




New York State School Boards Association
 2009 Annual Convention, NYC
 October 15-18, 2009



Rush-Henrietta Central School District
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Effective Audit Committees

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Presenters

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Who Are We?

Suburban K-12 district outside of
Rochester, NY

Population – 45,000

Student enrollment – 5,600

Board of Education – 7 members

Annual Budget - \$100,405,638



Why are we here?

To share our experiences in establishing
and conducting our Audit Committee

Implementation of NYSED regulations

Establishment of the Audit Committee

Role of the Claims Auditor

External and Internal Auditors



Requirements for Audit Committee

2005 School Accountability Legislation(Chapter
263 of the laws of 2005) better known as the “Five
Point Plan”

Districts were required to establish an audit
committee by January 1, 2006

The Commissioner is authorized to promulgate
regulations with respect to the audit committee



Audit Committee Regulations

The members should possess knowledge in:

- Accounting
- Auditing
- Financial reporting
- School district finance

The committee must consist of at least three members

They may not receive compensation



Audit Committee Regulations

Members can be reimbursed for actual and necessary expenditures incurred in relation to attendance at meetings

The committee may consist of board members or may be a committee of the whole board

The committee may include or be composed entirely of non-board members who do not have to be residents of the district

Committee members should not have a conflict of interest – preserve the integrity of the committee as well as district fiscal accountability



Audit Committee Regulations

The following people are ineligible to serve on the audit committee

- Current employees of the district or someone employed during the past two years
- Individuals who within the last two years provided or currently provide services or goods to the district
- Owners of or persons with a direct and material interest in a company providing goods or services to the district within the last two years
- Close or immediate family members of the above



Audit Committee Goals



- Assist with interpreting complex financial documents, reports, and recommendations
- Responsible for asking the right questions and getting answers in order to keep the board informed
- One area of focus should be the ability of management to override internal controls over financial reporting to perpetrate a fraud
- Responsible for helping to prevent or deter a management override of controls

Audit Committee Operating Principles



- Acts in an advisory capacity to the board (its duties should be spelled out within its charter)
- Not a substitute for board oversight
- No recommendations provided by the committee may substitute for any required review and acceptance by the board

Audit Committee Operating Principles



- Although it is an "audit committee," the members of the committee are not auditors
- The committee should be "tuned in" to the tone
- Communication between the audit committee and board is key
- Communication can break down if no board members are on the committee
- There needs to be an effective information and feedback network, including a whistleblower program



Audit Committee Meetings



The committee must hold regularly scheduled meetings and report to the board at least once per year

The committee performs necessary and integral government functions and is subject to Open Meetings Law, including notice requirements

The committee must report to the board on the activities of the audit committee and its report should include a summary of the minutes of the meeting

Audit Committee Meetings



The audit committee may conduct an executive session for any of the purposes enumerated in Section 105 of the Public Officer's Law pertaining to executive sessions or for any of the purposes enumerated in Section 2116-c, Subdivision 7 of the Education Law

Audit Committee Operations at Rush-Henrietta





Audit Committee Makeup

Full board vs. subcommittee of board

Logistics – scheduling, calendar commitments, etc.

Interest – varies among board members

Expertise – may or may not exist among current board members



Audit Committee Makeup

R-H's pre-existing Finance Committee

Composed of two board members and several district employees

Changes in composition

- o Comply with regulations – three board members
- o Ensure adequate interest and expertise



Audit Committee Makeup

Invitees

Assistant Superintendent for Business and School Operations (CFO)

Claims Auditor

Superintendent

Remaining board members



Audit Committee Quarterly Meetings

- Meeting dates scheduled in August for the coming year
- Subject to Open Meetings Law
- District Clerk takes minutes
- Report out to full board at next meeting



Audit Committee Quarterly Meetings

- Agendas
 - Posted in advance of meetings
- Standard agenda items
 - o Review of claims auditor report
 - o Review of BOE expenditures to date



Audit Committee Quarterly Meetings

- Agendas
 - Maintain an annual "agenda calendar" of routine items
 - o External audit review
 - o Risk assessment review with internal auditor
 - o Identification of internal audit project(s) for year
 - o Status reports on those projects
 - o BOE proposed budget



Related Board Policies

Policy #6600 – Fiscal Accounting, Reporting and Auditing

Policy # 6650 – Claims Auditor

Policy #6690 – Audit Committee

Policy #9125 – Financial Accountability:
Allegations of Fraud (whistleblower policy)



Claims Auditor – What the Regs Say



Role of the Audit Committee with the Claims Auditor

The audit committee may consider meeting with the claims auditor to understand the process and ask appropriate questions when transactions do not fully follow Board policy



Claims Auditor Responsibilities

- Must be familiar with board policies
- Ensures that payment of all claims is made based upon appropriate documentation
- Ensures that prescribed operating procedures have been followed (purchasing and receiving process)
- Must have the necessary knowledge and skills to audit claims




Claims Auditor Responsibilities

- Must be experienced with regard to bidding, quotations, and request for proposals
- Maintains an inquisitive approach
- Exercises judgment and professional skepticism
- Maintains a high standard of ethics
- Provides periodic written reports to the board (i.e.: those claims that were rejected)



