

Frontier Central School District – Audit Committee Meeting Minutes

Tuesday October 4, 2022 @ 7:30 AM at FEC

Attendees: Patrick Boyle, Daniel Diplock, Robert McDow, J. Mark Robinson, Nicole Ruf (Drescher & Malecki LLP), Chris Swiatek, and Megan Wnek (Drescher & Malecki LLP)

- 1. Presentation of Year End Financial Audit Reports (Draft) by Drescher Malecki LLP (District's External Auditors):** Copies of the draft reports were emailed to all committee members the weekend before this meeting for their review and scrutiny. Nicole Ruf walked the committee through the report, addressed questions, highlighted changes from last year's figures to this year's figures, and pointed out various accounting treatment changes. Ms. Ruf noted that the audit was clean, and that the management letter (while still under development) may have several suggestions for management's consideration. The recommendations under consideration were items dealing with; cyber security, succession planning for key financial roles in the District (our treasurer is retiring in Jan. 2023), additional controls in the extra-classroom activity funds, and consideration of closing student activity clubs (those with balances in central treasury) with no activity in the last couple of years. The Audit Committee would like to commend Mr. McDow and his staff on a clean audit and thank Ms. Ruf and Ms. Wnek for keeping the committee well informed during the entire process.

Action item 1: Ms. Ruf & Ms. Wnek will be presenting the reports to the full Board of Education at the BoE meeting this evening and a resolution will be on the agenda to accept the reports for submission to NYSED. The reports must be filed by October 15th, 2022.

Action item 2: If the BoE accepts the reports, D&M will issue final reports (not stamped "draft") to the District and copies will be timely filed with NYSED. Copies of the final reports will be sent to the full BoE, all Audit Committee members, and posted on the Audit Committee's web page.

- 2. Discussion of BWB 2021-22 Risk Assessment Recommendations 17, 18, 19, & 20 as a Result of Conference Call with D&M LLP on Aug. 25, 2022:** Our committee had asked D&M to review the four recommendations below which we discussed with them on August 25, 2022. As a result of their feedback and our discussions at this (and previous) meetings, the committee has decided to not pursue these recommendations, as we feel the District has enough mitigating controls in-place already.

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| 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. |
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Frontier Central School District – Audit Committee Meeting Minutes
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| 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. |
| 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. |

3. **Update on Sedara Cyber Security Assessment:** Mr. Boyle shared the contents of a September 15th meeting he and Mr. Kilcoyne (BoE member) had with Mr. Swiatek, Mr. McDow, and Mr. Sullivan (District Privacy Officer) on potential next steps regarding the Sedara findings/recommendations. Mr. Swiatek then shared a timeline on how they plan to approach the recommendations.

Frontier Central School District – Audit Committee Meeting Minutes

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Action Item #3: Mr. Swiatek and Mr. McDow will be meeting with Ms. Cox to gather more information on virtual Chief Information Security Officers (CISO) and what types of third-party cyber offerings the District might consider.

4. **Update on District's Corrective Action Plan Addressing 2021 BWB Risk Assessment (Top 11):** Mr. McDow gave the committee the following report regarding the eleven (11) items identified in the District's Corrective Action Plan.

| Item # | Target Implementation Date | Status |
|--|----------------------------|---|
| 1 – Policy Accounting for Fixed Assets | Dec. 2022 | Still targeting year end but may slip to first quarter calendar 2023. |
| 2 – Policy Budget Transfers | Dec. 2022 | On target in progress. |
| 6 – Internal Claims Auditor | Sept. 2022 | Completed. |
| 11 – 1099 & W9s | July 2022 | Completed. |
| 13 – Capital Project Change Orders | May 2022 | Completed. |
| 43 – Training | Fall 2022 | Completed. |
| 47 – Intrusion Study | Sept. 2022 | In progress (Sedara Report) and plan to address. |
| 49 - IT Controls | Aug. 2022 | In progress (Sedara Report) and plan to address. |
| 51 – Food Service | July 2022 | Completed. |
| 52 – Food Service | Immediate | Completed. |
| 53 - GASB 87 Leases | 2021-2022 | Completed. |

5. **Review Internal Claims Auditor Reports for May, June, July, & August 2022:** The committee had received Mr. Kofod's monthly reports for May through August by e-mail. The root issues and number of instances seemed reasonable and under control. Thank you to Mr. Kofod for continuing to monitor these controls.

Respectfully submitted on
October 9, 2022 by P. Boyle