

Hamburg Central School District

Continuing Education

JULY 2019



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

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Report Highlights

Hamburg Central School District

Audit Objective

Determine whether the District's continuing education cash receipts are properly accounted for.

Key Findings

- Incompatible duties were not properly segregated or monitored.
- The Board and District officials have not established written policies and procedures regarding the continuing education cash receipts process.
- The District does not have assurance all continuing education cash receipts are properly accounted for due to internal control weaknesses.

Key Recommendations

- Segregate incompatible duties and properly monitor cash receipt activities.
- Develop and adopt written policies and procedures for collecting, processing, recording and depositing cash receipts.
- Properly address internal control weaknesses noted in the report.

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

Background

The Hamburg Central School District (District) serves the Towns of Boston, Eden, Hamburg and Orchard Park in Erie County.

The District is governed by an elected seven-member Board of Education (Board). The Superintendent of Schools (Superintendent) 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 District operates a continuing education department (Department) which provides annual continuing education programs for community members in the fall and spring semesters. The District Community Relations Coordinator (Coordinator) oversees the day-to-day operations. The Coordinator also supervises a part-time clerk (clerk) who assists with the Department's day-to-day operations.

Quick Facts

Fall 2016 through Fall 2017 Semesters

Revenue	\$56,000
Classes Offered	126

Audit Period

July 1, 2016 – June 8, 2018

Continuing Education Cash Receipts

How Should the District Properly Account for Money Collected?

While the Board is responsible for providing adequate oversight of the Department's operations, which includes adopting written policies over cash receipts, the Coordinator is responsible for overseeing the Department's day-to-day operations.

Department employees should maintain accurate and complete cash receipts records, using press-numbered, duplicate, itemized receipts which indicate the form of money collected (i.e., cash, check, money order) and the payer and date, to help ensure that all money collected is properly accounted for. The Department keeps the money collected in a locked cabinet until it is remitted to the Business Office. Both the Coordinator and the clerk have access to the cabinet. Deposits should be made in a timely manner and then subsequently reconciled to Department records (i.e., cash receipts documents) to ensure all of the money received was deposited intact.

Oversight becomes particularly important in operations that do not have adequate segregation of duties. If one person, such as the Coordinator or the clerk, performs, or has access to perform, nearly all financial duties (e.g., receives or has access to cash, maintains the Department's records, creates class rosters and prepares deposits), it weakens control over the cash receipts process. When it is not feasible to properly segregate incompatible duties among Department staff, sufficient mitigating oversight by District officials, such as the District Treasurer (Treasurer) who is the official custodian of all District money, should be performed to help ensure that cash receipts are properly accounted for.

The District Can Improve Its Continuing Education Cash Receipts Process

We examined the Department's cash receipts activity and found weaknesses in procedures. We found no significant discrepancies when comparing participant registration forms to cash receipts recorded in the Department's revenue ledger and to bank deposits. However, without duplicate press-numbered, itemized receipts, there is no assurance that all course registration fees paid to the Department were properly accounted for.

Further, both the Coordinator and the clerk perform, or have access to perform, all of the same functions in the cash receipts process. As a result, incompatible duties (of receiving and having access to undeposited cash receipts and updating participant registrations and class rosters) were not properly segregated or mitigated by sufficient monitoring and oversight.

These exceptions occurred because the Board did not establish a written policy and District officials did not develop detailed procedures to provide guidance

for the Department on how to properly account for and handle cash receipts. Because the Board has not clearly communicated appropriate methods for the Department to collect, record and deposit cash receipts, the Department did not have adequate internal controls to ensure that cash receipts were properly accounted for.

