

2011-2012 INTERNAL AUDIT RISK ASSESSMENT REPORT
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<u>GOVERNANCE AND PLANNING -GOVERNANCE AND CONTROL ENVIRONMENT</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The Board of Education does not receive monthly revenue and appropriation status reports for all funds as required by Commissioner's Regulations §170.2. Currently, the Board of Education only receives revenue and appropriation status reports for the general fund on a monthly basis. As a result, the Board is not provided with the proper tools to make financial decisions in accordance with their financial responsibilities.	Beginning with the 2012-2013 fiscal year, the Supervisor of Finance & Accounting will be responsible for forwarding the appropriation status report and revenue status report for all funds (General, School Lunch, Special Aid and Capital) to the Assistant Superintendent for Business. The reports will be forwarded to the Board of Education on a monthly basis. The Board of Education will receive the June 30, 2012 appropriation status report and the revenue status report for the School Lunch, Special Aid and Capital Funds with the General Fund reports.	Assistant Superintendent for Business Supervisor of Finance & Accounting
Trial balances for all funds, formal fund balance projections and cash flow projections are not provided to the Board of Education on a monthly basis. While not required reports, it is recommended that these items be included in the monthly financial reporting package provided to the Board of Education to further assist the Board of Education in carrying out their fiscal oversight responsibilities.	Beginning with the 2012-2013 fiscal year, the Supervisor of Finance and Accounting will be responsible for forwarding trial balance reports for all District funds (General, School Lunch, Special Aid, Capital and Trust & Agency) to the Assistant Superintendent for Business. The Assistant Superintendent for Business will provide these reports in a summative format to the Board of Education on a quarterly basis. Beginning with the 2012-2013 fiscal year, the District Treasurer will be responsible for forwarding cash flow projections to the Assistant Superintendent for Business. These reports will also be forwarded to the Board of Education on a	Assistant Superintendent for Business Supervisor of Finance & Accounting District Treasurer

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	quarterly basis. Beginning with the 2012-2013 fiscal year, the Assistant Superintendent for Business will provide the Board of Education with formal fund balance projections. These projections will be provided to the Board of Education from February to June. The Board of Education will receive a formal fund balance projection for the 2011-2012 fiscal year in June 2012.	
The District has not adopted policies related to <i>Animals in the Schools</i> and <i>Homeless Children</i> , which are legally required policies.	The Policy Committee included these policies on its 2011-2012 agenda. The policies have been adopted by the Board of Education.	District Clerk Board of Education Policy Committee
The District does not review and readopt the required Board policies on an annual basis. Currently, only new policies and changes to existing policies are formally adopted by the Board of Education,	The District will readopt the required Board policies at its reorganization meeting in July 2012.	District Clerk Board of Education Policy Committee
<u>ACCOUNTING & REPORTING -FINANCIAL ACCOUNTING, REPORTING AND OVERSIGHT</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District has not implemented procedures to review the journal entries after they have been entered into the accounting information system to ensure accuracy.	The right to delete and update journal entries has been removed from the permissions assigned to the Supervisor of Finance and Accounting. The Assistant Superintendent for Business will run the Finance Manager Journal Entry Schedule on a monthly basis to review the journal entries and confirm that the journal entry number sequence is uninterrupted. The Assistant Superintendent for Business will also review the journal entry schedules at the end of each month for accuracy.	Supervisor of Finance & Accounting Assistant Superintendent for Business

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<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
Although a notice was published stating the financial statements were available, the District did not publish the annual financial statement with adequate detail. As per Education Law 1721, "the Board of Education is required to publish, in at least one public newspaper, a full and detailed account of all moneys received by the board or treasurer of said district, for its account and use, and of all moneys expended, therefore, giving the items of expenditures in full."	The Assistant Superintendent for Business will provide the necessary financial information to the District Clerk after the financial statements have been accepted by the Audit Committee and the Board of Education. This financial detail will be published in at least one public newspaper.	Assistant Superintendent for Business District Clerk
The District has not adopted a formal Board of Education policy to outline the responsibilities of the internal auditor, claims auditor and external auditor.	The Board of Education will adopt formal policies outlining the responsibilities of the internal auditor, claims auditor and external auditor during the 2012-2013 school year.	District Clerk Board of Education Policy Committee
<u>ACCOUNTING & REPORTING - FUND BALANCE MANAGEMENT</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
As previously noted, formal fund balance projections are not formally prepared for the Board of Education, as recommended by the NYS Comptroller.	Beginning with the 2012-2013 fiscal year, the Assistant Superintendent for Business will provide the Board of Education with formal fund balance projections. These projections will be provided to the Board of Education from February to June. The Board of Education will receive a formal fund balance projection for the 2011-2012 fiscal year in June 2012.	Assistant Superintendent for Business

