

**BALDWINSVILLE CENTRAL SCHOOL DISTRICT**

**Independent Internal Audit Report  
Cash Receipts**

**June 30, 2019 - 2020**

May 18, 2020

Audit Committee Members  
Baldwinsville Central School District  
29 East Oneida Street  
Baldwinsville, New York 13027

Dear Audit Committee Members:

Bonadio & Co., LLP was engaged by the Baldwinsville Central School District (the District) to fulfill the requirements of the Internal Audit Function in accordance with the provisions of the 2005 Public School District Accountability Act. We have been contracted by the District to evaluate the policies and procedures in place regarding the internal controls over the cash receipts function.

The results of our testing, which are included in this report, have been communicated to the District Administration, whose responses have been included in this document.

This report is intended solely for the information and use of the District Administration, the Audit Committee, and others within the District and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the cooperation extended to us during our examination by the employees of the District.

If you have any questions concerning this report, please feel free to contact us at any time.

Very truly yours,

BONADIO & CO., LLP



by:

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Principal

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**SECTION I: EXECUTIVE SUMMARY**

**Purpose and Scope**

The procedures performed examined the design and effectiveness of the internal control environment surrounding the cash receipts function as it relates to the applicable policies and procedures of the Baldwinsville Central School District (the District).

**Internal Control Assessment**

We believe that based on the work performed, the District's internal controls over the cash receipts function are adequate. However, we noted certain matters that we consider to be deficiencies in the existing policies and procedures of the District's cash receipts function.

In addition, we identified opportunity for enhancement and efficiency over existing policies and procedures.

**Responses from Administration**

The District's Administration's responses to our observations identified in our report are described in Section III: Observations and Recommendations. We did not audit the District responses and, accordingly, we express no opinion on them.

**Confidentiality**

This report is confidential and should be distributed only to those with a need to know and who are authorized to the information; the District Board of Education, the District Superintendent, or the Assistant Superintendent for Administration. Bonadio & Co., LLP (B&Co.), the Internal Auditors, must approve the release of this report to anyone outside the District.

**SECTION II: TESTING PROCESS**

We considered and evaluated the following controls:

1. General
  - B&Co. interviewed key personnel including Katherine Hobbes, Secretary and ECA Treasurer; and Tim Lynch, District Treasurer.
  
2. Understanding of the Design of the Internal Control Environment
  - We reviewed existing documented policies and procedures over the cash receipts function and the ECA function as it directly relates to the processing of cash receipts.
  - We observed key personnel performing job duties.
  
3. Assessing the Operating Effectiveness of the Internal Control Environment
  - We assessed the effectiveness of the design of existing policies and procedures through performance of walkthroughs, transactional testing, recalculations, and review of evidence for the existence of key controls.

**SECTION II: TESTING PROCESS (CONTINUED)**

4. Procedures and Testing
- Selected a sample of 10 cash receipts (including wire transfers) from the period July 1, 2020 through January 31, 2020 from the cash receipts journal from WINCAP. For each of the 10 selections we obtained supporting documentation, including original billing (if applicable), and bank deposit receipts. We agreed the cash receipt amounts to the supporting documentation. We traced back the cash receipts to the cash receipts log maintained by Katherine Hobbes, except if the selection was a wire transfer. We traced the cash receipt to the corresponding deposit on the bank statement. We used the supporting documentation to identify the source of funds and ensured the revenue was coded to the correct general ledger account.
  
  - Selected a sample of 10 cash receipts from the period July 1, 2020 through January 31, 2020 from the Cash Receipts Log maintained Katherine Hobbs. We obtained supporting documentation for the cash receipts, including original billing (if applicable), and bank deposit receipts. We agreed the cash receipt amount to the supporting documentation. We traced the cash receipts to the cash receipts journal in WINCAP. We traced the cash receipts to deposits on the respective bank statements. We ensured the cash receipts were properly recorded to the correct general ledger account. We used the supporting documentation to identify the sources of the funds and ensured the revenue was coded to the correct general ledger account.
  
  - Selected a sample of 5 cash receipts from the ECA cash receipts journal from Quicken for the period July 1, 2019 through January 31, 2020. We obtained supporting documentation for the cash receipts and agreed that to the posting in Quicken. We ensured that the cash receipts were posted for the correct amount and to the correct activity. We viewed the white copies of the money bag forms and verified that they were signed and dated by Katherine Hobbes indicating when she received them. We viewed the numbered deposit receipts prepared by Katherine Hobbes and compared them to the Recap of Receipts and Deposit Form provided by the club advisors and treasurers. We traced the deposits to deposit receipts from the bank and to the bank statements.
  
  - B&Co. performed a walkthrough of key controls and considered the general control environment as it relates to authorization, custody and recording/reconciling of cash balances. Consideration was given to access points and individuals authorized to access real time banking, bank statements, and current processes surrounding the bank reconciliation process.

**SECTION III: OBSERVATIONS AND RECOMMENDATIONS**

The observations and recommendations below are based on our observations, inquiries, evaluation and recalculation of sampled cash receipts transactions. We wish to share the following items of significance:

**Observation**

It was noted that Business Office Secretary, records all incoming receipts of checks and cash, not related to ECA, into a handwritten notepad deposit log which shows the date, source of cash receipt, and amount. It was also noted that this deposit log is never reconciled to actual deposits made by the District Treasurer.

**Recommendation**

B&Co. recommends that the District use a more detailed Cash Receipts Log to record all incoming cash and checks. This should include, date of receipt, source, description, whether cash or check, amount, deposit date, and total deposit. When documenting the descriptions of the cash receipts on the log, descriptions should be detailed in order to differentiate multiple cash receipts that come in from the same source for identical amounts. Furthermore, a monthly reconciliation should be performed to ensure all cash receipts recorded in the log agree to corresponding bank deposits. Evidence this reconciliation process was performed should be documented and retained.

See Addendum #1 for a Cash Receipts Log. By using an electronic working document, such as Microsoft Excel, the reconciliation process may be more effective and efficient. Management is reminded to ensure proper steps are taken to safeguard any electronic data and reconciliations which may be outside of the accounting software.

**Management Response**

The District will create a shared document for all incoming receipts to be reconciled between the Business Office Secretary and the District Treasurer. This will allow receipts to be reconciled on a regular basis.

**Observation**

2 of 15 cash receipts selected for testing could not be traced back from the cash receipts journal per WINCAP to Katherine Hobb's Cash Receipts Log.

**Recommendation**

We recommend the District ensure all cash receipts received via the Business Office are recorded in the Cash Receipts Log in order to maintain an accurate and complete listing of all amounts received. Additionally, a comparison of amounts entered into WINCAP and amounts recorded on the cash receipts log should be done on a regular/monthly basis.

Although typically inherent risk associated with cash is completeness (or a risk of understatement), and such risk would arise when a deposit was included on the Cash Receipts Log but not in WINCAP and/or the bank statement, such variances should not occur.

**Management Response**

The District will create a shared document for all incoming receipts to be reconciled between the Business Office Secretary and the District Treasurer. This will allow receipts to be reconciled on a regular basis.

