

Frontier Central School District – Audit Committee Meeting Minutes

Thursday August 25, 2022 @ 8:00 AM Virtual via Zoom

Attendees: Patrick Boyle, Nancy Cox, Robert McDow, J. Mark Robinson, Nicole Ruf (Dresser & Malecki LLP), Chris Swiatek, and Megan Wnek (Dresser & Malecki LLP)

- 6.30.22 Financial Statement Audit Preliminary Communications:** Nicole Ruf gave the committee an update on audit's progress and the steps leading up to delivery of the final documents. Ms. Ruf walked us through the outline on page 3 of these minutes. The audit is on schedule with no issues at present.
Action item: It was agreed that Dresser Malecki would deliver draft copies of the reports to the Audit Committee the last week in September (for our review) and to formally present the year reports to the Audit Committee at our October 4th 2022 meeting at 7:30 AM.
- Discussion of BWB 2021-2 Risk Assessment Recommendations 17, 18, 19, & 20:** Our committee had asked D&M to review these recommendations while conducting their field work and testing for the year-end reports. We were looking for insight on the cost/value of adding these additional controls (in light of our existing Payroll controls), and whether or not D&M was seeing these types of controls in other districts.

17	CERTIFICATION OF PAYROLL	Currently the Superintendent performs the function of certifying payroll. The certification of payroll calls for the individual assigned the duties to certify that the employees included in the payroll have regularly performed their duties in accordance with the terms and conditions of their employment by the Board of Education and any additions to or deductions from normal wage payments have been made pursuant to the bylaws of the District and on the basis of personnel records maintained. The Director of finance performs functions of certifying payroll.	Given the size of the District's payroll, we recommend that the District consider having each department supervisor certify their respective department's bi-weekly payroll. After completing the department's certification, written communication would be forwarded to the Superintendent who would review the various certifications and then scan through the payroll listing looking for unusual transactions. Once all certifications are received from the supervisors, the Superintendent could then sign the final certification of payroll. Due to the amount of time necessary to complete the specifics of the certification, the District may wish to consider having the claims auditor perform testing in this area prior to the Superintendent's certification.
18	PAYROLL SEGREGATION OF DUTIES	The District currently has assigned its personnel department the responsibility for both adding new employees and changing pay rates within the payroll system. In addition, the District has separated payroll duties among two payroll clerks, one who is responsible for entering timesheet information for professional staff and one who is responsible for entering timesheet information for support staff. Once all data has been entered, the payroll clerks review each other's entries into the system.	Having the personnel department enter both new employees and pay rates within the payroll system is an excellent internal control. On an annual basis, the District should verify that the Nvision system precludes the payroll clerks from having the ability to entering new employees or changing pay rates. In addition, having the payroll clerks' review each other's work is a strong internal control over reporting errors. This procedure should be documented by having the reviewing employee sign off on the payroll register after each review.

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19	FICTITIOUS PAYROLL	After all hours are entered from timesheets and applicable salary information is entered into the accounting system, a payroll register is reviewed independently of the payroll entry.	Having someone independent of the payroll clerk review the payroll register is a strong internal control. This procedure should be documented by having the reviewing employee sign off on the payroll register after each review. In addition to having someone cross check the payroll register, the District should also consider having a person independent of the payroll function distribute all checks for at least one payroll on a surprise basis during the fiscal year. During this exercise, each employee would be required to sign an employee listing when receiving their paycheck or if pay is direct deposited, a pay stub.
20	HOURLY EMPLOYEES	Currently the District has structured its payroll in a manner that pays all employees as if they were salaried, including those that are hourly. For hourly employees, the District calculates the expected amount the employee will earn over the school year by multiplying the number of workdays, the number of hours per day, and the contractual hourly rate. This total amount is then divided by the number of pay periods.	Although this has been a practice of the District for some time and is a common practice within school districts across the State, we recommend that the District investigate whether this practice agrees with the State Department of Labor and Department of Education regulations.

We will be discussing D&M's comments at our meeting in October to determine if we want to act on any of these recommendations.

3. **Sedara Cyber Security Report Update:** The District (and BoE members) received the Cyber Security Assessment last week which is a gap assessment of Frontier's posture compared to the NIST Cyber Security Framework Version 1.1. Hard copies of the report and an executive summary presentation were mailed to Ms. Cox and Mr. Robinson for their review. We will be discussing the report in detail at our next meeting on October 4th.

Respectfully submitted on
August 26, 2022 by P. Boyle

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Audit Committee Meeting
August 25, 2022

Audit Team

- Nichole Ruf, Director
- Megan Wnek, Manager
- Kyle Patronik, Senior Auditor
- Sheldon Lip, In-charge Auditor
- Jessica Kelly, Staff Auditor

Independence

- We are not aware of any matters that would impair our independence.

Reports Anticipated

- Opinion on the District's financial statements for the fiscal year ending June 30, 2022.
- Opinions on the District's compliance with laws and regulations, internal control and major federal financial assistance programs (single audit).
- Opinion on the District's extraclassroom activity funds (cash basis).
- Auditors' communication letter (AU-C Section 260).
- Management letter (AU-C Section 265).

Audit Plan

- Meet with Audit Committee, discuss areas of concern.
- Audit planning, preparation of confirmations, etc.
- Perform substantive testing procedures.
- Compile reports and draft audit opinions.
- Meet with management, Audit Committee and Board of Education to discuss results.

Anticipated Audit Timing

- Planning/Fieldwork: August 1st – August 26th
- Issue financial statements and audit reports prior to October 15th
- Potential dates for exit conference and discussions.

Consideration of Fraud

- Statements on Auditing Standards outline current fraud requirements.

Areas of Concern/Concentration

- COVID-19 relief
 - New accounting pronouncements: GASB 87, *Leases*
 - Client concerns:
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