

Northport-East Northport Union Free School District

**Annual Risk Assessment Update
Pertaining to the Internal Controls
of District Operations**

February 2019

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES

The Board of Education
Northport-East Northport Union Free School District

We have performed the procedures enumerated below, which were agreed to by the Northport-East Northport Union Free School District (the "District"), solely to assist the District. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have updated our February 2018 Initial Risk Assessment by performing certain internal audit procedures pertaining to the time period starting February 1, 2018 through January 31, 2019. The updated Risk Assessment and related internal audit plan concentrate on the following key internal control areas:

- Governance and Planning
- Budget Development
- Accounting & Reporting
- Revenue & Cash Management
- Grants
- Payroll
- Human Resources
- Benefits
- Purchasing & Related Expenditures
- Facilities/Capital Projects
- Fixed Assets
- Food Services
- Extraclassroom Activity fund
- Information Systems
- Student Data Management
- Pupil Personnel Services
- Transportation
- Safety & Security
- Cybersecurity

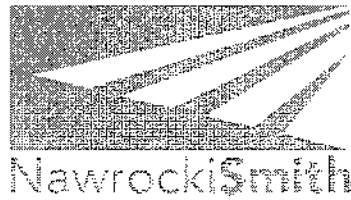
Our engagement is limited in scope and will be confined to our agreed-upon procedures. We will not be conducting an audit or review of the district's financial statements and therefore we will not express an opinion or any other form of assurance on them.

At the end of our engagement, we will present the results of applying the agreed-upon procedures in the form of our findings in a report. Our accountants' report should be used only for the intent of the original users of this report and will include a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. As such, using this report for anything other than the original intent of the agreed-upon procedures could mislead the readers. You must notify us immediately if the original users of the report change.

Very truly yours,

Nawrocki Smith LLP

March 1, 2019



Northport-East Northport Union Free School District

**Annual Risk Assessment Update
Pertaining to the Internal Controls
of District Operations**

February 2019

Table of Contents

Risk Assessment Overview.....	2
Internal Audit Objectives.....	2
Scope and Methodology.....	3
Internal Audit Risk Assessment Update Summary	4
Risk Rating and Internal Audit Plan	5
Risk Assessment Observations and Recommendations	7
Exhibits	15

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

Risk Assessment Overview

This Risk Assessment report provides a presentation of our view of the school district's risk pertaining to its financial operations. It gives the District's administration the information necessary to help optimize its overall performance. The report identifies, expresses, and prioritizes the key program risks so that the District's administration can focus on those areas most critical to its success. This analysis is used to define the District's risk profile. It will provide an overview of the risks facing the District's operations.

In accordance with the laws of New York, 2005, Chapter 263, all school districts and BOCES were required to establish an internal audit function no later than July 1, 2006 and be in operation no later than December 31, 2006. This function should include, at a minimum, development of a risk assessment of district operations, including but not limited to:

- A review of financial policies, procedures and practices
- An annual review and update of such risk assessment
- Annual testing and evaluation of one or more areas of the District's internal controls
- Preparation of reports which analyze significant risk assessment findings
- Recommended changes for strengthening controls and reducing identified risk; and specifying time frames for implementation of such recommendations

Pursuant to Section 170.12 – Regulations of the Commissioner of Education – School District Financial Accountability, each school district must prepare a corrective action plan, approved by the Board of Education in response to findings to final reports issued by the internal auditor. This plan should include expected dates of implementation and should be filed with the New York State Education Department.

Internal Audit Objectives

The objectives of our engagement are as follows:

- Develop an understanding of the critical business processes of the District within each functional area
- Identify and qualify risks based on the understanding of the business processes and stated business rules
- Identify stated controls that are currently in place to address those risks and ascertain if they are operating effectively
- Recommend improvements in internal controls

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

Scope and Methodology

The Board of Education has engaged Nawrocki Smith as the District's internal auditor. In compliance with New York State Laws, we have performed an annual update to the District risk assessment with respect to policies, procedures, and internal controls pertaining to District operations. The procedures applicable to the annual update of the District's risk assessment were performed during the fiscal year ending January 2019 and were carried out in order to determine an internal audit plan for calendar year 2019 and thereafter. This risk assessment will be updated annually to reflect any changes in the current control environment and the existing internal audit plan.

