

*Northport - East Northport Union Free School District*

*Report on Internal Controls Pertaining to the  
Revenue and Cash Management Cycle*

*June 2018*

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**Scope of Engagement**

Pursuant to the request of the Northport - East Northport Union Free School District and in accordance with the District's February 2018 Initial Risk Assessment Report, we have reviewed the policies, procedures, and internal controls pertaining to the District's Revenue and Cash Management Cycle.

The objective of our analysis was to determine whether the internal controls pertaining to revenue collection and reporting procedures are adequate and that duties are properly performed thus safeguarding the District's assets.

**Work Performed**

Our analysis consisted of the following:

1. Examined all of the documents provided to us by the Business Office, including:
  - a) Board of Education approved policies pertaining to cash receipts, petty cash, bank reconciliations, state aid, real property tax, donations, use of facilities, vending machines, and out of district tuition.

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- b) Board of Education Annual Reorganization Meeting minutes.
- c) Revenue status report generated by nVision for the fiscal years 2014/2015, 2015/2016, 2016/2017 and 2017/2018.
- d) Cash receipts queries generated by nVision for the fiscal year 2017/2018.
- e) Cash/Check Log maintained by the Business Office for the fiscal year 2017/2018.
- f) Cash/Check Log maintained by each building level for the fiscal year 2017/2018.
- g) Sample of cash receipt forms and deposit slips.
- h) Treasurer's reports prepared by the Business Office for the fiscal year 2017/2018.
- i) Documentation maintained by the Business Office to calculate the District's tax levy for the fiscal year 2017/2018.
- j) Documentation maintained by the Business Office and submitted to the New York State Education Department to request state aid for the fiscal year 2017/2018.
- k) Contracts entered between the District of Service and the District of Residence indicating the service and payment terms for out of district tuition for the fiscal year 2016/2017.
- l) Fee schedule or state approved rates indicating the tuition rate charges for out of district students for the fiscal year 2016/2017.
- m) Student tuition list maintained by the Business Office for the fiscal year 2016/2017.
- n) Sample of use of facilities request forms.
- o) Use of facilities report indicating the organizations, insurance, dates of use, and applicable payments for the use of District's facilities for the fiscal year 2017/2018.
- p) Documentation such as donation letters, copies of checks indicating donations made to District during the fiscal year 2017/2018.
- q) Vending machine commission statements and applicable meter readings for the fiscal year 2017/2018.
- r) Service agreement entered between the District and the vendor (Answer Vending, Inc.) regarding the operation of vending machines and the collections from their sales.
- s) Collateral statements applicable to the District's investment accounts for the fiscal year 2017/2018.
- t) Petty cash request forms submitted by the building level Main Offices for the fiscal year 2017/2018.
- u) Petty cash reimbursement forms submitted to the Business Office for replenishment of building level petty cash accounts for the fiscal year 2017/2018.

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- v) Monthly bank reconciliation reports and applicable bank statements and deposit slips of the District's bank accounts for the fiscal year 2017/2018.
2. Interviewed the Assistant Superintendent for Business, District Treasurer, and other District employees involved in the revenue and cash management cycle. During our meetings, we had the opportunity to review documents and direct inquiries regarding transactional records, supporting documents, and timely reporting. The purpose of these interviews was to obtain knowledge as to each individual's job duties and involvement as they pertain to the revenue and cash management process, day-to-day responsibilities, who they report to and who they supervise.
3. Assessed possible improvements pertaining to the internal controls of the revenue and cash management cycle. Such recommendations are presented within each applicable report section.

**Assessment of Revenue and Cash Management Procedures**

The District's current revenue and cash management procedures are structured around eleven (11) distinct categories. We have reviewed and tested each categorical procedure during the course of our audit. We have documented the revenue collection and reporting process by way of narratives for each categorical procedure within Exhibits 1 through 11. For ease of reference, the categories are listed below:

- *Revenue and Cash Management Organizational Structure*
- *Budget to Actual Revenue Analysis*
- *Collection & Posting of Receipts*
- *Real Property Tax Revenue*
- *State Aid Revenue*
- *Out-of-District Tuition Revenue*
- *Use of Facilities Revenue*
- *Donations Revenue*
- *Vending Machines Commission Revenue*
- *Petty Cash*
- *Bank Reconciliations*

**Revenue and Cash Management Organizational Structure (Exhibits 1 & 2)**

The attached Exhibits 1 & 2 summarize the general control structure and governance of the revenue and cash management cycle. Based upon our analysis of the District's policies and general procedures, we have made the following observations and recommendations:

The following processes are currently carried out by each Department:

<b><u>DEPARTMENT</u></b>	<b><u>FUNCTION</u></b>
<b>Buildings</b>	Collect payments from students for various activities and forward supporting documentation to the Business Office via inter-office mail
<b>Business Office</b>	Prepares invoices
<b>Accountant</b>	Prepares deposits and reconciles the cash log, bank statements and nVision
<b>Senior Account Clerk</b>	Records cash receipts within nVision and performs monthly bank reconciliations
<b>Pupil Personnel Services</b>	Administers enrollment for non-resident students; provides supporting documentation to the Business Office to prepare invoices
<b>District Treasurer</b>	Records cash receipts within nVision. Reviews monthly bank reconciliations and reports to the Board of Education

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We noted that the cash handling duties within the Business Office are allocated between employees so as to ensure sufficient segregation of duties.

**Observation/Recommendation #1**

The District has adopted Board approved policies, maintains employee job descriptions, and has developed standardized forms to document various revenue streams. Although the District is performing procedures as documented within our enclosed narratives (See Exhibits 1 through 11) the District has not developed formal guidelines regarding the collection and posting of cash receipts from the following revenue sources: real property tax, state aid, out-of-district tuition, use of facilities, and donations, as well as procedures for petty cash and bank reconciliations. Revenue and cash management procedures are currently carried out based upon past practices and verbal guidelines provided by prior and current Administrators.