The Rush-Henrietta Claims Auditor

The R-H Claims Auditor

Responsibilities


- Review of warrants
- Completion of exception report
- Follow up on issues identified in warrant review
- Projects arising from internal audit report
- Attendance at quarterly audit committee meetings



The R-H Claims Auditor

Audit committee review of claims auditor reports

- Quarterly reports sent to committee prior to each meeting
- Reported items discussed as needed



The R-H Claims Auditor

Audit of Claims - April 2008							
Date	# of Warrants Reviewed	# of Issues reported to Accounts Payable Clerk	# Issues reported to ASB	# Discrepancies reported to BOE	Time Spent	Corrected Y/N	Correction Action Taken
4/1/2008	2	0	0	0	30 min.	n/a	n/a
4/13/2008	7	3 (sales tx pd, missed paying 2 invoices)	0	0	4 hrs.	Y	Credit on next invoice; paid invoices
4/16/2008	1	1 (invoice exceeds PO amount - needs note)	0	0	45 min.		Note of explanation obtained & attached.
4/17/2008	1	2 (missed paying 1 inv. missing 1 signature)	0	0	30 min.	Y	Paid invoice; obtained signature
4/20/2008	2	0	0	0	30 min.	n/a	n/a
4/23/2008	2	3 (sales tx pd, missing signature, need to verify order charges, pass out billing)	0	0	45 min.	Y	Credit on next invoice; obtained signature; obtained verification of order, no dis billing.
4/27/2008	2	0	0	0	30 min.	n/a	n/a
4/28/2008	2	1 (missed eligible discount)	0	0	45 min.	Y	Vorbes Check, issued new check at discounted amount
4/30/2008	3	0	0	0	45 min.	n/a	n/a
5/3/2008	1	0	0	0	30 min.	n/a	n/a
5/6/2008	3	8 (excessive mileage on officials' vouchers)	1	1	1.5 hrs.	Y	ASB checked collection V to find out what legalities are involved; worked with AH/Sec Dir. to relay msg to officials that mileage needs to be accurate. Audit Cmte. made recommendation to BOE to revise voucher forms, recommendation was adopted; AH/Sec Dir. Secretary revised forms for 2009



Internal Auditor – What the Regs Say



Role of the Audit Committee with the Internal Audit Function

Similar to the responsibilities related to the external auditor, the audit committee (unless constituted as the board as a whole) assists the board on the internal audit activities of the school district. The statutory responsibilities are to:

Provide recommendations on the appointment of the internal auditor;

Review all significant findings and recommendations of the internal auditor;




Role of the Audit Committee with the Internal Audit Function

Monitor the school district's implementation of the internal auditor's recommendations; and

Assist in the evaluation of the internal auditor by providing feedback on the performance of the internal audit function.


Review risk assessment and identify area(s) for testing and evaluation.



**Internal Audit Function –
Primary Responsibilities**


To assist the board in ensuring that financial risks are identified and that appropriate internal controls are in place to address the risks

The internal audit function supplements the existing control system and assists the board in its oversight responsibility with the assistance of the audit committee

**Internal Audit Function –
Primary Responsibilities**

Development of a risk assessment of district operations including, but not limited to, a review of district financial policies, procedures, and practices, and the testing and evaluation of district internal controls

An annual review and update of such risk assessment

**Internal Audit Function –
Primary Responsibilities**

Periodic testing and evaluation of one or more areas of district operations

Report to the board at least annually, and on an as needed basis, with analysis of significant risk assessment findings, recommend changes for strengthening controls and reducing identified risks, and estimated time frames for implementation of those recommendations



The Rush-Henrietta Internal Audit Process



The R-H Internal Audit Process

The internal auditor communicates with the full board prior to the commencement of the risk assessment to identify any board issues or concerns

The audit committee and internal auditor meet to review the risk assessment report and discuss areas of concern and auditor's recommendations

The audit committee designates one or more items identified in the risk assessment for further testing and evaluation, to be completed either by the internal auditor or by district staff, as specified by the committee



The R-H Internal Audit Process

The audit committee receives periodic status reports on those targeted audit areas

The audit committee discusses recommendations related to risk areas with the CFO and Superintendent and provides direction regarding implementation of recommendations

The audit committee provides quarterly reports to the full board regarding the internal audit process and findings



External Auditor – What the Regs Say



Role of the Audit Committee with the External Auditor

The audit committee (unless constituted as the board as a whole) advises the board on the external audit activities of the school district.

Statutory responsibilities:

- Provide recommendations on the appointment of the external auditor

- Meet with the external auditor prior to commencing an audit of the district

- Review and discuss with the external auditor the auditor's risk assessment of the district's fiscal operations



Role of the Audit Committee with the External Auditor

- Receive and review the draft audit report and management letter

- Work with the external auditor to help the board understand the audit report and management letter

- Provide recommendations to the board regarding acceptance of the external audit report

- Review every corrective action plan and assist the board in their implementation



The Rush-Henrietta External Audit Process



The R-H External Audit Process

The audit committee and external auditor communicate prior to the commencement of the audit regarding audit scope and any board identified issues or concerns

The audit committee and external auditor meet to review the initial draft audit report and management letter

The CFO and Superintendent prepare the district's response and review it with the audit committee

The external auditor presents the final report and management letter to the full board



The R-H External Audit Process

Supplemental Reports

Extra-classroom Funds Report

Federal Funds Report



Q & A