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ACCOUNTING & REPORTING - RESERVES AND FISCAL HEALTH

<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
We noted the District's reserves are maintained in accordance with related laws and regulations. However, we noted the District's workers' compensation reserve exceeds the long term liability for workers' compensation recorded on the District's financials.	The District appropriated \$430,000 from the workers' compensation reserve as a revenue source in 2011-2012. The District plans to appropriate a similar amount in 2012-2013. These appropriations will reduce the amount in the reserve to the long term liability amount. An actuarial report will be completed at the end of the 2011-2012 fiscal year to update the District's long term liability.	Assistant Superintendent for Business
For the past three fiscal years, the District school lunch fund had operating deficits which resulted in negative unassigned fund balances. Although the District increased the interfund transfer from the general fund to the school lunch fund to cover the operating deficit and created a reserve for advances in the general fund, the school lunch fund should be a self-sustaining program.	The District is aware that the School Lunch Fund is meant to be a self-sustaining program. Due to the increased cost of benefits and a small free and reduced lunch population, the program has had operating deficits during the past several years. The District has increased its General Fund transfer to the School Lunch Fund for the 2012-2013 fiscal year to \$200,000. The 2011-2012 transfer was \$100,000.	Assistant Superintendent for Business Supervisor of School Lunch

CASH MANAGEMENT - COLLECTION AND POSTING OF RECEIPTS

<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District does not compare the bank authenticated deposit slips nor the log of incoming cash receipts to the cash receipts per <i>Finance Manager</i> to verify that all receipts recorded in the log have been appropriately deposited and recorded.	Beginning in April 2012, the Accounting Department Accountant has added a column to the cash receipts excel spreadsheet to include the Finance Manager cash receipt number issued by the	Supervisor of Finance & Accounting District Treasurer Accounting Department Accountant

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	District Treasurer. The Accountant is responsible for preparing the deposit slip for the bank and for reconciling the validated deposit slip to both the cash receipts excel spreadsheet and the Finance Manager cash receipts journal. The Accountant is also responsible for reviewing the Finance Manager cash receipts journal to confirm that all cash receipts have been properly coded and recorded. At the end of each month, the Supervisor of Finance and Accounting will be responsible for a final review of the Finance Manager cash receipts journal for accuracy.	
The District does not issue a preprinted, pre-numbered treasurer's receipt for all incoming receipts. Currently, the District only issues a pre-numbered treasurer's receipt when cash is collected.	The District Treasurer began printing treasurer's receipts for all incoming receipts in March 2012. The receipts are attached to the corresponding transmittal and authenticated bank deposit slip.	District Treasurer
Although bank authenticated deposit tickets are compared to the log of incoming cash receipts to ensure accuracy, the comparison is not documented.	Beginning in April 2012, the Accountant has added a column to the cash receipts excel spreadsheet to include the Finance Manager cash receipt issued by the District Treasurer.	District Treasurer Accounting Department Accountant
Miscellaneous cash receipts that are received at the Northport Middle School are forwarded to the business office twice a year.	The District Treasurer will implement a procedure for the receipt of funds at the school buildings during the 2012-2013 fiscal year.	District Treasurer
The District does not perform periodic spot checks at all District locations collecting cash receipts to verify that miscellaneous cash receipts, such as lost text book fees, are being properly collected at the building level.	At the end of the 2011-2012 fiscal year the District Treasurer will review all cash receipts received from the school buildings. Generally the buildings collect monies for lost books (text, library and	District Treasurer