Our risk assessment consisted of the following methodology:

- Perform interviews of Administration and other appropriate personnel
- Document procedures within key Functional Areas
- Identify key controls and perform audit tests of those controls
- Assess effectiveness of the key controls
- Identification and review of organization structure
- Analysis of risks that are a threat to the achievement of objectives
- Create a risk profile and internal audit plan

In addition to the above procedures, we have also evaluated and considered the following within our overall risk assessment:

- District policies and procedures
- Recent focus of State Comptroller Audits
- Board of Education/Audit Committee Meetings
- Materiality to Financial Statements
- Changes in management or key personnel
- Financial reports provided to the Board
- External auditor management letters
- District corrective action plans
- Organizational chart and job descriptions

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

Internal Audit Risk Assessment Update Summary

We have analyzed nineteen (19) Business Process areas within the District and have developed an internal audit plan based upon our assessment of each area. Each of the nineteen (19) Business Processes contains multiple categories for which an extensive cycle analysis will be performed during the proposed time period noted within the risk rating and internal audit plan. The plan as presented will be revised each year based upon the annual risk assessment update and events/requests that occur during the year which impact the priority of future internal audit services.

The February 2019 risk assessment update contains thirteen (13) current year recommendations. The results of our update risk assessment are summarized below, and in the tables presented on pages 5 through 6. We have utilized a "Low", "Moderate", and "High" control risk rating assessment scale of our risk assessment to the District which is summarized as follows:

#	Business Process	Current Year Ratings				Recommendation(s)	Change From Prior Year	
		Low	Moderate	High	Total		Category (*)	Count
1	Governance & Planning	2	-	-	2	-	"High" to "Low"	- 0.00%
2	Budget Development	2	-	-	2	-	"High" to "Moderate"	- 0.00%
3	Accounting and Reporting	3	-	-	3	-	"Moderate" to "Low"	5 100.00%
4	Revenue & Cash Management	10	2	-	12	1	"Low" to "Moderate"	- 0.00%
5	Grants	5	-	-	5	-	"Moderate" to "High"	- 0.00%
6	Payroll	5	-	-	5	1	Total	5 100.00%
7	Human Resources	4	-	-	4	2		
8	Benefits	5	-	-	5	-		
9	Purchasing & Related Expenditures	5	-	-	5	-		
10	Facilities/Capital Projects	4	-	-	4	1		
11	Fixed Assets	3	-	-	3	1		
12	Food Services	5	-	-	5	-		
13	Extracurricular Activity	2	2	-	4	-		
14	Information Systems	6	-	-	6	-		
15	Student Data Management	3	-	-	3	4		
16	Pupil Personnel Services	4	-	-	4	-		
17	Transportation	5	-	-	5	-		
18	Safety & Security	4	-	-	4	1		
19	Cyber Security	4	-	-	4	2		
Total		81	4	-	85	13		
% of Total		95.29%	4.71%	0.00%	100.00%			

(*) Refer to pages 5 through 6 for business process rating changes.

The "Risk Assessment Observations and Recommendations" section of this report also contains the implementation status of the observations and recommendations presented within the February 2018 initial risk assessment report and our 2018 cycle reports on revenue and cash management and information technology. The status of the District's action plan is summarized below:

<u>Status of Prior Year</u>	<u>Complete</u>	<u>In-Process</u>	<u>Total</u>
<u># of Recommendations</u>	<u>14</u>	<u>4</u>	<u>18</u>

Based upon the work performed and discussions with the District, we have identified below for the selection of two (2) cycle audits to be performed during calendar year 2019:

