

THE ROLE OF THE BOARD OF EDUCATION

1334 DUTIES OF THE EXTERNAL (INDEPENDENT) AUDITOR

The responsibility for engaging a qualified and competent Certified Public Accountant (CPA) or Public Accountant (PA) to perform the annual audit of the District's financial statements resides with the Board of Education. State laws and regulations require that the annual audit be "accepted" by a resolution of the Board of Education. This resolution along with the audit report must be filed with State Education Department (SED) in a timely manner. In addition, the independence and objectivity of the auditor may be enhanced when the Board of Education and Audit Committee perform an oversight role with respect to the hiring and performance of the auditor, as required by law.

The independent auditor must conduct the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Standards of GAGAS are organized as general, fieldwork, and reporting.

Below are some important considerations the District shall expect of the auditor in preparing the audit; however, they should not be considered all-inclusive or a substitute for the auditor's professional judgment.

a) Independence: The auditor must document that he/she is independent of the District and free of personal and external impairments. The auditor must establish an internal quality control system to identify any personal and external impairment and assure compliance with GAGAS independence requirements.

b) Internal Quality Control System: The auditor must document that his/her internal quality control processes adequately demonstrate compliance with government auditing standards. He/she must establish an organizational structure, policies and procedures to provide reasonable assurance of complying with applicable standards governing audits.

c) Internal Controls: The auditor must obtain a sufficient understanding of the District's internal controls and document such understanding covering the five interrelated components: the control environment, risk assessment, control activities, information and communication, and monitoring.

d) Planning and Supervision: The auditor's work is to be properly planned and supervised and consider materiality in order to provide reasonable assurance of detecting misstatements resulting from direct and material illegal acts and material irregularities to financial statements. The auditor

should also be aware of the possibility that indirect illegal acts may have occurred.

e) Audit documentation: In order to meet the GAGAS requirements, the audit documentation should provide a clear understanding of its purpose, the source, and the conclusions the auditor reached. It should be organized to provide a clear link to the findings, conclusions, and recommendations contained in the audit report.

f) Reporting on Internal Controls and Compliance: The auditor must report on and present the results of his/her testing of the District's compliance with laws and regulations and its internal controls over financial reports in light of irregularities, illegal acts, other material noncompliance, significant deficiencies, and material weaknesses in internal controls.

Policy References:

Generally Accepted Government Auditing Standards (GAGAS) Sections 3.50-3.54, 4.03, 4.19-4.24, and 5.07-5.20

Education Law Section 2116-a

8 New York Code of Rules and Regulations (NYCRR) Sections 170.2, 170.3 and 170.12

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