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	agenda), calculators and locks. The District Treasurer will analyze the receipts to confirm that all school buildings are forwarding monies to the District. The District Treasurer will visit all schools during the 2012-2013 fiscal year to review current processes and implement new procedures when necessary.	
<u>CASH MANAGEMENT - CASH AND INVESTMENT MANAGEMENT</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District Treasurer performs several incompatible duties such as recording cash receipts within <i>Finance Manager</i> , preparing deposit slips, bringing the deposit to the bank and performing bank reconciliations.	The Accountant's responsibilities have been expanded to include the preparation of the bank deposit slip. The Accountant receipts all checks and cash received by the School District and prepares the bank deposit slip. The District Treasurer receives the bank deposit slip from the Accountant, verifies the deposit and remits the deposit to the bank. After the deposit is made, the deposit slip is returned to the Accountant for verification. The Accountant reviews the deposit, initials the bank deposit slip and returns the bank deposit slip to the District Treasurer. The Supervisor of Finance & Accounting is responsible for reviewing and verifying the District Treasurer's monthly bank reconciliations and the District Treasurer's monthly reports presented to the Board of Education. This procedure has been discussed with the Internal Auditors who approve of the compensating controls adopted by the District.	Supervisor of Finance & Accounting District Treasurer Accounting Department Accountant

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Although the District has the required Board of Education policy in place surrounding the treatment of District investments, we noted that the policy was not readopted at the July 2011 organizational meeting as required by State regulations.	The District's investment policy will be readopted during the July 2012 reorganization meeting.	District Treasurer District Clerk Board of Education Policy Committee
One of the bank depositories authorized by the Board of Education at the July 2011 organizational meeting does not agree to the list of authorized depositories as stated in the District's investment policy.	The District's investment policy was included on the May 7, 2012 Board of Education agenda for a first reading. The names of the authorized depositories have been updated to reflect the correct District depositories.	District Treasurer District Clerk Board of Education Policy Committee
<u>CASH MANAGEMENT - WIRE TRANSFERS AND BANKING CONTROLS</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District does not have written policies regarding the processing of wire transfers as recommended by the State Comptroller.	The District realizes the importance of a written wire transfer policy and will address this issue during the 2012-2013 fiscal year. The District currently has internal controls in place for wire transfers, including the requirement for three separate approvals before the wire transfer is released. The District's internal procedures manual provides detailed information on the District's current procedure. The District will incorporate these procedures into a formal Board of Education policy during 2012-2013.	Supervisor of Finance & Accounting District Treasurer District Clerk Board of Education Policy Committee

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<u>GRANTS – GENERAL PROCESSING AND MONITORING</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District does not have several Board approved policies, including, but not limited to, <i>Availability of Alternative Formal Instructional Materials for Student with Disabilities, Districtwide and Statewide Assessments of Students with Disabilities, and Public Report on Revisions to District Policies, Practices and Procedures Upon a Finding of Significant Disproportionality</i> , which are legally required as per New York State Law 8 NYCRR §200.2.	The District will continue to review and update its policies during the 2012-2013 fiscal year. Legally required policies, including, but not limited to <i>Availability of Alternative Formal Instructional Materials for Student with Disabilities, Districtwide and Statewide Assessments of Students with Disabilities, and Public Report on Revisions to District Policies, Practices and Procedures Upon a Finding of Significant Disproportionality</i> , will be placed on the Policy Committee agenda. The Policy Committee meets regularly to discuss Board of Education policies. In addition, the Board of Education schedules public work sessions to review policies prior to adoption by the Board of Education.	District Clerk Board of Education Policy Committee
The District does not have written policies and procedures in place to address the recommendations from the U.S. Education Department (ED) for the District's ARRA and other federal funds. The U.S. Education Department (ED) of the federal government has made recommendations surrounding written policies specifically for District's procedures for federal funds as it relates to the use of American Recovery and Reinvestment Act (ARRA) funds. Districts should have written	The Policy Committee will include the addition of this policy to its Agenda for 2012-2013. The District will also prepare a formal procedure during the 2012-2013 fiscal year to address the recommendations from the U.S. Education Department for federal funds. Although the ARRA funding has expired, the Policy Committee, Accounting Department and District Treasurer will concentrate on formulating a Board Policy and accounting procedure to address the use of federal grant funds by the District.	Supervisor of Finance & Accounting District Treasurer District Clerk Board of Education Policy Committee