- Food Services
- Pupil Personnel Services

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

Risk Rating and Internal Audit Plan

√ = Internal Audit Services Provided
★ = Business Cycle Review Complete

X = Proposed Business Cycle Review
T = Limited Testing of Business Process

	Business Process		Business Process Categories	Inherent	RISK			YEARS OF SERVICES		
					Control	Change		Prior	2019	Subsequent
					Jan-18	Jan-19				
1	<u>Governance and Planning</u>	1	Governance and Control Environment	H	L	L	—			X
		2	Required Policies and Procedures	H	L	L	—			X
2	<u>Budget Development</u>	3	Budget Development	H	L	L	—			X
		4	Budget Monitoring and Reporting	M	L	L	—	✓		X
3	<u>Accounting & Reporting</u>	5	Financial Accounting and Reporting	H	L	L	—	✓		X
		6	External/Internal/Claims Auditing	H	L	L	—			X
		7	Fund Balance Management	H	L	L	—			X
4	<u>Revenue and Cash Management</u>	8	Real Property Tax	M	L	L	—	★		
		9	State Aid	H	L	L	—	★		
		10	Out of District Tuition/Reimbursable	M	L	L	—	★		
		11	Use of Facilities	L	L	L	—	★		
		12	Donations	M	L	L	—	★		
		13	Vending Machines	H	M	M	—	★		
		14	Cash Receipts	H	L	L	—	★		
		15	Cash/Investment Management	H	L	L	—	★		
		16	Petty Cash	L	L	L	—	★		
		17	Bank Reconciliations	H	M	L	▼	★		
		18	Online Banking	H	L	L	—	★		
		19	Accounts Receivables	H	N/A	M	N/A	★		
5	<u>Grants</u>	20	General Processing	H	L	L	—		X	
		21	Grant Application	M	L	L	—		X	
		22	Expenditures and Allowable Costs	H	M	L	▼		X	
		23	Cash Management	M	L	L	—		X	
		24	Reporting and Monitoring	H	L	L	—		X	
6	<u>Payroll</u>	25	Payroll Disbursements	H	L	L	—	✓		X
		26	Overtime Payments	H	L	L	—			X
		27	Payroll Accounting and Reporting	H	L	L	—			X
		28	Payroll Tax Filings	H	L	L	—			X
		29	Payroll Reconciliation	H	L	L	—			X
7	<u>Human Resources</u>	30	Employment Requisition/Hiring	H	L	L	—			X
		31	Personnel Evaluation	H	L	L	—			X
		32	Employee Attendance	H	L	L	—			X
		33	Termination	H	L	L	—			X
8	<u>Benefits</u>	34	Eligibility	H	L	L	—		X	
		35	Benefit Calculations	H	L	L	—		X	
		36	Patient Protection & Affordable Care Act	H	L	L	—		X	
		37	Retiree Benefits	H	L	L	—		X	
		38	ERS/TRS	H	N/A	L	N/A		X	
9	<u>Purchasing and Related Expenditures</u>	39	PO System/ Vendor Database	H	L	L	—			X
		40	Bidding/RFPs/Quotes	H	L	L	—			X
		41	Payment Processing	H	L	L	—	✓		X
		42	Employee Reimbursements	H	L	L	—			X
		43	Credit Cards	H	L	L	—			X