While the Department did have press-numbered, duplicate, itemized cash receipts books on hand that could have been used, the books generally were not used. The Coordinator told us that the Department does not routinely use these receipt books because they consider the participant registration forms that payers submit to enroll in a course as a cash receipts record.¹ However, this is an inadequate cash receipts record because, for example, it does not contain a sequenced numbering or provide for a duplicate copy to be retained by both the Department and the payer. As a result, from September 9, 2016 through October 10, 2017, a total of only 11 duplicate receipts were used in sequential order totaling \$680. However, during this same time period, the Department's revenues totaled approximately \$56,000 as recorded by the Business Office in 22 bank deposits and revenue entries. We compared this amount in total, to amounts indicated as received on participant registration forms for the same time period and noted no significant exceptions.²

Due to the noted weaknesses, we sought to determine whether the amount of revenue reported in total for each course was reasonably similar to the actual class rosters upon which certain instructors were paid. We examined the Department's registration records for all 34 courses offered in the spring 2017 semester for a fee and found that 14 courses were led by instructors who were paid based on participant registrations as identified on the class roster. We found that eight instructors were paid on vouchers which indicated approximately 140 participants attended those courses.³ We compared the enrollment headcount on the vouchers to the headcount on the registration forms in the Department's records for each of those 14 courses and noted no exceptions.

We further examined eight of these 14 courses to determine whether participant payments were deposited timely. There were 97 registration forms which indicated that participants paid course fees totaling \$4,820; 78 by checks totaling \$4,525 and six in cash totaling \$295.⁴ We compared the receipt date indicated on the registration form by the Department to the date of deposit for the 78 checks and

1 The Department will use the press-numbered receipts when a payer requests them to do so.

2 We discussed certain minor exceptions with District officials.

3 Thirteen courses were led by Board-appointed instructors and paid by an hourly rate. Four courses were subsequently canceled and two courses were conducted without an instructor. Certain instructors led more than one course.

4 Certain participants paid for multiple courses using the same check, some of which were not courses we selected in our sample. We excluded those amounts from our review.

found numerous untimely deposits. For example, we found that 52 checks totaling \$3,055 were deposited between 11 and 30 days later than the receipt date.

We then expanded this testing to include all 17 participant check payments totaling \$985 deposited between March 1, 2017 and May 31, 2017 that were not already examined in the original eight courses. While we found no significant exceptions with the majority of these deposits, we noticed that two checks were received by the Business Office and subsequently deposited 73 and 84 days after the Department indicated they were received on the registration form.

On further review, we found that the Department previously requested the Business Office to issue a refund to the payers for both of these items because the corresponding classes were canceled. However, the Department had not yet submitted the checks to the Business Office for deposit. As a result, the Business Office issued refunds for payments that had not yet been deposited.

The Business Office maintains a spreadsheet containing an itemized description of all items the Department forwards to them for deposit including identification of the form of payment, (e.g., cash, check or money order) and if the payment was in the form of check or money order number, the date, payer name, amount and date the Business Office receives the item is also included. We traced all 253 items totaling \$13,769 received by the Business Office from the Department back to the Department's handwritten summary of total amounts of cash and checks that was forwarded for all 34 of the spring 2017 semester courses offered and noted no significant exceptions regarding the total dollar amounts or form of the cash receipt.

The Department did not remit all receipts for deposit in a timely manner or record the collection of all receipts in a press-numbered, duplicate receipts book that was routinely reviewed by an individual outside of the collection process. As a result, the District has an increased risk that cash receipts could be lost or misappropriated without detection.

What Do We Recommend?

The Board and District officials should:

1. Develop and adopt written policies and procedures for collecting, processing, recording and depositing Department cash receipts.
2. Ensure that Department duties are adequately segregated or implement compensating controls such as increased supervisory review of the Department's work and a periodic reconciliation of the Department's cash receipts activity by someone independent of the Department's cash receipts process, such as the Treasurer.

The Department should:

3. Issue press-numbered, duplicate receipts for all money collected and obtain a receipt from the Business Office for all money remitted for deposit.
4. Remit cash receipts in a timely manner to the Business Office for deposit, and do so in the same form and amount as received.

Appendix A: Response From District Officials⁵

The District's response letter refers to recommendations that have been renumbered in the final report.



Hamburg Central
School District

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Mr. Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo, New York 14203

June 3, 2019

Dear Mr. Mazula,

Please accept this letter as the District's response to preliminary draft findings as well as our Corrective Action Plan for the audit of the Hamburg Central School District, report no.'s 2019M-10 and 2019M-11.