- *The Business Office should develop documented guidelines and procedures for the collection and posting of cash receipts from the following revenue sources: real property tax, state aid, out-of-district tuition, use of facilities, donations and vending machines, as well as procedures for petty cash and bank reconciliations. The documented procedures should be reviewed and updated annually to maintain relevance and reflect regular changes in the business operations environment. The narratives attached to this report should serve as supplemental enclosures to the District's documented procedures.*

**Budget to Actual Revenue Analysis**

The following table summarizes the general fund revenue reported during fiscal years 2014/2015, 2015/2016 and 2016/2017:

<u>Description</u>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>
General Fund Revenue	153,835,336	157,178,141	159,034,460
Change From Prior Year	N/A	3,342,805	1,856,319
% Change From Prior Year	N/A	2.13%	1.17%

As noted above, general fund revenue increased by approximately three percent (3.38%) from \$153,835,336 during 2014/2015 to \$159,034,460 during 2016/2017.

We conducted a comparative analysis and noted a variance of \$996,653, or 0.63%, between the budgetary and actual general fund revenue for the fiscal year 2016/2017. Provided below is a summary of the 2016/2017 variances between the budgetary and actual amounts within the following categories:

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>DIFFERENCE</u>	
A 5031	Interfund Transfer	-	1,048,341	1,048,341	100.00%
A 1001	Real Property Taxes	131,474,356	132,307,298	832,942	0.63%
A 3101.1	State Aid - Excess Cost	3,581,769	3,813,774	232,005	6.48%
A 2683	Self-Insurance Recoveries	100,000	312,052	212,052	212.05%
A 2701	Refund P/Y Exp - Aidable BOCES	105,000	311,119	206,119	196.30%
A 2705	Gifts and Donations	-	163,862	163,862	100.00%
A 2703	Refund of P/Y Exp - Other (Exc Trans)	35,000	179,503	144,503	412.86%
A 3289	Other State Aid	-	124,932	124,932	100.00%
A 2410	Rental of Property - Individuals	105,000	148,069	43,069	41.02%
A 1325	Driver's Education Fees	101,750	139,170	37,420	36.78%
A 4601	Medicaid Assistance	50,000	57,252	7,252	14.50%

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<b>ACCOUNT</b>	<b>DESCRIPTION</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>DIFFERENCE</b>	
A 2280	Health Svcs. Other Districts	190,000	196,787	6,787	3.57%
A 2680.1	Insurance Recoveries - Trans Related	-	5,788	5,788	100.00%
A 2412	Rental of Property - Other Gov'ts	4,000	8,400	4,400	110.00%
A 1311.1	School Tuition - In-District	-	2,129	2,129	100.00%
A 2666	Sale of Transportation Equipment	-	2,025	2,025	100.00%
A 3102	State Aid - Lottery Aid	475,745	477,436	1,691	0.36%
A 2650	Sale of Scrap and Excess Materials	-	1,238	1,238	100.00%
A 1090	Interest - Real Property Taxes	-	1,222	1,222	100.00%
A 2660	Sale of Real Property	-	1,190	1,190	100.00%
A 2665	Sale of Equipment	-	176	176	100.00%
A 2414	Rental - Musical Instruments	22,500	22,335	(165)	-0.73%
A 3263	State Aid - Library Mat'ls.	38,763	38,031	(732)	-1.89%
A 1330	Textbook Charges	1,000	72	(928)	-92.85%
A 2690	Other Compensation for Loss	3,500	2,531	(969)	-27.69%
A 2620	Forfeiture of Deposits	2,000	-	(2,000)	-100.00%
A 3260	State Aid - Textbooks	361,268	358,529	(2,739)	-0.76%
A 2401	Interest and Earnings	80,000	76,710	(3,290)	-4.11%
A 3262	State Aid - Software	92,906	86,796	(6,110)	-6.58%
A 1311	Summer Music Programs	45,000	34,520	(10,480)	-23.29%
A 1315	Continuing Ed Tuition	150,000	138,848	(11,152)	-7.43%
A 1312	After School Language Program	28,500	10,720	(17,780)	-62.39%
A 2680	Insurance Recoveries - Other	20,000	500	(19,500)	-97.50%
A 1489	Tuition - Recreation	235,000	212,161	(22,839)	-9.72%
A 2440	Rental - Other	35,000	7,313	(27,687)	-79.11%
A 2230	School Tuition - Other Districts	135,000	96,093	(38,907)	-28.82%
A 3103	State Aid - BOCES	1,884,012	1,764,646	(119,366)	-6.34%
A 2710	Premium on Obligations	375,000	136,403	(238,597)	-63.63%
A 3101	State Aid - Operating	8,249,738	7,928,862	(320,876)	-3.89%
A 2770	Other Unclassified Revenue	556,000	203,832	(352,168)	-63.34%
A 1085	Star Reimbursement	9,500,000	8,613,797	(886,203)	-9.33%
<b>Total</b>		<b>\$ 158,037,807</b>	<b>\$ 159,034,460</b>	<b>\$ 996,653</b>	<b>0.63%</b>

Based upon our analysis, we noted that the majority of the above variances were attributed to the following:

- Various Aid Sources: The Business Office utilizes a conservative approach in estimating its revenue budget from various aid sources as student enrollment and needs vary from year to year.
- Various Other Revenue Sources: The Business Office projects revenue from various source based on prior year trends however the actual amounts vary from year to year.

➤ *No recommendations at this time.*

**Collection and Posting of Receipts (Exhibit 3)**

The attached Exhibit 3 summarizes the procedures pertaining to the collection and posting of cash receipts. Based upon our analysis of the cash collection and posting process, we have made the following observations and recommendations:

The District places a restrictive endorsement on incoming checks as soon as they are received.

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Cash receipts at the Business Office are recorded in nVision and deposited daily. Collections are recorded directly in nVision in numeric sequence, including voids.

We analyzed a random sample of ten (10) cash receipts reported in nVision during the 2017/2018 fiscal year. Based upon the testing procedures performed we noted that the cash receipts tested were deposited in a timely manner and accurately reported on the cash log and in nVision.