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

Risk Rating and Internal Audit Plan

√ = Internal Audit Services Provided

X = Proposed Business Cycle Review

★ = Business Cycle Review Complete

T = Limited Testing of Business Process

	Business Process	Business Process Categories	Inherent	RISK			YEARS OF SERVICES		
				Control		Change	Prior	2019	Subsequent
				Jan-18	Jan-19				
10	Facilities/ Capital Projects	44 Facilities Maint. & Work Order Process	H	L	L	—			X
		45 Capital Project Planning and Monitoring	M	L	L	—			X
		46 Capital Project Funding and Payments	M	L	L	—			X
		47 Capital Project Recordkeeping	H	L	L	—			X
11	Fixed Assets	48 Inventory/Capitalization Policy	H	L	L	—		X	
		49 Acquisition and Disposal	H	L	L	—		X	
		50 Inventory	H	L	L	—		X	
12	Food Service	51 Sales Cycle and System	H	M	L	▼			X
		52 Inventory and Purchasing	M	M	L	▼			X
		53 Free and Reduced Meals	M	L	L	—			X
		54 Federal and State Reimbursement	M	L	L	—			X
		55 Financial Reporting	M	L	L	—			X
13	Extracurricular Activity Fund	56 General Controls	H	M	L	▼		X	
		57 Cash Receipts	H	M	M	—		X	
		58 Expenditures	H	M	M	—		X	
		59 Reporting	H	L	L	—		X	
14	Information Systems	60 General Controls and Governance	H	L	L	—	★		
		61 Network Security	H	L	L	—	★		
		62 Inventory	M	L	L	—	★		
		63 Disaster Recovery	H	L	L	—	★		
		64 Financial Application Security	H	L	L	—	★		
		65 Facilities	H	L	L	—	★		
15	Student Data Management	66 Enrollment/Registration	H	L	L	—	★		
		67 Student Performance Data	H	L	L	—	★		
		68 Student Attendance	H	L	L	—	★		
16	Pupil Personnel Services	69 Budgeting and Planning	M	L	L	—			X
		70 STAC Reimbursement	M	L	L	—			X
		71 Medicaid Reimbursement	M	L	L	—			X
		72 RFP and Contracts	H	L	L	—			X
17	Transportation	73 Fleet Inventory and Maintenance	H	L	L	—			X
		74 Bus Routing and Planning	H	L	L	—			X
		75 Labor and Supervision	H	L	L	—			X
		76 Contract Management	H	L	L	—			X
		77 State Aid	H	L	L	—			X
18	Safety & Security	78 Plan Development and Strategy	H	L	L	—			X
		79 Building Access and Security System	H	L	L	—			X
		80 Compliance and Incident Reporting	H	L	L	—			X
		81 Safety and Security Monitoring	H	L	L	—			X
19	Cyber Security	82 General Controls	H	N/A	L	N/A			X
		83 Information & Asset Security	H	N/A	L	N/A			X
		84 Vulnerability Assessment	H	N/A	L	N/A			X
		85 Incident Response & Recovery	H	N/A	L	N/A			X

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

Inherent Risk - Inherent risk pertains to the overall school district industry. Inherent risk is the risk of a material misstatement in the un-audited information assuming the absence of internal controls procedures.

Control Risk - Control risk pertains specifically to Northport-East Northport Union Free School District. Control risk is the risk that a material misstatement in the un-audited information will not be detected and corrected by the management's internal control procedures on a timely basis.

Risk Assessment Observations and Recommendations

Observations and Recommendations Based on Current Year Risk Assessment

Revenue and Cash Management

1. It was represented that the District has not established a formal review process of the invoices billed and status of accounts receivable for out of district tuition and COBRA insurance.
 - *The District should assign a second individual to review the accuracy of out of district tuition and COBRA insurance bills. The review process should include a verification that the invoice amounts agree to the source documents. The individual responsible for reviewing the invoices should also ensure that gaps in invoice numbers are tracked and noted so as to prevent duplicate billings and lost invoices.*

Payroll

2. The Payroll Office does not maintain annual salary notices supporting the rate of pay for each employee for each fiscal year.
 - *The District should explore the capabilities of the nVision application to issue an annual salary notice to all employees indicating their respective earnings for each current fiscal year. A copy of the employee salary notice should be provided to the employee to sign indicating his/her acknowledgment and a copy should be maintained in the employee's file. When a formal process exists to document authorized salaries and applicable changes, the opportunity for fraudulent or erroneous payroll changes to occur without detection decreases.*