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<p>procedures for: (1) reducing the time lapse between the receipt and payment of federal funds; (2) remitting excess interest earned over \$100 on federal funds to the U.S. Department of Education; (3) requiring the monitoring of receipt of federal funds; (4) internal controls for the District's records management system; and (5) reviewing and documenting the District's review of vendors' past performance prior to awarding contracts.</p>		
<u>PAYROLL - PAYROLL DISTRIBUTION</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
<p>Unclaimed payroll checks are mailed from the building level rather than returning them to an individual who is separate from the payroll process in the business office.</p>	<p>Beginning with the 2012-2013 fiscal year, the District will determine if the following procedure can be implemented. All unclaimed payroll checks and direct deposit advices will be returned to the Supervisor of Finance & Accounting. Employees will be required to pick up their payroll checks from the Supervisor of Finance & Accounting. Payroll checks and direct deposit advices not picked up by the employee will be investigated by the Supervisor of Finance and Accounting prior to being mailed by the Supervisor.</p>	<p>Supervisor of Finance & Accounting Building Principals</p>

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	Unclaimed payroll checks and advices will not be returned to payroll department staff.	
A log of unclaimed payroll checks is not maintained.	The Supervisor of Finance & Accounting will be responsible for the maintenance of a log of unclaimed payroll checks and direct deposit advices. This log will indicate if an employee has picked up their payroll check or direct deposit advice or if the item was mailed to the employee.	Supervisor of Finance & Accounting
The District does not require employees to sign for their paychecks nor does the District require the building administrators to sign a certification memo indicating that the individuals receiving payroll checks within their building location are legitimate District employees.	Beginning with the 2012-2013 fiscal year, a payroll sign-in sheet will be generated via the Finance Manager Payroll Module. This sign-in sheet will be printed and forwarded to every building principal at the beginning of every school year. The principal of each building will be responsible for reviewing the sign-in sheet to confirm that the employees whose names appear on the list are legitimate District employees working in their buildings. Any discrepancies will be noted by the building principal and returned to the Supervisor of Finance & Accounting. The same procedure will be established for the Central Office. The District will look into providing a report on subsequent payrolls that lists only changes in the building employee population. This should limit the amount of time and paperwork that would have to be provided to each building on a bi-weekly basis. The District Claims Auditor performs "surprise" payroll audits at four buildings during the fiscal year. These audits serve to	Supervisor of Finance & Accounting Building Principals

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	confirm that only bona fide employees are on the District's payroll. The District will look into increasing the number of payroll audits to include one building per month. Therefore, each building would have a payroll audit at least once each year.	
Payroll checks for the Northport Middle School and Dickinson elementary School are distributed via the employee's mailbox. Payroll checks in the Northport High School are distributed to employees by their respective department head. Employees should receive their payroll checks directly to ensure that the payroll checks are not accessible by other employees.	The Supervisor of Finance and Accounting will be responsible for developing and implementing a procedure for the distribution of payroll checks and direct deposit advices during the 2012-2013 fiscal year at the building level. The District recognizes the importance of proper payroll distribution procedures, but also recognizes the increased work responsibilities that the auditor's recommendations may cause. The Supervisor of Finance and Accounting will review all payroll distribution control possibilities to determine what changes need to be implemented using a cost-benefit filter to avoid adding more work than is returned in the form of enhanced benefit.	Supervisor of Finance & Accounting
<u>BENEFITS - RETIREE HEALTH INSURANCE</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District does not have written policies and procedures to monitor the status of all retirees and their spouses/dependents receiving coverage.	The District will develop formal written procedures to monitor the status of all retirees and their spouses/dependents receiving health insurance coverage during the 2012-2013 fiscal year.	Assistant Superintendent for Human Resources Human Resources Benefits Administrator

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The District does not have a process to contact retirees, their spouses and/or dependents to obtain updates of their contact and eligibility information.	The District will develop formal written procedures to contact retirees, their spouses and/or dependents to obtain updates of their contact and eligibility information during the 2012-2013 fiscal year.	Assistant Superintendent for Human Resources Human Resources Benefits Administrator
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PURCHASING AND RELATED EXPENDITURES - PURCHASING PROCESS AND PURCHASE ORDER SYSTEM

