



Deer Park Union Free School District Bank Reconciliations

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-166



Thomas P. DiNapoli

Table of Contents

| | Page |
|---|-------------|
| AUTHORITY LETTER | 1 |
| INTRODUCTION | 2 |
| Background | 2 |
| Objective | 2 |
| Scope and Methodology | 2 |
| Comments of District Officials | 2 |
| BANK RECONCILIATIONS | 3 |
| APPENDIX A Response From District Officials | 5 |
| APPENDIX B Audit Methodology and Standards | 7 |
| APPENDIX C How to Obtain Additional Copies of the Report | 8 |
| APPENDIX D Local Regional Office Listing | 9 |

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Deer Park Union Free School District, entitled Bank Reconciliations. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Deer Park Union Free School District (District) is located in the Town of Babylon in Suffolk County. The District is governed by the Board of Education (Board), which is composed of seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Assistant Superintendent for Business and Operations (Assistant Superintendent) oversees the District's business operations. The District Treasurer is responsible for receiving, disbursing and maintaining custody of District funds and reconciling bank accounts. The District's general fund expenditures for the 2014-15 fiscal year were about \$101 million.

Objective

The objective of our audit was to examine bank reconciliations. Our audit addressed the following related question:

- Has the Board ensured that the District properly prepared bank reconciliations to safeguard District assets?

Scope and Methodology

We examined the District's bank reconciliations for the period July 1, 2014 through December 31, 2015.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of District Officials

The results of our audit have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our report.

Bank Reconciliations

Reconciling bank account cash balances with the accounting records is an essential control activity, which allows District officials to determine whether all cash receipt and disbursement transactions are captured and correctly recorded in a timely manner. Monthly bank reconciliations provide a way for officials to identify, correct and document differences between the District's records and bank transactions. As an additional control, someone other than the individual who prepares bank reconciliations should review them.

The Board ensured that bank reconciliations were properly prepared to safeguard District assets. The Treasurer reconciles the bank accounts on a monthly basis by comparing the bank balances to the general ledger balances and accounts for any transactions that have not yet been recorded by the bank (e.g., outstanding checks) and transactions processed by the bank but not yet recorded in the District's general ledger (e.g., earned interest or fees). The Treasurer submits the reconciliations to the Assistant Superintendent for review.

Bank reconciliations include the bank statement, a monthly cash balance report showing the District general ledger's opening cash balance, all bank account activities recorded in the District's accounting records and the ending cash balance. For bank accounts with a large number of transactions, such as checking accounts, the Treasurer signs the reconciliation. For bank accounts with little activity, such as interest earnings, the Treasurer attaches a general ledger activity statement to the bank statement to show they agree and signs the bank statement. After the Assistant Superintendent reviews the reconciliations and support, she also signs the bank reconciliations or bank statements to indicate her review.

We reviewed 84 bank reconciliations the Treasurer prepared for all 14 District bank accounts during our audit period to determine if they were prepared in a timely manner. We found that the Treasurer generally reconciled the bank accounts in a timely manner and that the Assistant Superintendent reviewed and signed all these reconciliations.

We also prepared bank reconciliations for all District bank accounts for October and November 2015 and compared them with the reconciliations prepared by the Treasurer to determine if the District's reconciliations were accurate. Our reconciliations generally agreed with those prepared by the Treasurer, except for minor differences, which we discussed with District officials.

We commend District officials for establishing and implementing effective controls over the reconciliation process.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.

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Superintendent of Schools

Frank Caliguiri
Asst. Superintendent

Marguerite Jimenez
Asst. Superintendent

June 15, 2016

Mr. Ira McCracken
Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
NYS Office Building
250 Veterans Memorial Highway
Room 3A10
Hauppauge, NY 11788-5533

Dear Mr. McCracken,

Thank you for giving the Deer Park Union Free School District an opportunity to respond to the Draft Report of Examination by the Office of the State Comptroller regarding bank reconciliations for the period July 1, 2015 – December 31, 2015. We commend the auditors for their professionalism and thank them for the information provided in the report.

We are pleased the audit confirms the district has established and implements effective controls over the bank reconciliation process. It is our intent to continue preparing the reconciliations in a timely manner and to have them reviewed. The commendation from the audit team validates the hard work and commitment of the Business Office personnel.

The Deer Park Union Free School District takes pride in all aspects of the Business Office operations considering the best interests of our taxpayers. We are extremely proud of the staff and are pleased their efforts have been acknowledged by the Office of the State Comptroller. In order to ensure the safeguarding of our assets, our procedures will continue to be reviewed, adjusted and evolve to adapt to transitions in staffing and regulations.

With no adverse findings or recommendations, no corrective action plan is required with this response. We will continue to take our fiscal management responsibilities to the taxpayers of the Deer Park Union Free School District very seriously. We are grateful for this opportunity to work with the auditors of the Office of the State Comptroller in the review of our procedures and processes, and we appreciate the professionalism and courtesy that was extended while they were here to all who were involved. On behalf of the Board of Education and Administration, we extend our thanks to the State Comptroller's Office and acknowledge their thorough review of the Deer Park Union Free School District's bank reconciliations.

Sincerely,

Eva J. Demyen
Superintendent of Schools

The Mission of the Deer Park School District, in conjunction with the community, is to provide each and every student exemplary programs of study within a safe, healthy and nurturing environment. It is our vision that our students will achieve academic excellence, mastering those concepts, skills and processes that will enable them to become thoughtful, productive citizens in our society. Our students will be career/college ready.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials to gain an understanding of the bank reconciliation procedures.
- We judgmentally selected the last six months, July through December 2015, of completed bank reconciliations for all of the District's bank account to determine whether the bank reconciliations were prepared in a timely manner.
- We prepared two months of bank reconciliations (October and November 2015) for all District bank accounts to determine the accuracy of the monthly bank reconciliations. For our sample months, we judgmentally selected the last two months during our audit period that the Treasurer prepared bank reconciliations prior to the start of our fieldwork.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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