Audit Recommendation 1:

Ensure that officials monitor employee and student compliance with the AUP.

Implementation Plan of Action:

A procedure will be developed to more closely monitor student and employee compliance with the AUP.

Implementation Date:

Fiscal year 2019-20

Person Responsible for Implementation:

Mr. Brent Jordan

Audit Recommendation 2:

Adopt a written disaster recovery plan.

Implementation Plan of Action:

A Disaster Recovery Plan will be developed and adopted by the Board of Education

Implementation Date:

Fiscal year 2019-20

Person Responsible for Implementation:

Mr. Brent Jordan

Audit Recommendation 3:

Ensure BOCES provides all services that the District has contracted for, specifically a disaster recovery plan template and assistance to help refine the plan for the District's needs.

Implementation Plan of Action:

The District is in agreement that a comprehensive Disaster Recovery Plan should be developed and adopted by the Board of Education. The District is in the process of developing such a plan which will be board approved when completed. A point of clarification however, regarding the District's participation in Erie 1 BOCES coser for disaster recovery planning. Coser 650.950 is an annual, mandatory fee which contributes to the costs related to continued development and expansion of the secure/reliable technical

⁵ The District's response also addresses findings and recommendations from a separate report of the District that we released, titled *Hamburg Central School District – Information Technology* (2019M-10). This audit report can be found at: <https://www.osc.state.ny.us/localgov/audits/index.htm>. The first five recommendations refer to the Information Technology audit report and the last four refer to this report.

infrastructure demand required for today and into the future. The use of the service includes more than just a Disaster Recovery template, these services include but are not limited to:

- Continued refinement of WNYRIC's Disaster Recovery Plan and the testing of this plan through the COOP.
- Continued investment and contracted maintenance for enhancements of WNYRIC's main and alternate, redundant network/server room sites in the event of a disaster.
- Continued investment and contracted maintenance for enhanced monitoring tools necessary to ensure availability of WNYRIC's network.
- Investment and contracted maintenance in tools which provide redundancy and recovery of key WNYRIC infrastructure components.
- WNYRIC Service Desk support and the availability of key WNYRIC staff.
- Expanded security assistance with FBI and InfraGard involvement against security threats, illegal activity and AUP violations.
- WNYRIC Data recovery planning and testing in case of an incident or a disaster at one of WNYRIC's sites.
- Technologies which allow critical WNYRIC staff secure access to key technologies from anywhere on any device.
- Availability upon request of a Disaster Recovery Plan template for school districts to utilize and customize for their needs.

Although the Disaster Recovery Plan template is listed as a 2018-19 available service, until further inquiry by our District, it was not available to be provided. The District has been successful in procuring the template as of May, 2019.

Implementation Date:

Fiscal year 2019-20

Person Responsible for Implementation:

Mr. Brent Jordan

Audit Recommendation 4:

Provide, or coordinate the provision of, periodic IT cybersecurity awareness training to employees and students who use District IT resources.

Implementation Plan of Action:

Required training will be provided to staff and students via an email invitation. Compliance will be monitored and reported to the IT Director.

Implementation Date:

September, 2019

Person Responsible for Implementation:

Mr. Brent Jordan

Audit Recommendation 5:

Monitor personal computer and Internet use to ensure employees and students comply with the AUP and corresponding regulations.

Implementation Plan of Action:

The District's Acceptable Use Policy and corresponding Regulations state that computers are issued for school-related purposes and that personal use should be incidental and not interfere with employees' job duties and performance. Incidental personal email is allowed, but also must not interfere with job performance. It is the District's determination that employee use is incidental, and does not interfere with job performance. Moreover, the District's email filtering system and firewalls provide security to the

network. As a part of our new cyber security training, staff and students will be educated on phishing schemes.

Implementation Date:

Not Applicable

Person Responsible for Implementation:

Not Applicable

Audit Recommendation 6:

Develop and adopt written policies and procedures for collecting, processing, recording and depositing cash receipts.

Implementation Plan of Action:

The District will develop and adopt written departmental policies and procedures for collecting, processing, recording and depositing cash receipts.