<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District has not updated its purchasing policy to include the names of the individuals who are responsible for purchasing to be in compliance with Chapter 402 of the Laws of New York, 2007.	The District will update its purchasing policy to include the names of the individuals who are responsible for purchasing at the reorganization meeting in July 2012. According to Board of Education policy, the Supervisor of Purchasing and the Assistant Superintendent for Business are authorized to sign purchase orders.	Assistant Superintendent for Business Supervisor of Purchasing District Clerk Board of Education
The District has not implemented procedures to perform a comparison of the vendor master file to the payroll master file to assist in monitoring potential conflicts of interest and the proper classification of vendor versus employee.	The Supervisor of Purchasing has begun the process to compare the vendor master file to the payroll master file. The procedure will be formalized in writing during the 2012-2013 fiscal year.	Supervisor of Purchasing

PURCHASING AND RELATED EXPENDITURES - TRAVEL AND CONFERENCES

<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District does not generate purchase orders prior to employees attending conferences. Currently, employees complete claim forms when requesting reimbursements.	The District has implemented changes to PDC requests submitted by teachers and administrators during the 2011-2012 fiscal year. School personnel were provided training by the Supervisor of Finance and	Supervisor of Finance & Accounting Supervisor of Purchasing

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	Accounting. The procedure will be formally written during the 2012-2013 fiscal year.	
<u>FACILITIES AND CAPITAL PROJECTS - FACILITIES MAINTENANCE</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District has not conducted a cost and energy conservation study to determine its eligibility for energy performance contracts.	The District will be issuing an RFP (Request for Proposal) for an EPC (Energy Performance Contract) at the end of the 2011-2012 fiscal year.	Assistant Superintendent for Business Superintendent of Buildings & Grounds
The District has not adopted a formal operation and maintenance policy that consists of broad provisions and guidelines that outline the Board's priorities, responsibilities and expectations of the operations and maintenance program as recommended by the State Comptroller.	The District will adopt a formal operation and maintenance policy during the 2012-2013 fiscal year. The District has established an Operations and Maintenance Committee to review the District's capital projects and the District's five year capital plan. An updated five year capital projects plan is submitted to the Board of Education by the Operations and Maintenance Committee annually.	Assistant Superintendent for Business Superintendent of Buildings & Grounds District Clerk Board of Education Policy Committee
<u>CAPITAL ASSETS – ACQUISITION, DISPOSAL AND CAPITALIZATION POLICY</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
Although the District's <i>Fixed Assets System</i> policy indicates an inventory threshold, the District has not adopted a capitalization of district capital assets policy that details separate capitalization thresholds for GASB 34 inventory purposes and for tagging and tracking purposes, useful lives requirements and depreciation methods.	The District will research and revise its Fixed Assets System policy during the 2012-2013 fiscal year. The District will address these issues in the revised policy.	Assistant Superintendent for Business Supervisor of Purchasing

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While we did note that the District has a practice of tagging “walkable” assets that fall below the capitalization threshold, we recommend incorporating this in the policy.	The District will research and revise its Fixed Assets System policy during the 2012-2013 fiscal year. The District will address this issue in the revised policy.	Assistant Superintendent for Business Supervisor of Purchasing
The District’s inventory policy does not have a requirement to capitalize groups of similar homogeneous capital assets that fall above the District’s capitalization thresholds.	The District will research and revise its Fixed Assets System policy during the 2012-2013 fiscal year. The District will address this issue in the revised policy.	Assistant Superintendent for Business Supervisor of Purchasing
The District’s inventory policy does not address the frequency of obtaining outside appraisals which should be every three to four years as recommended by the State Comptroller.	The District will research and revise its Fixed Assets System policy during the 2012-2013 fiscal year. The issue of obtaining outside appraisals will be addressed in the revised policy. The District’s last appraisal was during the summer of 2009. An updated appraisal is expected to be completed during the 2012-2013 fiscal year. In addition, the District will review technological possibilities for inventory tracking to assist the staff in inventory management.	Assistant Superintendent for Business Supervisor of Purchasing
<u>CAPITAL ASSETS - INVENTORY TRACKING</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District does not perform periodic inspections of capital assets to ensure that assets are in usable condition and are in their assigned locations.	The District will consider possible implementation of this recommendation. The current concern is available staff to perform this function.	Assistant Superintendent for Business Supervisor of Purchasing

