

NEW PALTZ CENTRAL
SCHOOL DISTRICT

INTERNAL AUDITOR'S REPORT

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Board of Education
New Paltz Central School District
196 Main Street
New Paltz, NY 12561

Dear Board of Education Members:

We have completed the financial risk assessment of the New Paltz Central School District for the 2020-21 fiscal year and are enclosing the attached report. The purpose of this engagement was to assist you in implementing the regulations imposed by the 2005 School Financial Oversight and Accountability legislation. Our engagement was designed to assess risk in the District's financial reporting process, identify internal controls that address or mitigate those risks, and report to the Board and Management remaining risks and recommended procedural changes.

Our procedures included reviewing responses to internal control questionnaires, interviewing key personnel and testing of transactions.

The risk assessment addressed the following components of the financial operations of the District:

- Payroll
- Purchasing
- Bank Reconciliation Process
- Journal Entry Process
- Cash Receipts Process
- Claims Auditor Function
- Information Technology Controls

The engagement to perform the risk assessment and the procedures performed, as agreed to by the Board of Education, was the first phase of the ongoing internal audit function. The results of the risk assessment process have been discussed with the management of the New Paltz Central School District and are the overall responsibility of the District.

The next phase of the internal audit process is for the District to utilize the risk assessment to develop a plan for individual areas to be reviewed. In doing so, we were asked to review the Information Technology (IT) procedures, policies, and controls in place.

As a result of the above procedures, we have listed our findings and recommendations in the accompanying schedules.

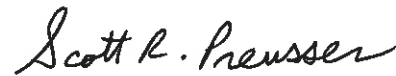
The purpose of our engagement was to assist the Board and Management in achieving its responsibility to monitor financial reporting risk. It is ultimately the Board's responsibility to determine a response to potential risks. However, our report does include suggestions of ways to respond to potential risks.

In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited or examined the information, and express no assurance on it. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

The attached report is intended solely for the information and use of the Board of Education and Management of the New Paltz Central School District and should not be used for any other purposes.

We appreciate the opportunity to perform the internal audit for the District and to serve the District in the role of internal auditors.

Sincerely,
RAYMOND G. PREUSSER, CPA, P.C.



Scott R. Preusser

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High Risk Issues

The following is a summary of our findings and recommendations that we deemed to be high risk areas because they impact processes that are critical to the operation of the District or are assets susceptible to misappropriation.

Area 1: Issues Related to Claims Auditor Procedures

The position of Claims Auditor is an extremely important position in a school district. Once a Claims Auditor is appointed, and until the position is abolished, the Board no longer has the authority to audit and approve District bills. This duty and responsibility has been delegated to the Claims Auditor. The Claims Auditor reports directly to the Board. Concerns are brought directly to the Board. Further, the Board should direct the Claims Auditor to provide reports in the format that the Board desires, as well as establishing the frequency of such reports.

We noted during our review that the Claims Auditor was apparently not providing reports to the Board. Since the Board no longer has the authority to audit and approve District bills, this is an extremely important position.

We recommend that the Board require the Claims Auditor to provide monthly reports to the Board and that the Board acknowledge the receipt of the reports in the Board Minutes as it does with other financial reports.

Area 2: Issues Related to Bank Reconciliation Procedures

During our review of current bank reconciliations, we noted in the District's multi-fund account that the list of outstanding checks contains numerous stale dated checks totaling \$14,138.32.

We recommend that these checks either be investigated and re-issued or simply written off and added back to the cash balances.

Area 3: Issues Related to Payroll Procedures

We noted in our review and testing of payroll that yearly salary agreements were not prepared for all salaried employees.

As an important control procedure, we recommend that salary agreements be prepared yearly for all salaried employees and that their agreements be signed by the employee and returned to the Business Office to verify that they agree with the salary that they are receiving.

Area 4: Issues Related to Federal Grants

During our cursory review of the District's financial data, we noted that the Federal Title Grants and IDEA Grants had not yet been approved by NYSED.

We recommend that all required forms for grant approval be filed by at least the Fall of each year to assure timely approval of all entitled grants.

Review of Information Technology (IT) Procedures, Policies and Controls

As requested, we reviewed the procedures, policies and controls as maintained by the Information Technology Department (IT). The majority of the information we obtained was thru the use of an extensive questionnaire.

As a result, we found that your IT Director is doing an excellent job in heading up the department. The required policies are in place and the procedures and controls that are highly recommended are also in place.

We will not go into detail for the procedures and controls as there are (37) questions in the questionnaire. We can provide a copy of the questionnaire if you would like one.

Our one recommendation would be to have an independent source be contracted to test the network's vulnerability from outside intrusions. Your IT Director has indicated that he plans to have this done in the future.

In addition, the IT Department maintains inventory records of technology purchases including chromebooks, laptops, desktops, printers and servers.

As for purchases initiated by the IT Department such as chromebooks, most of them were purchased through BOCES or under State Contract. If necessary, quotes are also obtained to assure that the best prices are obtained.

Other Comments and Recommendations

Reserve Plan

Pursuant to the Financial Transparency Law, District's are required to have a formal Reserve Plan which is to be posted on the District Website.

We ascertained that the District does not have a Reserve Plan at this time.

We recommend that such a plan be established and subsequently be posted on the District Website.

We have provided an example of such a plan to your management.

Policies

A required policy for all School Districts receiving Federal Grants is entitled "Procurement: Uniform Grant Guidance for Federal Awards."

We noted that the District has not adopted this policy. We recommend that this be done as soon as possible.

We have provided management with an example of this policy.

We also noted that many of the District's Policies date back to 2008. Many districts in this situation have contacted either the NYSBA or Erie BOCES to review their policy manuals and recommend new policies or the deletion of policies no longer needed.

We recommend that the District consider such a review.

Deputy Treasurer

We noted that the Deputy Treasurer of the District is the Accounts Payable Clerk. In the event that the Deputy Treasurer had to sign checks, it should not be someone who prepares invoices for payment. The internal control would be considerably weakened with final approval being given to her own work.

We recommend that at the next Reorganizational Meeting that someone other than the Accounts Payable Clerk and the Payroll Clerk be appointed as the Deputy Treasurer.