Human Resources

3. The District has established a process to evaluate instructional employees electronically through StaffTrack in accordance with APPR guidelines. It was presented that the District utilizes paper forms to document formal evaluations for non-instructional employees. It should be noted that formal annual evaluation results are reviewed and signed by each individual employee, as required by the employment agreements, and copies are maintained on file.
 - *The District should explore the cost-benefit options of conducting evaluations for non-instructional staff on an electronic platform. This will assist the Human Resource Department in standardizing its employee evaluation process in identifying employees' strengths and weaknesses, documenting personnel decisions (including promotions, layoffs, and transfers), and meet legal requirements.*

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

4. The District has established a process whereby the request and approval for instructional employees leave days is electronically documented within AESOP. It was represented that the District utilizes paper forms to document the request and approval of leave days for non-instructional employees.
- *The District should explore the full capabilities of the employee attendance software, AESOP, and implement a process whereby all employee leave requests and approvals are documented and processed through the existing application. As an alternative, the District should explore the cost-benefit options of implementing the "Employee Self Service Portal" from nVision that will directly communicate with the District's financial application. These controls will assist employees to obtain pre-approval from their building level supervisors for their vacation, personal business, maternity, military, jury duty, extended sick, and conference leave day requests in a consistent manner. These electronic platforms will also assist the District in detecting unapproved leave request and providing effective operating planning.*

Facilities and Capital Projects

5. The District is in the process of developing a formal preventative maintenance schedule for the District's vehicles or equipment.
- *The Facilities Department should finalize its preventative maintenance program to improve the equipment useful life cycle and prevent excessive depreciation or impairments. The preventive maintenance schedule should include the manufacturer's recommended maintenance for equipment, including any warranty documentation on breakdown or failures, owner's manuals, drawings and installation documents. The preventive maintenance should also include estimated costs for labor hours and applicable supplies to monitor against the actual activity. This will assist in increasing its controls over the timely completion of the scheduled routine service calls and ensure that preventative maintenance inspections are completed in a timely manner.*

Fixed Assets

6. The District does not conduct physical inspections to verify the accuracy and the existence of assets listed on the property ledger.
- *The District should assign an employee separate from the Business Office and the Department Heads to conduct walk-through observations and verify whether the fixed asset tags are properly affixed to the equipment. The observation function should be conducted on an annual basis and the results should be documented and communicated to the Assistant Superintendent for Business. Any exceptions should be investigated, and corrective action should be implemented in a timely manner.*

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

Student Data Management

7. The District has developed standardized forms to document the flow of information throughout the buildings, Central Registration Office, Human Resource Department, and the Office of Technology. These forms include but are not limited to the student registration packet, student physical/immunization forms, grade change forms, and new employee checklists. The narratives enclosed with the internal audit report describe the procedures carried out by the Central Registration Office and the Office of Technology regarding the processing and monitoring of student enrollment, student attendance, student performance, and granting user permissions and monitoring user access within the District's student data management system.

➤ *In addition to the existing forms, the Central Registration Office and Office of Technology should develop documented guidelines regarding the monitoring and auditing of student enrollment, student attendance, student performance, and granting user permissions and monitoring user access within the District's student data management system. Procedures should be periodically reviewed to ensure that responsibilities are adequately performed at the District. The narratives and flowcharts attached to the internal audit report should serve as guidance to the District's documented procedures.*

8. During the course of our audit, we noted an area for improvement in regard to the student registration, attendance, and performance of data entry and audit process. The District has not implemented a formal review process of the eSchool audit logs or exception reports in the District's student management database. The lack of review of audit logs is a risk as any unusual or unauthorized activity could become undetected. The District, with the assistance of its BOCES Support for eSchool, should develop a monitoring system including audit logs and exception reports to monitor student registration, attendance, and performance data.

➤ *Upon development of audit logs to monitor the student registration, attendance, and performance information, the District should designate an individual separate from the Central Registration Office to periodically review the student registration, attendance, and performance information and determine appropriateness. Applications normally contain multiple audit logs or exception reports that can be reviewed to ensure individuals are making only authorized changes in the application. These audit logs and exception reports provide a mechanism for individual accountability and for management to reconstruct events, if necessary.*

9. We have examined the contents and the format of the "Grade Change Request Form" developed for the middle and high school levels and noted the following:

- Teachers are not required to attach supporting documentation to the Grade Change Request Form.
- The District does not have a Grade Change Request Form at the elementary level.

