

New Hyde Park-Garden City Park Union Free School District

Bank Reconciliations

JULY 2018



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

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Report Highlights

New Hyde Park-Garden City Park Union Free School District

Audit Objective

Determine whether the Board ensured that the District's bank reconciliations were accurately prepared and independently reviewed.

Key Findings

- The bank reconciliations we reviewed were timely and, with the exception of the payroll account, accurate.
- The District's book balance for the payroll bank account did not reflect the true cash balance.
- The bank reconciliations were reviewed by a District official who was not independent of recording cash and journal entry transactions.

Key Recommendations

The Board should:

- Ensure that the payroll account balance shown on the District's books represents the true book balance.
- Ensure the review of bank reconciliations is performed by an individual who is independent of recording cash and journal entry transactions.

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

Background

The New Hyde Park-Garden City Park Union Free School District (District) serves the Towns of Hempstead and North Hempstead in Nassau County. The District is governed by an elected seven-member Board of Education (Board). 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 oversees the District's business operations. The District Treasurer (Treasurer) is responsible for receiving, disbursing and maintaining custody of District funds and reconciling bank accounts.

Quick Facts

Full-Time Employees	257
Enrollment	1,710
2017-18 General Fund Appropriations	\$38.2 Million

Audit Period

July 1, 2016 – September 30, 2017

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 individual who prepares bank reconciliations and who is independent of recording receipts and journal entry transactions should review bank reconciliations.

Payroll Bank Reconciliations Were Not Accurate

The Treasurer reconciles the District's bank accounts on a monthly basis by comparing the bank balances to the book balances and accounts to identify transactions that have not yet been recorded by the bank (e.g., outstanding checks), deposits recorded by the District that have not yet been processed by the bank (e.g., deposits in transit) and transactions processed by the bank but not yet recorded in the District's books (e.g., interest earned or fees). The Treasurer submits the reconciliations to the Assistant Business Manager for review. The Assistant Business Manager submits the Treasurer reports, which include bank reconciliations and a summary of cash balances, to the Board. The Treasurer attends the monthly Board meetings to present the Treasurer's report to the Board.

However, the book (general ledger) balance for the payroll bank account presented to the Board did not represent the true balance in that account. We reviewed 30¹ bank reconciliations performed by the Treasurer from May through September 2017 to determine whether they were accurate and timely. The bank reconciliations were accurate, except for the reconciliations for the payroll bank account. The bank reconciliations we reviewed were prepared in a timely manner.

The Treasurer's bank reconciliation showed the reconciled payroll bank account balance² as of September 30, 2017 to be \$11,331. Our reconstructed balance as of September 30, 2017 was \$3,032. The difference of \$8,299 included 81 negative amounts that were included in the list of outstanding checks. However, these negative amounts were manual adjustments³ to the payroll general ledger and did not represent outstanding checks. Some of these amounts were dated as far back as 2006 (12 years⁴ ago) and were carried on the outstanding-check list

1 See Appendix B for information regarding our sample selection.

2 The reconciled balance takes into account any transactions that may not yet be recorded on the District's books or in the bank.

3 These were journal entries to make manual adjustments to employees' earning records.

4 The District's list of outstanding payroll checks included negative amounts dated 2006 through 2017.

for years in order to reconcile the payroll bank account. These negative amounts were shown as outstanding checks rather than being identified and the records being adjusted.

Although the bank reconciliation did clearly identify errors in the accounting records, adjustments were not recorded and the reconciling amounts were carried forward for years.

The Reviewer of Bank Reconciliations Was Not Independent of Recordkeeping Functions

The Assistant Business Manager records receipts and journal entry transactions that the Treasurer uses to perform bank reconciliations, and therefore is not independent. Without the additional control of an independent review, errors in the accounting records may not be identified and corrected. In fact, the Assistant Business Manager told us she was aware of the negative amounts on the payroll bank reconciliation but did not research possible solutions to correct the accounting records because she recorded the transactions and knew the causes. Therefore, the general ledger balance for payroll was not accurate and remained uncorrected for years.

What Do We Recommend?

The Board should:

1. Ensure that the payroll account adjustments are properly recorded, so that the balance shown on the District's books is accurate.
2. Ensure that review of bank reconciliations is performed by an individual who is independent of recording receipts and journal entry transactions.

Appendix A: Response From District Officials



**NEW HYDE PARK -
GARDEN CITY PARK**
Union Free School District

1950 Hillside Avenue, New Hyde Park, New York 11040

Jennifer Morrison, Ed.D
Superintendent of Schools
516-434-2305

Michael G. Frank
Assistant Superintendent for Business
516-434-2310

July 6, 2018

Ira McCracken, Chief Examiner
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken,

Please accept this letter as the New Hyde Park – Garden City Park UFSD’s official response to your audit report titled “Bank Reconciliations, Report of Examination, 2018M-80” for the period July 1, 2016 – September 30, 2017.

We are appreciative of the time and effort expended by the Comptroller’s staff and will consider each of the recommendations. The District’s corrective action plan will be filed in a timely manner and will provide the details pertaining to any such implementations.

In conclusion, the District strives to improve operations and will use this opportunity to create enhancements within the control environment. Ultimately, the goal is to always create an operational environment that best protects the fiscal integrity of the district.

Sincerely,

Superintendent of Schools

Assistant Superintendent
for Business

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 the District's bank reconciliation procedures.
- We judgmentally selected five consecutive months, May 2017 through September 2017, and reviewed the bank reconciliations prepared for the bank accounts of all three general fund accounts and all three trust & agency accounts. We selected these five months to review the most recent bank reconciliations and to include both the end of the 2016-17 fiscal year and the start of the 2017-18 fiscal year.
- We recreated bank reconciliations for the six bank accounts to determine the accuracy of the monthly bank reconciliations. We followed up with District officials on any discrepancies identified.
- We reviewed Board minutes to determine whether bank reconciliations were performed timely.
- We reviewed the Treasurer's reports and interviewed officials to determine whether bank reconciliations were reviewed by a District official who is independent of recording receipts and journal entry transactions, and whether such reviews were documented.

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 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/lgli/pdf/cybersecurityguide.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

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief Examiner

NYS Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York
11788-5533

Tel: (631) 952-6534 • Fax: (631) 952-6530 • Email: Muni-Hauppauge@osc.ny.gov

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