



INTERNAL AUDITING SERVICES

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In 2005 New York State enacted legislation (the "Five Point Plan") which requires each school district to establish an internal audit function and a claims audit function. Sheehan & Company's many years of auditing experience provides a superior basis for performing the risk assessments and testing and evaluation of internal controls required by this legislation. We are currently serving as the internal auditor for many school districts on Long Island. Performing in our role as internal auditor, we analyze the school district's internal control policies and procedures, test and evaluate the design and effectiveness of the controls, report our findings to the board of education, and make recommendations for strengthening controls and reducing identified risks. Fulfilling the requirements of the internal audit function and the claims audit function by "outsourcing" to a public accounting firm such as Sheehan & Company, gives the board of education the assurance it needs that it is meeting its responsibility to maintain the financial health of the district.

Sheehan & Company has been providing accounting and auditing services to the New York metropolitan area since 1955. We have over 35 years of experience providing accounting, auditing and consulting services to governmental clients (towns, villages, school districts, fire districts, ambulance districts, police districts).

The professional staff of Sheehan & Company have the prerequisite expertise in school district financial operations, as well as the knowledge of the many statutes, regulations and policies that govern the multiple facets of school district operations.

As a valued internal audit services client of Sheehan & Company you will receive professional guidance, access to our extensive resources, and our active participation throughout the year. Over the course of our professional relationship we will develop an understanding of the challenges you face and assist in addressing any issues that your school district may encounter. Sheehan & Company will be there when you need us, because our ultimate goal is your success.

Please send your Request for Proposal to Sheehan & Company, 165 Orinoco Drive, Brightwaters, New York 11718. You may call us at (631) 665-7040 Ext. 343, 309, 306 or by fax at (631) 665-7014.

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THE RISK ASSESSMENT PROCESS

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Define the “audit universe,” which encompasses both financial and non-financial functions of the district. It includes:

- General control environment
- Information technology
- Budget
- Financial reporting
- Payroll/Human resources
- Accounts payable
- State aid
- Attendance
- Employee benefits
- Capital projects
- Special education programs
- School lunch
- Fixed assets
- Transportation
- Facilities maintenance
- Cash receipts/billing
- Extracurricular activities

The risk that each of the above functions pose on the school district is unique. Each function is weighted to account for the relative measure of importance and impact on the overall risk level. Risks are weighted by evaluating each function based on the following:

- **Size of unit** – based on total revenue/expenditures or volume of transactions
- **Complexity of transactions** – based on the nature of transactions processed
- **Public exposure** – based on the potential of the business unit to harm the school district’s reputation in the community
- **Time since last audit** – based on the last date that internal audit procedures were performed
- **Compliance with laws and regulations** – based on laws and regulations that are relevant to the function

ASSESS A RISK LEVEL

Low – low likelihood of significant impact on school district objectives

Moderate – moderate likelihood of significant impact on school district objectives

High – high likelihood of significant impact on school district objectives

Severe – extreme likelihood of a catastrophic impact on school district objectives

RISK APPETITE

Determine the level of risk that the Board of Education deems acceptable.

AUDIT PLAN

Develop an audit plan based upon the identified risks, risk appetite, and how the risk is to be managed. Risks that are identified and are assessed as above the risk appetite of the Board of Education should be a priority in the audit plan.

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