We conducted key control testing in the area of student grade changes reported subsequent to closed marking periods at the elementary, middle, and high school levels and noted the following:

- Certain student grade changes tested did not have documentation to support the purpose and circumstances of the reported grade changes.

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

- Certain student grade changes tested were requested and processed based on emails or request forms other than the District's standardized "Change Request Form."
 - Certain grade values as reported on the student grade forms did not agree to the student grade changes entered into eSchool.
 - Certain student grades were changed subsequent to the marking period from no grade, incomplete, or fail to pass.
 - *All Teachers should submit the standardized Change Request Form when requesting a student grade change. The Principals should not accept any other forms of requests and should return incomplete forms to the applicable Teacher for re-submission. The Principals should review and sign off on the Student Grade Change Forms and submit the approval to the individuals who have access to eSchool to make changes subsequent to the close of marking periods. This will enhance the controls surrounding the review process of student grade changes.*
10. Based upon the information gathered from the District and our analysis of the user permissions report applicable to the group access rights generated by eSchool, we made the following observations:
- Student Registration - It was represented that the data entry and any applicable edits of student registration in eSchool are limited to select individuals and to BOCES Support. Our analysis of the user permissions report indicated that access to data entry and any applicable edits of student registration in eSchool is granted to fifty-four (54) groups.
 - Student Performance - We observed that eighteen (18) users have access to modify student grades in eSchool. However, we noted that ten (10) out of the eighteen (18) users actually made grade modifications during the period analyzed.
 - *The Office of Technology should evaluate the user permissions currently assigned to each user group, develop a process to verify that individual users' access needs are compatible with the rights of the assigned groups, and update the permissions or groups as needed. This will ensure that individuals are assigned only those access rights needed to perform their job duties and will minimize the risk of unauthorized student enrollment or grade changes being made.*

Safety & Security

11. The District has not established a review process of the employees who have access to enter and exit the District's buildings to the employees listed as active in nVision.
- *The District should establish a process of reconciling the cardholder listing from the building access security software to the active employee listing from nVision at the end of each fiscal year and update the cardholder database by inactivating the employees who no longer are employed with the District. This will enhance the internal control over building access and will limit access during normal school operations and sessions to active employees only.*

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

Cybersecurity

12. The District has not developed an incident response plan to address breach notification in the event there is a Personal Identifiable Information ("PII") compromise or breach. Without formal written procedures addressing notification of a breach of PII, there is an increased risk that the District may suffer a serious interruption in operations.
- *The District should include within its Disaster Recovery Plan an incident response plan to address cybersecurity and breach notification. The incident response plan should include a crisis management and communication plan that involves employees/individuals who handle PII incident response and forensics, where warranted. This should enable sufficient business continuity in event of a cybersecurity breach.*
13. The District has not developed training workshops on cybersecurity or how to deal with related incidents.
- *The District should develop and provide periodic cybersecurity awareness training for all employees including new hires, Information Technology Department, and job positions that handle PII. The training should explain the proper rules of behavior for using information technology systems, the insider type of threats from a cybersecurity perspective, and the implications of a cybersecurity breach. The training should also include guidance on the use of social media, Bring Your Own Device ("BYOD"), and how to respond to a phishing or ransomware attacks.*

Status of Prior Year Recommendations

We have performed follow-up internal audit services applicable to the previously issued risk assessment report and cycle reports. The services we performed included observing and evaluating the implementation status of the District's action plan in respect to our risk assessment and cycle recommendations.