➤ *No recommendations now.*

**Real Property Tax Revenue (Exhibit 4)**

The attached Exhibit 4 summarizes the procedures pertaining to real property tax revenue. Based upon our analysis of the real property tax revenue monitoring process, we have made the following observations and recommendations:

We verified that the Business Office has adequate internal controls to determine the District's estimated tax levy. We also analyzed the tax levy collections reported for the fiscal year 2017/2018 and noted that the Business Office has adequate internal controls in monitoring and reporting property tax collections.

➤ *No recommendations at this time.*

**State Aid Revenue (Exhibits 5)**

The attached Exhibit 5 summarizes the procedures pertaining to state aid revenue. Based upon our analysis of the state aid revenue monitoring process, we have made the following observations and recommendations:

We performed a comparative analysis between the New York State Office of the State Comptroller payment information query and the nVision revenue detail report for the fiscal year 2016/2017. We verified that the Business Office has adequate internal controls regarding the District's state aid revenue monitoring process.

➤ *No recommendations at this time.*

**Out-of-District Tuition Revenue (Exhibit 6)**

The attached Exhibit 6 summarizes the procedures pertaining to out-of-District tuition revenue. Based upon our analysis of the out-of-District tuition revenue monitoring process, we have made the following observations and recommendations:

The District bills and collects revenue for out of District tuition related to foster students, regular or special education related education for non-resident students.

The District enters into a separate contract with each District of Residence indicating that the District of Residence will be financially responsible for the services provided by the District. The Student Services Department provides each District of Residence with a copy of the student's final Individualized Education Services Program (IEP) to reference when billed.

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The Account Clerk in the Business Office monitors the status of out-of-District tuition billing within the accounts receivable module in nVision and follows-up with the Districts of Residence regarding outstanding payments.

We analyzed a random sample of ten (10) out of district tuition cash receipts reported in nVision during the 2016/2017 fiscal year. Based upon the testing procedures performed we noted that the out of district tuition cash receipts tested were deposited in a timely manner and accurately reported on the cash log and in nVision.

We verified that the Business Office properly processed the billings for all transactions selected and the related fees were collected in timely manner.

We verified that the Business Office has adequate internal controls to identify, maintain, prepare supporting documentation and invoice for out of district students attending the District. We also analyzed the out of district tuition collections reported for the fiscal year 2016/2017 and noted that the Business Office has adequate internal controls in monitoring and reporting out of district tuition collections.

**Observation/Recommendation #2**

The District did not have a contract, memorandum or other documentation on file for three (3) out of ten (10), or 30.00%, of out-of-District tuition billings tested indicating that the District of Residence will be financially responsible for the services provided by the District

- *As best practice, the Business Office and the Pupil Personnel Services Department should obtain the proper documentation to support that the District of Residence will be financially responsible for the services provided by the District.*

<b><i>Use of Facilities Revenue (Exhibit 7)</i></b>
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The attached Exhibit 7 summarizes the procedures pertaining to use of facilities revenue. Based upon our analysis within the area of use of facilities revenue, we have summarized our observations and recommendations as follows:

The District utilizes School Dude, a web-based facilities application, to monitor the building usage. Currently, internal and external groups are required to fill out an application and provide an insurance certificate for use after school hours. The application is reviewed by the Account Clerk in the Business Office and approved by all applicable administrators. Additionally, the District utilizes a standard fee, which is communicated to user groups prior to the actual usage of the facility. The Business Office tracks the building usage billings and receipts within the Accounts Receivable module within nVision.

We analyzed a random sample of ten (10) use of facilities cash receipts reported in nVision during the 2017/2018 fiscal year. Based upon the testing procedures performed we noted that the use of facilities cash receipts tested were deposited in a timely manner and accurately reported on the cash log and within nVision.

We verified that the Business Office has adequate internal controls to schedule, coordinate, obtain supporting documentation and invoice for use of facilities by organizations outside the District. We also analyzed the use of facilities collections reported for the fiscal year 2017/2018 and noted that the Business Office has adequate internal controls in monitoring and reporting use of facilities collections.

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➤ *No recommendations at this time.*

***Donations Revenue (Exhibit 8)***

The attached Exhibit 8 summarizes the procedures pertaining to donations. Based upon our analysis of the donation monitoring process, we have made the following observations and recommendations:

The Superintendent of Schools reviews all donations and includes the information on the next Board of Education meeting agenda for approval.

The Board of Education formally accepts and approves monetary and tangible donations. The approval of donations is documented with the Board of Education minutes. The Business Office records monetary donations within nVision and tangible donations in the District's property ledger. It was indicated that donations are received and safeguarded in the District Treasurer's safe prior to being placed on a Board of Education agenda.

**Observation/Recommendation #3**

We analyzed a random sample of ten (10) donations received by the District during the fiscal year 2017/2018. Based upon the testing procedures performed we noted that two (2) donations did not receive Board of Education approval prior to being deposited and entered into nVision.

➤ *The Business Office should receive approval from the Board of Education prior to depositing funds and entering collections into nVision. This will ensure that the District receives donations based on the acceptance of the Board of Education within existing policy.*

***Vending Machine Commission Revenue (Exhibit 9)***

The attached Exhibit 9 summarizes the procedures pertaining to vending machine revenue. Based upon our analysis of the vending machine revenue monitoring process. We have made the following observations and recommendations:

It was represented to us that the District has designated the management of its vending machines to Answer Vending, Inc., who collects 100% of the revenue generated by the vending machines and submits a commission check which is deposited into the School Lunch Fund. The vendor provides the District with commission statements indicating applicable sales by vending machine.

We analyzed the vending machine cash receipts reported within nVision for the months of September, December and March for the fiscal year 2017/2018. Based upon the testing procedures performed we noted that the vending machine cash receipts tested were deposited in a timely manner and accurately reported on the cash log and in nVision.

**Observation/Recommendation #4**

The District does not have a written agreement with the vending company that is responsible to manage its vending machines.

