

Greenport Union Free School District

Bank Reconciliations

OCTOBER 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Greenport Union Free School District

Audit Objective

Determine whether the Treasurer prepared accurate and timely bank reconciliations.

Key Findings

The Treasurer did not:

- Prepare 26 of 43 months of bank reconciliations in a timely manner.
- Ensure that the recorded balance for the general fund bank account reflected the actual cash balance for 2016-17 and 2017-18.

Key Recommendations

- Ensure that bank reconciliations are reviewed monthly.
- Ensure that the recorded cash balances at month-end accurately reflect the actual bank balances.
- Perform bank reconciliations within 30 days and post correcting journal entries each month.

District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The Greenport Union Free School District (District) serves a 5.5 square mile area in the Village of Greenport and the Town of Southold in Suffolk County.

The five-member Board of Education (Board) is responsible for managing financial and educational affairs. The School Superintendent and the Assistant Superintendent of Business (Assistant Superintendent), both shared positions with the Southold Union Free School District, are responsible for day-to-day management under the Board's direction. The Treasurer is responsible for preparing bank reconciliations, among other duties.

Quick Facts

| | |
|-----------------------------------|----------------|
| 2017-18 Employees | 119 |
| 2017-18 Enrollment | 640 |
| 2017-18 General Fund Expenditures | \$17.3 Million |

Audit Period

July 1, 2015 – January 31, 2019

Bank Reconciliations

Why Are Bank Reconciliations Important?

Reconciling bank account balances with the accounting records is an essential control activity that allows district officials to determine whether all 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 employee who prepares bank reconciliations and who is independent of recording receipts and journal entry transactions should review bank reconciliations.

The Treasurer Did Not Prepare Accurate or Timely Bank Reconciliations

The Treasurer was responsible for reconciling the bank accounts on a monthly basis by comparing the bank balances to the balances recorded in the accounting records to identify transactions that were not yet recorded by the bank (i.e., outstanding checks), deposits that were not yet processed by the bank (i.e., deposits-in-transit) and transactions processed by the bank that were not yet recorded in the accounting records (e.g., interest earned or fees).

The Assistant Superintendent was responsible for reviewing bank reconciliations before they were included in the monthly Treasurer's report and submitted to the Board. However, we did not find any evidence of his review, such as a signature or initials.

During our audit period, four different individuals served in the Treasurer position,¹ and during a three-month period (July 9, 2016 through September 5, 2016) this position was vacant. Consequently, the bank reconciliations prepared were unreliable and the recorded (i.e., general ledger) balance for the general fund bank account presented to the Board did not represent the actual balance in that account.

Due to the high turnover in the Treasurer position, we reviewed and prepared the 43 monthly general fund bank reconciliations previously prepared by the four Treasurers from July 1, 2015 through January 31, 2019 to determine whether the reconciliations were accurate and prepared in a timely manner. While 17 of these reconciliations were prepared in a timely manner (i.e., within 30 days), we found that the 26 reconciliations for July 2016 through August 2018 were prepared between 46 and 551 days after month-end.

¹ Treasurer A was appointed July 1, 2015 and resigned July 8, 2016. Treasurer B was appointed September 6, 2016 and resigned March 2, 2018. Interim Treasurer C was appointed on a per diem basis March 2, 2018 and served until the Board appointed the current Treasurer on July 1, 2018.

Furthermore, the Treasurers' reconciliations were inaccurate because, for 34 of these months, we found unreconciled differences of as little as \$13 for an unrecorded stop payment fee in August and September 2015 and February 2016, to as much as nearly \$3.4 million for several unrecorded transactions in April 2017, including deposits, transfers between funds and payments for debt service and employee health insurance. Even when the Treasurers' bank reconciliations identified reconciling items, the related accounting adjustments were often not made until the end of the fiscal year, if at all.

We explained the importance of making adjusting entries for reconciling items each month to the Assistant Superintendent and the current Treasurer, who told us that the current Treasurer started reviewing past bank reconciliations for unposted adjustments in November 2018 and making these adjusting entries, as necessary. The Assistant Superintendent also told us that going forward he would review and sign-off on the bank reconciliations. As of the January 31, 2019 bank statement, officials reduced the unreconciled difference to \$545, which we identified as three checks written in 2016 that were voided but still listed on the outstanding check list.

By not reconciling the bank balances with the balances recorded in the accounting records in an accurate and timely manner, the Board and officials have limited assurance that they are making decisions based on the District's actual cash position. Furthermore, unrecorded transactions or errors and irregularities in the accounting records may not be identified and corrected in a timely manner.

What Do We Recommend?

The Treasurer should:

1. Reconcile the bank balances with the accounting record balances within 30 days.
2. Post journal entries for any reconciling items (e.g., corrections, adjustments) monthly.

The Assistant Superintendent should:

3. Review bank reconciliations monthly and sign or initial, and date, the reconciliations as evidence of this review.
4. Ensure that journal entries for any reconciling items are posted monthly.

Appendix A: Response From District Officials

Greenport Union Free School District

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David Gamberg
Superintendent

October 3, 2019

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

Re: Response to Draft Report of Examination
2019M-161- Period Covered: July 1, 2015 - January 31, 2019

Dear Mr. McCracken:

This letter will serve as confirmation of our receipt of the draft report for the Greenport Union Free School District dated September 4, 2019, entitled Bank Reconciliations, Report of Examination 2019M-161 for the period July 1, 2015 to January 31, 2019. We are in agreement with the content of the report.

The Greenport Union Free School District remains committed to being responsible and compliant stewards of the District's assets. The Corrective Action Plan will be filed in a timely manner. We welcome your suggestions for improvements to our control environment and look forward to working with you in the future.

Sincerely,

David A. Gamberg
Superintendent of Schools

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials to gain an understanding of bank reconciliation procedures.
- We reviewed all 43 months of general fund bank reconciliations for our audit period.
- We prepared bank reconciliations for all 43 months and compared them with those prepared by the Treasurer to determine whether the bank accounts were accurately reconciled, journal entries were prepared on a monthly basis, outstanding check lists were correct and the reconciliations were reviewed by officials. We also assessed whether the recorded balances reconciled with the bank balances at year-end and whether all transactions were recorded by year-end.
- To test the timeliness of reconciliations, we reviewed all 43 months of reconciliations to determine whether they were reconciled within 30 days. We reviewed detailed transaction reports to assess the date the Treasurer prepared the reconciliations and to determine the completion date.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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