The previous initial risk assessment report and the two (2) cycle reports on revenue and cash management identified eighteen (18) recommendations within six (6) distinct business process areas. The District has completed or taken action on the eighteen (18) recommendations as follows:

<u>Business Process</u>	<u>Complete</u>	<u>In-Process</u>	<u>Total</u>
Revenue & Cash Management	4	3	7
Grants	1	-	1
Food Services	2	-	2
Extracurricular Activity Fund	1	-	1
Information Technology	6	-	6
Transportation	-	1	1
Total	14	4	18

Revenue & Cash Management

- We recommend that the District make a journal entry to correct the difference between the book balance and adjusted bank balance for the accounts noted above. Going forward any differences should be documented on the bank reconciliation and noted as a reconciling item. In addition, if a difference is

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

not expected to be resolved in the following month a journal entry should be made to correct it on District records.

Status as of February 2019: Complete

- We recommend that the District enter into a formal written agreement with the vending machine company that is currently filling and servicing the vending machines within the District. This will assist to ensure the District receives an accurate commission based on the agreement and that the vending machines are properly maintained and filled according to the District's wellness policy.

Status as of February 2019: In-Process

- The Business Office should develop documented guidelines and procedures for the collection and posting of cash receipts from the following revenue sources: real property tax, state aid, out-of-district tuition, use of facilities, donations and vending machines, as well as procedures for petty cash and bank reconciliations. The documented procedures should be reviewed and updated annually to maintain relevance and reflect regular changes in the business operations environment. The narratives attached to this report should serve as supplemental enclosures to the District's documented procedures.

Status as of February 2019: Complete

- The Business Office should receive approval from the Board of Education prior to depositing funds and entering collections into nVision. This will ensure that the District receives donations based on the acceptance of the Board of Education within existing policy.

Status as of February 2019: Complete

- The District should maintain a formal written agreement with the vending machine company that will determine the terms of managing the vending machines for the District in accordance with the District's wellness policy and providing detail accounting and reporting of vending machine sales.

We recommend that a District representative and/or Nawrocki Smith conduct a complete walkthrough of the District to identify and inventory all vending machines by location, general items for sale, and responsible party.

Status as of February 2019: In-Process

- As best practice, the District should develop documented guidelines in respect to the appropriate dollar limit for petty cash expense reimbursements. Once established, this limit should be communicated to all Petty Cash Custodians and the District's Petty Cash Reimbursement Form should be updated. This will enhance the District's internal controls over its petty cash funds and reduce the risk of purchases being made outside of the normal purchasing cycle.

Status as of February 2019: In-Process

- The District should review its depositories to ensure they are collateralized to 105% of the aggregate amount of deposits, as indicated in the District Policy. In the event they are not, the District should inform its service provider of its policy requirements. This will enhance the District's internal controls over its deposits/investments.

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

Status as of February 2019: Complete

Grants

- We recommend that the District complete PAR forms monthly whenever an employee's salary is partially paid from a grant. As per NYSED Grants Finance, "documentation beyond regular payroll records is required for an employee who is funded by a federal grant program". This includes a certification with the employee's name and position, the period of employment, and the name of the federal program. PAR forms also must be completed after the work is done, signed and dated by the employee, and maintained with regular payroll records.

Status as of February 2019: Complete

Food Services

- We recommend that the District consider having Nawrocki Smith conduct observations of the cash management process for a sample of school locations and document the observed procedures. The objective of the observations will be to assess the operating effectiveness of the cafeteria's cash receipts process including accountability and safekeeping and to obtain knowledge as to each individual's job duties and involvement in the cash receipt process.

Status as of February 2019: Complete

- We recommend that the District implement their corrective action plan regarding food service inventory controls. This will ensure that food service inventory is properly monitored and reports are accurate.

Status as of February 2019: Complete

Extraclassroom Activity Fund

- We recommend that the District implement their corrective action for the Treasurer to continue to provide oversight and guidance to Central Treasurers and club advisors during quarterly visits to the buildings. It was indicated that all comments would be addressed during the quarterly visits

Status as of February 2019: Complete

Information Technology

- The District should develop documented guidelines and procedures regarding software and hardware acquisition, information technology inventory management, creating and modifying user accounts, data security, software security, network security, physical security, service continuity, social media accounts, and email security. The documented procedures should be reviewed and updated annually to maintain relevance and reflect regular changes in the information technology environment. The narratives attached to this report should serve as supplemental enclosures to the District's documented procedures.

