurement policy and ensure internal controls are operating as intended. Test for bidding or competitive quotations, and verify purchases and payments are properly authorized. Review budgeted and actual results for significant fluctuations. Perform analytical procedures.
Salaries / benefits accruals including compensated absences and other post-employment benefits		Document and test controls over a sample of payroll transactions to ensure internal controls are operating as intended, and to ensure compliance with the District's hiring policies. Verify payroll transactions are supported by contracts or approved timecards and verify payroll registers are reviewed and approved by supervisory personnel. Perform analytical procedures.



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## Audit Risk Assessment & Approach (continued)

Audit Risk Areas		Audit Approach
<i>Interfund transfers in and out</i>		Determine accounts are in balance and no unusual entries were recorded. Evaluate substance of transactions, as well as, appropriateness of classification and disclosure in the financial statements.
<i>Litigation and compliance matters</i>		Confirm understanding of legal and compliance matters through inquiry and legal confirmation letters from legal council and review of Board minutes. Review compliance programs and results.
<i>Fraud</i>		Identify balances, transactions and other elements susceptible to fraud. Assess risk and gauge management's awareness and responses to identified risks. Test, as appropriate, journal entries, source documentation and other transactions for indicators of fraud. Include in audit planning an element of "surprise" in our audit substantive testing plan (i.e. testing of random transactions, small balances, etc.).