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- *The District should maintain a formal written agreement with the vending machine company that will determine the terms of managing the vending machines for the District in accordance with the District's wellness policy and providing detail accounting and reporting of vending machine sales.*

*We recommend that a District representative and/or Nawrocki Smith conduct a complete walk through of the District to identify and inventory all vending machines by location, general items for sale, and responsible party.*

**Petty Cash (Exhibit 10)**

The attached Exhibit 10 summarizes the procedures pertaining to petty cash. Based upon our analysis of the petty cash monitoring process we have made the following observations:

The Board of Education has formally approved petty cash in the amount of \$100 for each of the petty cash custodians at the various building/department levels. When a building/department requires replenishment, Petty Cash Custodians submit a request and the Account Clerk in the Business Office and the District Treasurer review the request for accuracy. The Accounts Payable Department processes the payment. The Claims Auditor reviews the payments for accuracy. At the end of the year, the Business Office ensures that all outstanding petty cash funds and receipts on hand are returned and reconciled to a total of \$100 per account. The Business Office deposits outstanding cash into the bank and receipts are expensed to the applicable expense codes.

We verified that the Business Office has adequate internal controls over its petty cash funds. We also analyzed the requests for replenishment during the fiscal year 2017/2018 and noted that the Business Office has adequate internal controls in monitoring and reporting of the District's petty cash.

**Observation/Recommendation #5**

We noted that one (1) out of ten (10) petty cash replenishments tested, or 10.00%, reimbursed an expense more than \$15, which is the dollar limit indicated on the District's Petty Cash Reimbursement Form. It was indicated that this was a past practice and the District does not have a dollar limit formally documented.

- *As best practice, the District should develop documented guidelines in respect to the appropriate dollar limit for petty cash expense reimbursements. Once established, this limit should be communicated to all Petty Cash Custodians and the District's Petty Cash Reimbursement Form should be updated. This will enhance the District's internal controls over its petty cash funds and reduce the risk of purchases being made outside of the normal purchasing cycle.*

**Bank Reconciliations (Exhibit 11)**

The attached Exhibit 10 summarizes the procedures pertaining to bank reconciliations. Based upon our analysis of the bank reconciliation process we have made the following observations:

The Board of Education approves all depository banks utilized by the District at the reorganizational meeting.

The District's bank accounts are reconciled within 30 days of the statement date. The bank reconciliations indicate the outstanding checks and deposits in transit, for which related transactions are followed up by the District Treasurer.

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We analyzed 100% of the 24 total bank accounts for the general, school lunch, special aid, capital, trust & agency debt service and scholarship funds for the months of March 2018 and noted that the Treasurer's Reports and bank reconciliations were properly prepared and issued to the Board of Education on a timely basis.

**Observation/Recommendation #6**

We noted that not all the District's depository accounts are secured by a pledge of eligible securities with an aggregate market value equal to 105% of the aggregate amount of deposits, as required by District Policy.

- *The District should review its depositories to ensure they are collateralized to 105% of the aggregate amount of deposits, as indicated in the District Policy. In the event they are not, the District should inform its service provider of its policy requirements. This will enhance the District's internal controls over its deposits/investments.*

**Risk Rating and Opinion**

**Inherent Risk Rating:** High

**Control Risk Rating:** Low

**Audit Opinion:** Satisfactory

**Audit Comment:** The District's control environment pertaining to the Revenue and Cash Management Cycle is satisfactory. The recommendations noted above are aimed to improve an already effective control environment within the Business Office

