

Imagine

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Accounting Newsletter for Arizona School Districts

Why Did My Auditors Ask for That?

by Joshua Jumper, CPA, Audit Manager

Do you ever receive the (seemingly) long list of audit requests and wonder why they are asking for that specific item or report? Well, it is very likely that we are performing three different types of audits at the same time. First, the financial statement audit expresses an opinion on the financial statements in conformity with accounting principles generally accepted in the United States. Additionally, your auditors are testing the District's compliance with the USFR Questionnaire. Finally, if your District expends over \$500,000 of federal awards in a fiscal year, a Single Audit is being performed.

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Internal Controls for Expenditure Processes

by Marvin M. Mendieta, CPA, CGFM, Audit Manager

Perhaps one of the most significant business functions at your district is expenditure processing. It is important to have adequate controls in this area to ensure only valid payments are disbursed to the appropriate parties. Consider the following the next time you take a look at your district's internal controls for expenditure processing.

Vendor Master File Access. Access to the vendor master file should be restricted. The employee who maintains the vendor master file should not be tasked with recording payment information in the accounting system or approving expenditures. The vendor master file should be independently reviewed for changes on a regular basis to ensure accuracy and propriety of those changes.

Separation of Duties. Authorization and approval of expenditures should be separate from recording of disbursements in the accounting system. The employee responsible for approving

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Changing our Perspective

by Michael L. Lauzon, CPA, Audit Manager



Does work ever feel so overwhelming that you can't seem to gain any momentum? With any job, there are times where the work has to get done and big decisions have to be made. It can seem like something is in your way, but perhaps it is not time for a career or job change, but a change in perspective.

Usually the buildup of stress and worry that we create in anticipation of what needs to get done doesn't live up to the reality of what ends up happening. The tools and ability needed for the job have already been provided or are within you and it is just a matter of access and perspective.

A familiar story about someone overcoming the odds is David's defeat of Goliath. The picture that springs to mind may be a little boy armed with a slingshot who got lucky against a mighty warrior. However, author Malcolm Gladwell recently wrote a book titled *David and Goliath: Underdogs, Misfits and the Art of Battling Giants* that turns this familiar story on its head and challenges the importance of luck for the battle's outcome.

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Changing our Perspective

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Consider this: Goliath probably had terrible vision, would have been weighed down by 100 pounds of armor and his weapons would only have been useful in hand to hand combat, and as a result Goliath was not nearly as mighty as originally thought. On the other side is David, a boy who has been slinging stones his entire life defending his family's herd of sheep. Historically, slingers were considered artillery and experienced slingers were capable of hitting targets up to 200 yards away, including birds in midflight. The stone that came out of David's sling would have been traveling at approximately 35 meters per second and would have had the stopping power of a .45 handgun. This is not quite the typical version of this story, but, then again, it is all about perspective. Malcolm Gladwell gave an excellent TedTalk on this topic which is available online if you want to learn more:

http://bit.ly/tedtalk_goliath

Although most of us don't fight giants, we do run into situations daily where a change in perspective would be helpful. For example, instead of seeing deadlines as arbitrary dates set by others, it could be helpful to view those deadlines instead as an opportunity to more efficiently utilize existing resources and improve focus and concentration skills. Similarly, instead of perceiving an annual audit as a cumbersome process that wastes valuable time, it could be viewed as an opportunity to recognize your strengths, to improve internal controls and learn from prior mistakes.

Changing our perspective is not about a fundamental change to who we are, but instead is a valuable tool used to reduce stress and limit the time wasted due to the buildup of stress. While there are many other tools, changing your perspective can be a way to gain momentum in your professional life. If we could spend less time worrying about that upcoming "Goliath" project, imagine how much we could get done? ■

Internal Controls for Expenditures

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invoices and payment documents should not be the same employee who is tasked with recording those invoices in the system. Also, recording of disbursements should be separate from signing of the checks. The employee responsible for recording invoices in the system should not have the ability to sign the disbursement checks or have access to the blank check stock. In addition, if employees are tasked with printing checks, they should not be recording disbursement transactions or preparing and reviewing the bank reconciliation.

Signature Stamp Security. If the District maintains a signature stamp or facsimile plate, the authorized check signer should have custody of the signature stamp and ensure that the stamp is kept in a secure location. Disbursement checks should be compared to the check listing by an independent employee to ensure the payees and amounts agree and that the distribution of the checks is performed by someone independent of the expenditure process.

Wire Transfers. For wire transfers, it is recommended to have one authorized employee to initiate the transaction and another authorized employee to approve and release the wire transfer. These individuals should not be responsible for making changes to the vendor master file or performing bank reconciliations.