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<u>FOOD SERVICE OPERATION - SALES CYCLE</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District has not developed and adopted a meal charge policy for students who forget their money or do not have sufficient funds in their meal accounts, as recommended by the NYS Comptroller.	The District will review the NYS Comptroller's recommendation and request that a policy be discussed at a future Policy Committee meeting. The District intends to adopt a policy during the 2012-2013 fiscal year.	Assistant Superintendent for Business Supervisor of School Lunch District Clerk Board of Education Policy Committee
The School Lunch Director does not perform surprise visits as cash is being collected to observe the cashiers as they are counting the daily sales and entering the cash receipts data into the POS system.	Beginning with the 2012-2013 fiscal year, the Supervisor of School Lunch will make regular, periodic visits to the school cafeterias. Update reports will be provided to the Assistant Superintendent for Business	Supervisor of School Lunch Assistant Superintendent for Business
The District does not have a policy statement for its lunch program that sets forth the conditions that must be followed for the District to maintain participation in the National School Lunch Program.	The District will adopt a policy that sets forth the conditions that must be followed for the District to participate in the National School Lunch Program during the 2012-2013 fiscal year.	Assistant Superintendent for Business Supervisor of School Lunch District Clerk Board of Education Policy Committee
<u>FOOD SERVICE OPERATION - VENDING MACHINES</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
Although the contract guarantees an annual payment to the District, the contract for Answer Vending is silent as to the monthly commission percentage that is paid to the District.	The District will review the current contract with Answer Vending and will seek counsel's opinion on this finding. The current contract was drafted by District Counsel.	Assistant Superintendent for Business Supervisor of School Lunch

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The District does not perform a reconciliation of meter readings to sales to ensure that the commission check that is received is accurate.	The District will consider possible implementation of this recommendation. The current concern is available staff to perform this function.	Supervisor of School Lunch
<u>EXTRACLASSROOM ACTIVITY FUND - GENERAL CONTROLS</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District's policy No. 5252, <i>Student Activities Fund Management</i> does not address the purpose and organizational procedures of the extraclassroom activity accounts, the approved procedures of extraclassroom activities, procedures surrounding interest earnings and the tax exempt status of the extraclassroom activity fund.	All District policies will be re-adopted in July 2012. Written procedures surrounding the extraclassroom activity fund will be formalized during the 2012-2013 fiscal year. The Central Treasurers have received training and have been instructed to allocate interest earnings proportionately among the clubs.	District Treasurer District Clerk Board of Education
In the Middle Schools, profit and loss statements are not prepared for the District's extraclassroom activity fundraising activities. In the High School, profit and loss statements are only prepared at the end of the school year rather than after each fundraising activity.	The District Treasurer has developed a profit and loss form for all club advisors to use for fundraising activities. The District Treasurer has conducted meetings with the club advisors at all buildings to discuss their responsibilities.	District Treasurer Central Treasurers Club Advisors
Several accounts within the extraclassroom activity fund do not meet the State's definition of bona fide club including, but not limited to art scholarship, guidance, work study, and early childhood.	This issue has begun to be addressed by the District Treasurer during the 2011-2012 fiscal year. The District Treasurer will continue to address this issue during the 2012-2013 fiscal year.	District Treasurer
The District does not approve the extraclassroom activity accounts on an annual basis.	The District Treasurer will review this recommendation during the 2012-2013 fiscal year.	District Treasurer District Clerk Board of Education