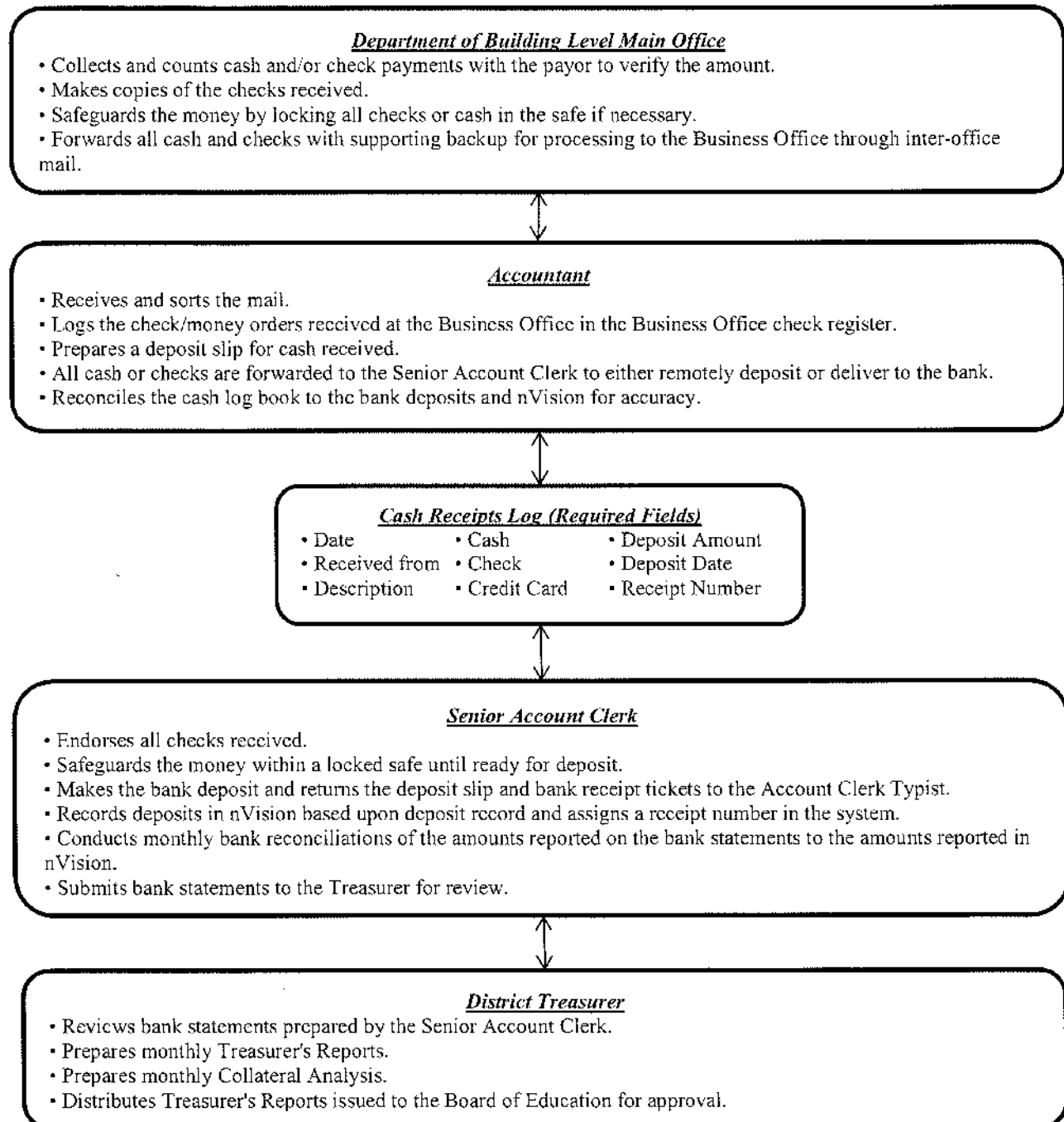
**Exhibits**

- Exhibit 1*** Flowchart of Revenue & Cash Management General Structure
- Exhibit 2*** Analysis of Revenue and Cash Management Policies
- Exhibit 3*** Narratives of Collection & Posting of Receipts Procedures
- Exhibit 4*** Narratives of Real Property Tax Revenue Procedures
- Exhibit 5*** Narratives of State Aid Revenue Procedures
- Exhibit 6*** Narratives of Out-of-District Tuition Revenue Procedures
- Exhibit 7*** Narratives of Use of Facilities Revenue Procedures
- Exhibit 8*** Narratives of Donations Revenue Procedures
- Exhibit 9*** Narratives of Vending Machine Commission Revenue Procedures
- Exhibit 10*** Narratives of Petty Cash Procedures
- Exhibit 11*** Narratives of Bank Reconciliations Procedures

Please contact our Melville, New York office @ 631-756-9500 if you should have any questions in this regard.

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**Flowchart of Revenue and Cash Management General Structure**  
**Exhibit 1**



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**Analysis of Revenue and Cash Management Policies**  
**Exhibit 2**

1. The District has a formal Board approved policy (Policy 6600) regarding fiscal accounting and reporting. According to the policy, the School District shall develop accounting and reporting procedures to facilitate analysis and evaluation of its financial status. The District will use the Uniform System of Accounts for School Districts. Books and records of the District shall be maintained according to statutory requirements. The Board of Education directs the Treasurer to keep it informed of the financial status of the School District through monthly cash reconciliations and budget status reports and annual fiscal reports and will include periodic projections of the year end fund balance. The Assistant Superintendent for Business shall highlight any deviation in actual fiscal conditions from planned fiscal conditions and offer recommendations to the Board of Education to remedy the situation if necessary. The School District shall be audited annually by an independent certified public accountant.

*Applicable process is documented in the Narratives of Cash Management Procedures.*

2. The District has a formal Board approved policy (Policy 6240) regarding investment policy. The Board of Education will authorize and direct the investment of available balances of District funds in accordance with regulations set forth in state law. The primary objectives of the District's investment activities are, in priority order, to conform to all applicable federal, state and other legal requirements (legal); to adequately safeguard principal (safety); to provide sufficient liquidity to meet all operating requirements (liquidity); and to obtain a competitive rate of return (yield). The governing board's responsibility for administration of the investment program is delegated to the Assistant Superintendent for Business who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include adequate internal controls, transaction dates, and other relevant information and regulation for employee activity.

*Applicable process is documented in the Narratives of Cash Management Procedures.*

3. The District has a formal Board approved policy (Policy 6900) regarding disposal of surplus property. According to the policy, no school property shall be sold without prior approval of the Board of Education. When District equipment/materials are determined to be obsolete, surplus, or unusable they shall be disposed of in a manner that is advantageous to the District. The net proceeds from the sale of school property shall be deposited in the General Fund.

*Applicable process is documented in the Narratives of Cash Management Procedures.*

4. The District has a formal Board approved policy (Policy 5151) regarding homeless children. According to the policy, the Board of Education recognizes its responsibility to identify homeless children within the district, encourage their enrollment and eliminate existing barriers to their education which may exist in district practices. The Board will provide that homeless children attending the district's schools with access to the same free and appropriate public education, including preschool education, as other children.

*Applicable process is documented in the Narratives of Out-of-District Tuition Procedures.*

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**Analysis of Revenue and Cash Management Policies**  
**Exhibit 2**

5. The District has formal Board approved policies (Policy 1500 & 8330) regarding use of district facilities and authorized use of school-owned materials and equipment. The Board of Education permits the use of school facilities for community-wide activities according to New York State Law. Groups wishing to use the school facilities must secure written permission from the Board or its designee and abide by the rules and regulations established for District property. The District reserves the right to charge a fee for the use of facilities in a manner with law, and on terms specified in regulation or by agreement with such organization. Except when used in connection with or rented under provisions of Education Law, school-owned materials and equipment may be used for school related purposes only. All equipment shall be inventoried and a list shall be maintained of the date such equipment was loaned, to whom it was loaned, and the date of expected and actual return. Individuals borrowing School District-owned equipment shall be fully liable for any damage or loss occurring to the equipment during the period of its use, and shall be responsible for its safe return.

*Applicable process is documented in the Narratives of Use of Facilities Procedures.*

6. The District has a formal Board approved policy (Policy 1800) regarding gifts from the public. According to the policy, it shall be the policy of the School District to accept donations, provided they are made within statutory authority granted to school districts and have received the approval of the Board of Education. The Board of Education, at its discretion, may choose not to accept donations it feels are not in the best interest of the District. The Board of Education will not accept any gift, grant or bequest which constitutes a conflict of interest and/or gives the appearance of impropriety. In addition, the Board will not accept any gifts or grants which will place encumbrances on future Boards or result in unreasonable additional or hidden costs to the District. All gifts, grants and/or bequests shall become Property of the School District. The Board is prohibited from making gifts/charitable contributions with School District funds, according to the New York State Constitution.

