

Frontier Central School District – Audit Committee Meeting Minutes
Thursday September 27, 2018 @ 7:00 AM @ FEC

Attendees: Kathryn Barrett (Freed Maxick CPAs), Patrick Boyle, Nancy Cox, Richard Hughes, and William Thiel

1. Presentation of Draft Year End Reports by Kathryn Barrett of Freed Maxick CPAs:

Ms. Barrett reported that the result of their audit was an unqualified (clean) opinion for the year ended June 30, 2018. She walked the committee through four final draft documents;

- Audited Basic Financial Statements;
- Report to the Board of Education
- Single Audit Report
- Audited Extra Classroom Activity Financial Statements

In the Report to the Board of Education, four items are noted as either non-compliance matters (2) or control deficiencies (2) with recommendations. The first two are policy items and will be referred to the Policy Committee for follow up. The other two (Payroll Time Cards & Student Activity Funds) will be followed up on by the Audit Committee. Ms. Barrett noted that her firm has been in contact with the BOCES policy service and she believes BOCES will be addressing the first policy recommendation with an update in the near future. Those four items are;

Policy Updates for Uniform Guidance

Observation

The District's code of ethics, conflict of interest and procurement policies do not incorporate federal award activity within the process and procedures followed by the District in accordance with the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Sections 200.112, 200.317-200.326. Under the

Uniform Guidance, the procurement requirements were not required to be implemented until January 1, 2018 for federal award recipients, however, the District did not elect this extension in writing, as required, to remain in compliance.

Recommendation

We recommend that the District review their policies and establish/update such policies to ensure compliance with the Uniform Guidance.

Investment Policy

Observation

During the audit, we noted the District make arrangements with its bank to use an Irrevocable Stand-By Letter of Credit as collateral for its deposits in excess of FDIC limits. The District's investment policy does not provide for such letters of credit as collateral for its deposits.

Recommendation

We recommend that the District review their investment policy and update such policies to ensure compliance as deemed necessary

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Payroll Time Cards

Observation

During our audit, it was found that hourly employees working standard contractual hours (no overtime or use of personal or sick time) did not report their time on a weekly or biweekly basis. The employees attendance is monitored by building clerks/supervisors and department heads.

Recommendation

We recommend the District consider implementing a timekeeping system to monitor the daily attendance and have applicable time information reviewed on a weekly or biweekly basis for these employees in advance of payroll processing.

Student Activity Funds

Observation

Consistent with most other school districts, during our audit, we noted that insufficient accounting controls exist over cash collections prior to the initial entry in the accounting records by the Central Treasurers. This deficiency resulted in a limitation on the sufficiency of our audit procedures and a qualification of our audit opinion.

During our current year audit, we noted instances of the following:

- Some clubs were not preparing fundraising request forms, budgets or profit and loss analyses for fund raising events.
- Instances where fundraising activities had not been approved by the building principal in accordance with District policy.
- Insufficient documentation was present to support funds received from fundraising activities, or disbursed by the club.
- Pre-numbered cash receipts were not used for fundraising activities when appropriate.
- Students/Clubs were not maintaining independent general ledgers of their fundraising activities that also provide a running balance of the cash available to the club for their club activities.

Recommendation

We suggest the Central Treasurers and advisors review the Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds - Finance Pamphlet 2, issued by the State Education for suggested internal controls for various fundraising events.

The committee accepted the draft reports and asked Ms. Barrett to present the reports to the full Board of Education for their review and approval at the next meeting on October 2, 2018.

2. Review **Claims Auditor Reports June'18 thru August'18**: Copies of Mr. Speranza's monthly reports for the past three months were reviewed. The number of exceptions noted for the month of August was bit higher than normal, but Mr. Thiel explained why those exceptions occurred and the reasons were acceptable. The committee appreciates receiving these reports via e-mail monthly.
3. Office of the NY State Comptroller – Report on **Procurement of Professional Services and Frontier's Corrective Action Plan**: The committee reviewed the dates laid out in the District's Corrective Action Plan and will be monitoring to ensure the policy changes are presented to the full Board of Education by January 30, 2019.

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4. **Enhanced Cyber Security Services Available from BOCES:** The committee reviewed a summary description of incremental cyber security services offered on an annual basis which would cost the District approximately \$ 6,500. These services include; vulnerability assessments and penetration testing, security event monitoring and alerting, asset classification, user activity monitoring, etc. The committee noted that BOCES does not offer the equivalent of a SOC2 attestation on its own services, so we wondered how we could measure how solid the BOCES' offering is. We can also shop other local firms to see if they offer comparable services – although they would not be aidable. **Action Item:** Pat Boyle will contact BOCES to get a list of Districts that have purchased this service to do some reference checking. Dr. Hughes also noted that the District is currently looking at its computer infrastructure and it may be prudent to hold off on services like this until we determine if other changes need to happen first. It was also suggested that we could ask our internal auditor (BWB) to do some cyber security testing as part of our required audit testing for the 2018-19 year.
5. The committee accepted the following **Quarterly Meeting dates for the 2018-19 School Year**, all meetings will be on Thursdays at FEC beginning at 7 AM:
- September 27, 2018
 - December 13, 2018
 - March 14, 2019
 - June 13, 2019

Next Meeting Date -Thursday December 13th 7 AM at FEC.

Respectfully submitted on
October 1, 2018 by P. Boyle