Implementation Date:

Fiscal year 2019-20

Person Responsible for Implementation:

Ms. Barbara Sporyz

Audit Recommendation 7:

Ensure that Department duties are adequately segregated or implement compensating controls such as increased supervisory review of the Department's work and a periodic reconciliation of the Department's cash receipts activity by someone independent of the Departments cash receipts process such as the Treasurer.

Implementation Plan of Action:

The District will designate only one individual to update class lists. The District Treasurer will reconcile the individual class lists on a periodic basis against bank statements (actual receipts).

Implementation Date:

September, 2019

Person Responsible for Implementation:

Ms. Barbara Sporyz

Audit Recommendation 8:

Issue press-numbered, duplicate receipts for all money collected and obtain a receipt from the business Office for all money remitted for deposit.

Implementation Plan of Action:

The Continuing Education Department will be directed to use press-numbered, duplicate cash receipt books for all funds received. A receipt is currently issued and provided to the individual for entering cash receipts into our accounting system. A copy of the receipt will be provided to the Continuing Education Department for all money remitted for deposit.

Implementation Date:

September, 2019

Person Responsible for Implementation:

Ms. Barbara Sporyz

Audit Recommendation no. 9:

Remit cash receipts in a timely manner to the Business Office for deposit, and do so in the same form and amount as received.

Implementation Plan of Action:

The Continuing Education Department will be directed to submit all deposits and corresponding receipts with supporting documentation on a daily basis.

Implementation Date:

September, 2019

Person Responsible for Implementation:

Ms. Barbara Sporyz

Sincerely,

Barbara S. Sporyz
Assistant Superintendent of Administrative Services & Finance

cc: Mr. Michael Cornell, Superintendent of Schools
Hamburg Central School District Board of Education

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 objective⁶ and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials including Department staff and reviewed Board meeting minutes to obtain an understanding of the Department's cash receipts process and any related policies or procedures in place, including an evaluation of Department staff duties and whether the duties were properly segregated.
- We obtained the Department's press-numbered, duplicate receipts book and evaluated its use from September 9, 2016 through October 10, 2017 to determine whether receipts were issued sequentially and intact. We chose this period to evaluate as it corresponded with the three semester sessions (fall 2016, spring 2017 and fall 2017) that were completed prior to when we were on site for our audit fieldwork.
- We obtained the Department's revenue ledger from the Business Office for the fall 2016, spring 2017 and fall 2017 semesters. We compared the total amount of cash receipts reported as deposited (\$56,000) and then reviewed the Department's records to determine whether the total amounts were supported by amounts recorded as received on participant registration forms. We chose this period to evaluate because the activity for these semesters had been completed prior to the end of our audit fieldwork.
- We selected the spring 2017 semester to perform certain additional testing. We obtained the spring 2017 semester course offering catalogue to determine how many courses were offered for a fee (34). For the 14 courses which were led by eight instructors who were paid based on class roster headcount, we compared the actual class roster to the instructor's payment voucher from the Business Office to determine whether the headcount was the same. We also compared this headcount to participant registration forms in the course folder to determine the headcount was also the same.
- We further examined eight of these 14 courses to determine whether participant payments were deposited timely by comparing the date the Department wrote the payment was received on the participant registration forms to the date of actual deposit as noted in the Business Office ledger detail, bank statements and composition of deposit images. We then expanded this testing to include all 17 participant check payments totaling \$985 deposited between March 1, 2017 and May 31, 2017 that were not already examined in the original eight courses. We selected this time period as it was approximately halfway through the spring course semester.

⁶ We also issued a separate audit report, *Hamburg Central School District – Information Technology (2019M-10)*.

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- We obtained the Business Office's detailed spreadsheet which indicated itemized information the Department had submitted for deposit for the spring 2017 semester and compared the amount in total (\$13,769) to the total of the Department's handwritten summary of total amounts of cash and checks that was forwarded to determine whether the amounts and form were the same. We selected the spring 2017 semester because the total revenues reported were less than other completed semesters in our audit period and noted it could be indicative of higher risk factors for all cash receipts not being properly accounted for.

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.

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.

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. We encourage the Board to make the CAP available for public review in the District Clerk's office.

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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