*Applicable process is documented in the Narratives of Acceptance of Donations Procedures.*

7. The District has a formal Board approved policy (Policy 6670) regarding petty cash/petty cash accounts. According to the policy, a petty cash fund of not more than one hundred dollars (\$100) shall be maintained in the administration building and in each school building in a secure location. Receipts and cash-on-hand must always total the authorized fund amount. All disbursements from such funds are to be supported by receipted bills or other evidence documenting the expenditure. Payments from petty cash funds may be made for materials, supplies or services only when payment is required upon delivery. Sales tax on purchases will not be paid by the school district from petty cash funds. At the time of reimbursement an itemized statement of expenditures, together with substantiating receipts, shall be submitted. Such accounts shall be authorized by Board resolution at their annual meeting. All funds shall be deposited into the proper account prior to the end of school each year.

*Applicable process is documented in the Narratives of Petty Cash Procedures.*

**Northport - East Northport Union Free School District**  
**Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle**

**Analysis of Revenue and Cash Management Policies**  
**Exhibit 2**

8. The District has formal Board approved policies (Policy 6510 & 6415) regarding online banking services and wire transfers. The Board of Education acknowledges that online banking services offer convenience and facilitate management of the School District's finances provided that good accounting practices are adhered to and internal controls observed. The District online banking activities include viewing bank account information, transfers between School District accounts, paying of the District's debt obligations, transfer of District funds into investment accounts and receipt of revenues from various sources. All transactions initiated through online banking services will involve at least three (3) individuals to initiate, review and authorize. The Board of Education also recognizes the availability of the use of electronic wire transactions in the conduct of the financial affairs of the School District. At least two (2) individuals will be involved in the initiating, approving, transmitting, recording, reviewing and reconciling of electronic transactions.

***Applicable process is documented in the Narratives of Cash Management Procedures.***

**Northport - East Northport Union Free School District**  
**Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle**

***Narratives of Collection & Posting of Receipts Procedures***  
***Exhibit 3***

**Checks Received through the Mail at the Business Office:**

1. The Accountant opens the mail and logs the checks into the Cash Receipts Log in Excel, indicating the following information:
  - a. Date
  - b. From
  - c. Description
  - d. Cash
  - e. Check
  - f. Credit Card
  - g. Deposit Amount
  - h. Deposit Date
  - i. Receipt Number
2. The Accountant prepares a transmittal and the bank deposit and forwards the checks and cash to the Senior Account Clerk.
3. The Senior Account Clerk remote deposits all checks received by the District. Checks are canceled once scanned. The Senior Account Clerk make deposits at the bank for cash receipts.
4. Upon completion of the remote deposit the Senior Account Clerk records cash receipts into nVision where it is automatically assigned a number and a Treasurer's Receipt is generated. This number is provided to the Accountant to record on her Cash Receipts Log.
5. On a monthly basis, the Accountant reconciles the cash receipts reported in nVision to the Cash Receipts Log and the bank statements.
6. The District Treasurer's Office maintains a Business Office cash receipts file including the following documentation:
  - a. Standard cash receipt request forms.
  - b. Deposit slips and bank deposit receipts.
  - c. Check stubs and copies of checks.
  - d. Bank wire confirmations.
  - e. nVision printouts and journal entry forms.
  - f. Cash log
  - g. Bank statements
  - h. Other miscellaneous supporting documentation.
7. School Lunch deposits are picked up daily by the District Messenger and delivered to the bank via the bank drop box.

***Northport - East Northport Union Free School District  
Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle***

***Narratives of Collection & Posting of Receipts Procedures  
Exhibit 3***

**Cash and Checks Collected at the Building Level:**

1. Collection of cash and checks at the building level occurs for the following reasons:
  - Field trips
  - Textbook fees
  - Locker fines
  - Lost books
2. The Clerk in each building completes a transmittal for all cash and checks collected.
3. The Main Offices at each building level issue a receipt to everyone who submits cash or checks.
4. Cash and checks are stored in the building safe located in the main office. Access to the safe is restricted to the Building Principals and Main Office Clerks.
5. The District Messenger transports the cash and checks from the Buildings to the Business Office.
6. Once received by the Business Office, cash and checks are processed according to the above procedures.

*Northport - East Northport Union Free School District  
Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle*

*Narratives of Real Property Tax Revenue Procedures  
Exhibit 4*

1. The District receives the assessed valuation of the taxable property within the School District as certified by the Town of Huntington Audit and Control Office.
2. Based upon the information provided by the Town of Huntington Audit and Control Office and the District's budgetary expenditures and revenue from non-tax sources, the Business Office determines the District's estimated tax levy to generate that portion of the school District budget requirement to be provided at the local level. Sufficient local tax revenue shall be raised to meet the requirements of the total school District budget, less an amount equal to all other income sources available to the school District.
3. The Board of Education approves the tax levy and the District Treasurer books a receivable for the amount.
4. The Town of Huntington collects real property taxes from District residents and distributes via wire transfer the property tax revenue to the District.
5. The District Treasurer receives an email from the Town of Huntington and reviews the wire transfer within the District's on-line banking service. The District Treasurer prints out proof that the money has been received by the bank and the email notification as supporting documentation.
6. The Senior Account Clerk enters the wire transfer amount in nVision and prints the Treasurer's receipt.
7. The Town of Huntington provides the Business Office with a schedule of payments to monitor the receivable property tax payments. The District Treasurer reconciles the budget-to-actual property tax revenue on a periodic basis and investigates any discrepancies further.
8. The District receives and monitors the Library Tax Levy, which it forwards to the Library on a monthly basis via wire transfer.