Reconciliations. Finally, accounts payable and bank reconciliations should be performed regularly and timely. They should be prepared by an employee independent of the disbursement process. In addition, the reconciliations should be reviewed and approved by someone other than the preparer of the

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HMU Events

Details and links to online registration can be found at www.heinfeldmeech.com/hmu. For more help, contact Susan at 520-742-2611, x107 or hmu@heinfeldmeech.com.



Budgeting for Arizona School Districts (workshop)

Location: Phoenix (Hilton Garden Inn Midtown)

Date: Monday, April 27th

Early Bird Pricing Ends: 4/10/15

Registration Ends: 4/17/15

Financial Statements 101 for Arizona School Districts (2-day workshop)

Location: Mesa (Mesa Convention Center)

Dates: Wed., May 6th and Thurs., May 7th

Early Bird Pricing Ends: 4/17/15

Registration Ends: 4/28/15

14th Annual Client Conference for School Districts

Location: Tempe (Doubletree Phoenix-Tempe)

Dates: Thurs., June 4th

Details and online registration available in April

Internal Controls for Expenditures

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reconciliation. Budget to actual expenditure reports should be reviewed on a regular basis to monitor the expenditures that are being charged and perform analysis on variances and other anomalies.

By implementing the appropriate controls and ensuring certain tasks are separated among employees, the risk of errors and fraud can be mitigated in the expenditure process. If you would like assistance reviewing your district's procedures or providing training to your district's staff, our team can help. Contact Karin Smith, CFE, MBA, SFO, at (602) 277-9449, ext 327 or CW Payne, CPA, at (928) 774-4201, ext 204. ■

Why Did My Auditors Ask for That?

(Continued from P.1)

During the past 28 years of working with school districts, our firm has tried to make our audit requests as easy to read and understand as possible. Normally, the audit requests are divided into various sections by the financial transaction cycle, USFR, or Federal section. Therefore, the easiest way to see the purpose of a request is identified by the section.

However, some audit requests have a dual or even triple purpose. For example, when reviewing a payroll transaction during the audit, we could be considering all three purposes in the same transaction. First, we are reviewing the payroll transaction to give us an overall understanding of the payroll process at the District and whether payroll is being processed correctly. Second, we are reviewing the payroll transaction to see if the District is complying with the USFR and to answer specific questions on the USFR Compliance Questionnaire. Third, if the transaction being reviewed is a federally-funded position, we are reviewing compliance with that specific grant and with the overall single audit.

So, if you are ever pulling the requested documents and wondering why would the auditors ever want to look at that, it is most likely going to be for the financial audit, USFR compliance review, or Single Audit, or a combination of the above. If you are not sure, just ask your audit team and we'd be happy to help! ■

Puzzler

Decipher the hidden meaning: (Answer on P.4)

**Golden Gate
H₂O**

Upcoming School District Deadlines

<u>Due Date</u>	<u>Item</u>
March 31	Annual and biennial audits due to AG, ADE and Federal Clearinghouse (if applicable) For electronic filings, Form 1096 and Copy A of all Forms 1099 due to IRS. (Organizations with more than 250 returns must file electronically.) Electronic filing of Forms W-2 and W-3 due to SSA.
April 1	Deadline to submit an amendment for all grants ending on June 30
Before May 15	Final budget revision must be approved by the Board
May 18	Final budget revision must be uploaded to ADE
By June 30	Monies in the petty cash account should be returned to the M&O Fund revolving back account Monies in the Student Activities Fund revolving bank accounts must be returned to the M&O Fund (A.R.S. §15-1124) Monies in the Auxiliary Operations Fund revolving bank accounts must be returned to the Auxiliary Operations Fund. (A.R.S. §15-1126.E)
June 30	Interest earned during the year on the Federal Savings Bond Withholdings, State Income Tax Withholdings, Federal Payroll Tax Withholdings, and Employee Insurance Programs Withholdings bank accounts must be remitted to the county treasurer for deposit in the district's M&O Fund. (A.R.S. §§15-1221.A, 15-1222.A, and 15-1223.B) Districts should prepare a supplies inventory listing For more on preparing for June 30, see our 5/2014 issue at http://bit.ly/SD-May2014

About HM

Heinfeld, Meech & Co., P.C., CPAs and Business Consultants, has offices in Tucson, Phoenix and Flagstaff, Arizona. With more than 28 years of experience, we are the recognized leaders in the State of Arizona in the field of school district accounting and auditing.

Our active involvement with national and state associations keep us up-to-date about emerging issues affecting your school district. We offer this free newsletter as part of our commitment to providing resources and training to school district business personnel.

For more about our firm, please visit our web site at www.heinfeldmeech.com.



Answer to Puzzler (Page 3): "Water under the bridge"