Status as of February 2019: Complete

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

- The Information Technology Department should disable the former employee's access to NVision. The Human Resource Department should notify the Information Technology Department of any employee position changes, including new hires, transfers, and terminations.

The user permissions should be limited to each employee's job roles and duties. The Business Office and the Information Technology Department should limit the permissions for the Cabinet members to "view only" for their respective departments. This recommendation will assist the District in minimizing the access of NVision to the individuals authorized by the Board of Education.

The Business Office should periodically review the permissions user account report and verify the appropriateness of user accounts and permissions on an individual employee basis. This recommendation will assist the Business Office in increasing its oversight and controls over its access to the District's accounting system.

Status as of February 2019: Complete

- The Information Technology Department should finalize its logical security controls whereby workstations will automatically lock the screens after a period of inactivity. The Information Technology Department should also require users to log off their account before stepping away from their computers and before they leave for the day. This will ensure that unauthorized users will not access the District's systems and their information.
- Subsequent to our review, the Information Technology Department took immediate corrective action plan and implemented the above recommendations.

Status as of February 2019: Complete

- The District should consider the cost/benefits of maintaining off-site backup to allow for a restoration of data even if the original data within District premises is destroyed.

Status as of February 2019: Complete

- The Information Technology Department should conduct annual full interruption tests of its data backup and restoration procedures to ensure that the restoration process works as intended and that the Business Office is able to recover data, if needed. As an alternative to the above recommendation, the Information Technology Department should develop a testing schedule of restoration procedures for each critical application and perform such at various times on an annual basis to ensure that the restoration process works as intended and that the Business Office is able to recover data, if needed. District employees and Internal Auditors should participate during the restoration procedures. The testing results should be documented and communicated to the Assistant Superintendent for Business for review.

Status as of February 2019: Complete

Northport-East Northport Union Free School District
Annual Risk Assessment
February 2019

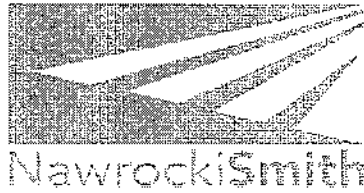
Transportation

- We recommend that the Transportation Department consider implementing Servicefinder to its fullest potential and develop procedures to track supplies and labor used in the department's operations. This will assist the Transportation Department in tracking supply inventories, in keeping complete and accurate vehicle maintenance history, reducing costs and vehicle downtime, and in analyzing and deciding on new equipment purchases.

Status as of February 2019: In-Process

Exhibits

Exhibit 1 History of Internal Audit Reports Issued



**Northport-East Northport Union Free School District
Internal Audit - Nawrocki Smith
History of Internal Audit Reports Issued
Exhibit II**

<u>Report Type</u>	<u>(*) 2012</u>	<u>(*) 2013</u>	<u>(*) 2014</u>	<u>(*) 2015</u>	<u>(*) 2016</u>	<u>2018</u>	<u>2019</u>
<u>Cycle Reviews</u>							
Benefits	√	-	-	-	-	-	-
Extraclassroom Activity Funds	-	√	-	-	-	-	-
Fixed Assets	-	-	-	√	-	-	-
Food Service	-	-	√	-	-	-	-
Governance and Planning	-	-	√	-	-	-	-
Human Resources	-	-	-	-	√	-	-
Information Systems	√	-	-	-	-	√	-
Payroll	-	-	-	-	√	-	-
Purchasing and Accounts Payable	-	-	-	√	-	-	-
Revenue and Cash Management	-	√	-	-	-	√	-
Student Data Management	-	-	-	-	-	-	√
Risk Assessment	-	√	√	√	√	√	√

(*) Prior Internal Auditor