**Northport - East Northport Union Free School District**  
**Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle**

**Narratives of State Aid Revenue Procedures**  
**Exhibit 5**

1. Financial support for public schools come from five (5) sources:
  - a. Property Taxes and STAR
  - b. State and Federal Sources
  - c. Operating Grants
  - d. Charges for Services
  - e. Other Sources
2. State formula aids available to school Districts are based on the formulas governing the specified aid categories as enacted by the Legislature as part of the State budget and legislative session. The New York State Education Department publishes annually a handbook indicating the state formula aids available to school District and an explanation of the payment schedules for STAR, excess cost aids, BOCES and other aid categories is provided.
3. The District Treasurer logs-in to the New York State Education Department – State Aid Unit website to identify the projected state aid for the District. The District received the following state aid for the 2016/2017 fiscal year:

<u>Category</u>	<u>Amount</u>
Tot Gen Aid Cash Pay (A3101)	13,443
Lottery Vlt (A3102)	440,323
Commercial Gaming (A3102)	37,113
Total Noncash (A3101)	8,249,738
<b>General Aid Paid Thru 6/30/17</b>	<b>\$ 8,740,617</b>

(\*) Source: 2016-17 SCHOOL YEAR AID PAYMENT SUMMARY OF NYS EDUCATION DEPARTMENT OFFICE  
OF MANAGEMENT SERVICES STATE AID UNIT

4. The New York State Education Department Office of Management Services - State Aid unit makes payments to the District throughout the fiscal year via wire transfers.
5. The District Treasurer confirms the wire transfers within the District's on-line banking service. The District Treasurer will log-in the State website to print the payment certification which indicates the funding source.
6. The Senior Account Clerk enters the wire transfer amount in nVision and prints the Treasurer's receipt. The District Treasurer also records the wire transfer in an excel spreadsheet created to monitor the state aid revenue.
7. The District Treasurer and the Senior Account Clerk maintain printout of the wire transfer confirmations within the Business Office cash receipts files.

***Northport - East Northport Union Free School District  
Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle***

***Narratives of Out-of-District Tuition Revenue Procedures  
Exhibit 6***

1. The District bills and collects revenue for out of District tuition related to non-residents, special education, and health services.
2. The Special Education Department receives requests from other districts and parents to provide services for out of District students who are in need of special education.
3. The District of Residence forwards a copy of the student's final IEP to Northport - East Northport Union Free School District.
4. The Special Education Department of the District of Residence schedules a Committee on Special Education (CSE) meeting to determine an Individualized Education Program (IEP) for the student.
5. Special education service providers and their applicable rates are preapproved by the Board of Education. The service providers submit their service bills to the Special Education Department for review and approval. The Special Education Department forwards these invoices to the Business Office for payment processing.
6. On an annual basis, the Senior Clerk Typist in the Business Office prepares and mails invoices and applicable supporting documentation (e.g. provider invoices, timesheets, calculations, etc.) to each student's District of Residence. If the services provided are eligible for STAC reimbursement due to their high costs, the Special Education Department subtracts the reimbursement amount from the total calculation of the non-resident tuition. The Accountant reviews and approves the invoices prior to being mailed.
7. A receivable is automatically booked in nVision when an invoice is generated. A copy of the invoice is provided to the District Treasurer's Office for their records.
8. The Business Office receives tuition payment checks in the mail from the Districts of Residence. These checks are received and handled as per the cash receipt procedures noted in Exhibit 3.
9. The Accountant provides the Senior Clerk Typist with a copy of the transmittal and check for her records.
10. The Senior Clerk Typist in the Business Office monitors the status of out-of-District tuition billing within the accounts receivable module of nVision and follows-up with the Districts of Residence regarding outstanding payments.

***Northport - East Northport Union Free School District  
Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle***

***Narratives of Use of Facilities Revenue Procedures  
Exhibit 7***

1. Outside groups must complete an application form in order to use District facilities. The application details the purpose of the use of facilities, requested facilities and date(s), nature of the activity, number of attendees, any admission to be charged, and any required District employees (e.g., food service, custodial, or security staff). Once the application is submitted, approvals must be obtained by the Building Principal, Facilities Director and Athletic Director if applicable.
2. The Senior Clerk Typist in the Buildings and Grounds Department reviews the application and verifies that outside groups meet the District's insurance and residency requirements as set forth in Policy #1500 - *Use of District Facilities*. The Senior Clerk Typist in the Buildings and Grounds Department verifies the existence of current insurance coverage certificates, if applicable.
3. All applicable Administrators review and signs off on the application.
4. Upon approval, the Building Principal, Buildings and Grounds Department and the Business Office coordinate the scheduling of custodians, monitors, or security personnel to facilitate and supervise the event.
5. After the event, the Account Clerk in the Business Office prepares and mails invoices to each organization that utilized District facilities.
6. A receivable is automatically booked in nVision when an invoice is generated. A copy of the invoice is provided to the District Treasurer's Office for their records.
7. The Business Office receives use of facilities payment checks in the mail from the organizations. These checks are received and handled as per the cash receipt procedures noted in Exhibit 3.
8. The Account Clerk in the Business Office monitors the status of use of facilities billing within the accounts receivable module and follows-up with the organizations regarding outstanding payments. The Business Office does not allow for an organization to reschedule an event if there are outstanding balances.

*Northport - East Northport Union Free School District  
Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle*

*Narratives of Donations Revenue Procedures  
Exhibit 8*

1. The District may accept gifts, donations, grants and/or bequests of money, real or personal property. The Assistant Superintendent for Business reviews and signs-off on all donations and submits the information as an agenda item to the Board of Education for formal approval for all donations.
2. The Board of Education reviews the donation offers for suitability and conformity with the requirements set forth within District policy.
3. The Board of Education formally accepts the donation by resolution.
4. Depending on the purpose of the donation, the Business Office deposits the funds in the general, trust and agency, or extraclassroom activity funds. In the event of a tangible donation that exceeds the District's capitalization thresholds, the donation is tagged and recorded to the District's fixed asset inventory.
5. The District Clerk sends out communications to thank donors on behalf of the District.

