

**HYDE PARK CENTRAL
SCHOOL DISTRICT
INTERNAL AUDITOR'S REPORT**

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Board of Education
Hyde Park Central School District
11 Boice Rd.
Hyde Park, NY 12538

Dear Board of Education Members:

We have completed the financial risk assessment of the Hyde Park Central School District for the 2016-17 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 Hyde Park 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 Purchasing Procedures, Claims Auditor Procedures and Conference Reimbursement Policy and Procedures.

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

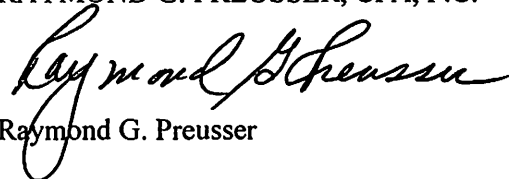
The purpose of our engagement was to assist the Board and Management in achieving its responsibility to monitor financial reporting risk. It is ultimately the Board's responsibility to determine a response to potential risks. However, our report does include suggestions of ways to respond to potential 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 Hyde Park Central School District and should not be used for any other purposes.

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

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



Raymond G. Preusser

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Risk Assessment Procedures Performed

We reviewed controls and tested procedures employed by the District for cash receipts, cash disbursements, payroll, bank reconciliation and journal entry preparation and the execution of wire transfers. In addition, we reviewed Board Minutes, Board Policies, Fixed Assets Procedures and Information Technology Controls.

As a result of the above, the following are our findings and recommendations.

High Risk Areas

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 Fixed Assets

The fixed assets of the District represent a large investment of District funds over time. The District is required to maintain records of fixed assets, maintain proper insurance coverage and perform periodic physical inventories to ascertain that all assets are in place in comparison to the records maintained.

During our review, we ascertained that the records are maintained thru the use of "Asset Max" software. We also found that a physical inventory is performed every five years thru NYSIR using the C-Biz company. When the physical inventory is performed, it appears that there is no tie in with the records as maintained.

We would recommend that the District use only one company to perform the physical inventory and then complete the process by providing updated Depreciation Schedules for the District to use as updated inventory records. This way, the District could see changes that have occurred that you may not have been aware of.

We would also recommend that inventory spot checks be performed on a yearly basis to ascertain that assets are in place according to the records. This could be done by rotating buildings or whatever method you choose.

Review of Purchasing Procedures

We reviewed the Purchasing Procedures and Controls in place for the District.

We found the procedures and controls in place were adequate for the District. The additional procedures instituted by the Business Manager, in light of recent circumstances, are also good.

We do, however, have additional recommendations. With regards to the purchase of equipment, we suggest that the Purchasing Agent be provided with the Budget Detail of equipment to be purchased. Currently, he only has a total in the Budget. The detail of what equipment is to be purchased is maintained but to date he did not have access to this list. When a request comes thru to purchase equipment he should compare the request to the Budget detail. If the item does not appear on the list, he could then question the request.

In reviewing invoice packets, we noted that a signed Purchase Order was not included for the Claims Auditor to verify approval of the purchase. While a copy of the Purchase Order is included, we would recommend that the packet include a signed Purchase Order, if possible.

We noted that one consideration for improvement would be a Central Receiving and Storeroom for all goods received. We would agree that this would be an ideal situation for every District if it can be worked out.

We also noted that the District recently appointed a Deputy Purchasing Agent. It should be noted that according to NYSED, the Purchasing Agent is the only person legally authorized to commit the District for a purchase. The Board may not appoint a "Deputy Purchasing Agent" to act in the absence of the Purchasing Agent.

We recommend that this appointment be rescinded.

Review of Claims Auditor Procedures

We interviewed the Claims Auditor of the District. We reviewed with her a comprehensive checklist of items to look for when performing her duties.

We found her to be very knowledgeable and well trained in her duties.

The only thing to facilitate her duties would be the signed Purchase Order be included in the invoice packet she reviews as mentioned above.

Review of Conference Reimbursement Policy and Procedures

We reviewed the District policy for Conference Reimbursement and tested numerous transactions.

We found the policy to be excellent and very detailed. Our test of transactions revealed no exceptions. Detail for reimbursement was properly attached to the claim along with verification of miles driven and conference approvals.

We have no recommendations in this area.

Other Comments and Recommendations

We also noted another issue that we do not consider high risk. The issue is summarized as follows:

Reserve Plan

Districts that maintain reserves are required to have a Reserve Plan explaining District philosophy and a description of Reserves maintained. We recommend that such a plan be developed.

While your Business Manager is planning on this, we have provided her with an example of such a plan.