**Northport - East Northport Union Free School District**  
**Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle**

***Narratives of Vending Machine Commission Revenue Procedures***  
***Exhibit 9***

The following table summarizes the number and type of District vending machines by school:

<u>School</u>	<u>Beverage</u>	<u>Snack</u>	<u>Fruit</u>	<u>Count</u>
East Northport MS	2	2	-	4
Northport Admin Bldg	1	1	-	2
Northport HS	3	3	1	7
Northport MS	1	1	-	2
<b>Total</b>	<b>7</b>	<b>7</b>	<b>1</b>	<b>15</b>

**Answer Vending, Inc.:**

1. Answer Vending provides and manages the vending machines throughout the District. Answer Vending, Inc. collects 100% of the revenue generated by the vending machines and issues a check to the District for its commissions.
2. The vendor provides the Food Service Department with commission statements indicating applicable sales by vending machine.
3. The Food Service Department reviews the monthly commissions payments and submits check for deposit.
4. The Food Service Department sends the bank receipts to the Business Office to enter the collection amounts in nVision.
5. At the end of the month, the Business Office reconciles the food service collections as reported on the sales reports to the bank receipt tickers, nVision revenue reports, and bank statements. Any discrepancies are investigated with the Food Service Department.

**Northport - East Northport Union Free School District**  
**Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle**

**Narratives of Petty Cash Procedures**  
**Exhibit 10**

1. The Board of Education authorizes petty cash funds at its annual reorganization meeting. The Board designates a petty cash custodian and establishes a total dollar amount for each petty cash fund. The following petty cash funds were authorized at the reorganization Board meeting for the 2017/2018 fiscal year:

<u>#</u>	<u>Employee</u>	<u>Position</u>	<u>Location</u>	<u>Amount</u>
1	Lori Beekman	Principal	Bellerose Avenue School	100.00
2	Thomas Harrison	Principal	Fifth Avenue School	100.00
3	Patricia Essinfeld	Principal	Dickinson Avenue School	100.00
4	Michael Genovese	Principal	Norwood Avenue School	100.00
5	Sabrina Larkin	Principal	Ocean Avenue School	100.00
6	Jeffrey Haubrich	Principal	Pulaski Road School	100.00
7	Pasquale DeStefano	Principal	East Northport Middle School	100.00
8	Timothy Hoss	Principal	Northport Middle School	100.00
9	Dan Danbusky	Principal	Northport High School	100.00
10	Beth Nystrom	District Clerk	Board of Education	100.00
<b>Total</b>				<b>1,000.00</b>

2. The petty cash custodians receive petty cash guidelines regarding the use and reporting of petty cash procedures.
3. The District Clerk at the Administration Building prepares a petty cash check request for each petty cash custodian.
4. The Account Clerk in Accounts Payable processes the check request and the District Treasurer reviews the warrants.
5. Upon approval, the petty cash check is sent via intra-office mail to the appropriate Petty Cash Custodian.
6. The Petty Cash Custodians are responsible for securing the funds in either the Main Office safe or a locked cabinet.
7. Employees request reimbursement (maximum \$15) from the Petty Cash Custodian by providing original receipts and documenting their request on a standard petty cash receipt/reimbursement form. The petty cash receipt/reimbursement form indicates who received the reimbursement and is signed off by the Petty Cash Custodian.
8. When a petty cash fund requires replenishing, the Petty Cash Custodian prepares a replenishment memorandum to document the original receipts attached. The Petty Cash Custodian submits replenishment memorandum for the total amount of vouchers and original receipts on hand to the Accounts Payable Department. Once reviewed for accuracy, the Accounts Payable Department processes the request for payment.
9. All requests for replenishment for petty cash are reviewed and approved by the District Claims Auditor prior to being released.
10. At the end of the year, the Accountant ensures that all outstanding petty cash funds and receipts on hand are reconciled and returned to the Business Office to be deposited to the General Fund.

**Northport - East Northport Union Free School District**  
**Report on Internal Controls Pertaining to the Revenue and Cash Management Cycle**

**Narratives of Bank Reconciliations Procedures**  
**Exhibit 11**

1. The Board of Education authorizes depositories of District monies by fund at its annual reorganization meeting. Additionally, the Board of Education authorizes the District Treasurer to invest District monies.
2. The following table summarizes the number of District bank accounts by fund:

<u>Fund</u>	<u>JP Morgan</u> <u>Chase</u> <u>Bank</u>	<u>Capital</u> <u>One</u> <u>Bank</u>	<u>Valley</u> <u>National</u> <u>Bank</u>	<u>TD</u> <u>Bank</u>	<u>People's</u> <u>United</u> <u>Bank</u>	<u>First</u> <u>National</u> <u>Bank of</u> <u>Long Island</u>	<u>Signature</u> <u>Bank</u>	<u>Flushing</u> <u>Bank</u>	<u>Total</u>
General	6	2	1	1	1	2	-	1	14
School Lunch	2	-	-	-	-	-	-	-	2
Special Aid	1	-	-	-	-	-	-	-	1
Capital	2	-	1	-	-	-	1	-	4
Trust & Agency	1	-	-	-	-	-	-	-	1
Payroll	1	1	-	-	-	-	-	-	2
<b>Total</b>	<b>13</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>24</b>

3. The District has collateral bank accounts that serve as clearing accounts with the banks for the purpose of securing and servicing an indebtedness.
4. The District Treasurer prints monthly bank statements from the banks website.
5. The Senior Account Clerk performs monthly reconciliations between the bank statements and the general ledger and monthly check warrant reports generated by nVision. The Assistant Superintendent for Business and the District Treasurer reviews and signs off on the bank reconciliations.
6. The Senior Account Clerk prepares a monthly Bank Reconciliation Report including the following information:
  - a. Summary of account activity by fund
  - b. Bank reconciliation for each account with any exceptions noted
  - c. List of outstanding checks for each account
  - d. Bank statement
7. The Senior Account Clerk notifies the District Treasurer of any non-reconciling items.
8. The District Treasurer investigates and resolves any non-reconciling items with the banks.
9. The District Treasurer reviews monthly Bank Reconciliation Reports and utilizes them along with other nVision Reports and schedules to produce her Treasurer's Report. The District Treasurer presents both the Bank Reconciliation Summary and Treasurer's Report to the Board of Education.
10. The District Treasurer monitors the status of outstanding checks and sends notices to payees. After three (3) notices the check is voided and kept on file.
11. The District utilizes online banking. Access is limited to the Assistant Superintendent for Business, District Treasurer and Senior Account Clerk to perform their designated responsibilities.