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<p>Although some of the extraclassroom activity accounts complete an <i>Activity Signature Form</i>, the District does not maintain formal club charters for all extraclassroom activity accounts that list, at a minimum, the name of the club and the names of the student officers and faculty club advisors. The document should then be signed by each student officer, the faculty club advisor and the Principal, which is recommended by the Association of School Business Officials International. The signed charters should be forwarded to the Board of Education for approval on an annual basis with approval of the club charters documented in the minutes of the Board of Education meeting.</p>	<p>The District Treasurer will provide each club with a sample charter. During the 2012-2013 fiscal year, this issue will be addressed by the District Treasurer who will provide training and guidance on this topic to the club advisors.</p>	<p>District Treasurer Central Treasurers Club Advisors</p>
<p style="text-align: center;"><u>EXTRACLASSROOM ACTIVITY FUND - CASH, CASH RECEIPTS AND DISBURSEMENTS</u></p>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
<p>The District's extraclassroom activity fund does not monitor compliance with IRS guidelines regarding the filing of IRS Form 1099 for vendors that the District does business with.</p>	<p>This issue will be researched and reviewed by the District Treasurer during the 2012-2013 fiscal year.</p>	<p>District Treasurer Central Treasurers</p>
<p>The District's extraclassroom activity fund does not utilize pre-numbered pre-printed duplicate copy payment orders when requesting a disbursement check to be issued as suggested by Finance Pamphlet 2.</p>	<p>This issue has been addressed by the District Treasurer during the 2011-2012 fiscal year. The District Treasurer has discussed this topic with the Central Treasurers and club advisors during building visits. Visits to buildings have been documented by the District Treasurer</p>	<p>District Treasurer Central Treasurers</p>

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	and are available in the District Treasurer's office.	
New York State sales tax compliance is not always monitored by all faculty club advisors when making purchases from outside vendors and when the clubs are involved in various fund raising and social activities.	This issue has been addressed by the District Treasurer during the 2011-2012 fiscal year. The District Treasurer has provided the Central Treasurers with a list of "taxable items". This list was reviewed and discussed with the Central Treasurers. Visits to buildings have been documented by the District Treasurer and are available in the District Treasurer's office.	District Treasurer Central Treasurers
Invoices and/or receipts are not properly cancelled after payment to prevent potential duplicate payments.	An e-mail has been sent to all Central Treasurers by the District Treasurer instructing them to purchase a "PAID" stamp and to begin using it immediately.	District Treasurer Central Treasurers
The District's extraclassroom activity fund does not issue pre-numbered pre-printed duplicate copy cash receipts or activity treasurer receipts when collecting funds as suggested by Finance Pamphlet 2.	This issue has been addressed by the District Treasurer during the 2011-2012 fiscal year. The District Treasurer has met with the Central Treasurers on several occasions to discuss topics and provide training. Visits to buildings have been documented by the District Treasurer and are available in the District Treasurer's office.	District Treasurer Central Treasurers
The District's extraclassroom activity fund does not maintain sufficient documentation, such as photocopies of checks, to support cash receipts.	An e-mail has been sent to all Central Treasurers by the District Treasurer instructing them to copy all checks prior to depositing the checks in the extraclassroom activity account. Visits to buildings have been documented by the District Treasurer and are available in the District Treasurer's office.	District Treasurer Central Treasurers

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<u>INFORMATION TECHNOLOGY – GOVERNANCE</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
Although the District has adopted policy No. 8635, <i>Information Security Breach and Notification</i> , the District has not established the appropriate regulations regarding the procedures that are to be followed in the event of a security breach as required by the policy.	The District will update its policy during the 2012-2013 fiscal year to include the procedures to be followed in the event of a security breach.	Assistant Superintendent for Instruction Administrator of Technology District Clerk Board of Education Policy Committee
The District has not adopted a computer controls policy related to, but not limited to segregation of duties, report generation and approval, data input, passwords and permissions, remote access and data backup.	The District will address this policy during the 2012-2013 fiscal year.	Assistant Superintendent for Instruction Administrator of Technology District Clerk Board of Education Policy Committee
<u>INFORMATION TECHNOLOGY - NETWORK SECURITY</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District does not have procedures in place to lock out users after a certain number of failed logon attempts.	The District will review this issue during the 2012-2013 fiscal year.	Assistant Superintendent for Instruction Administrator of Technology District Clerk Board of Education Policy Committee
The District does not require network passwords be changed periodically to reduce the risks involved with unauthorized access.	The District will review this issue during the 2012-2013 fiscal year.	Assistant Superintendent for Instruction Administrator of Technology District Clerk Board of Education Policy Committee

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INFORMATION TECHNOLOGY - FINANCIAL APPLICATION SECURITY

<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
Although the Assistant Superintendent for Business periodically reviews audit trail reports for user activity to identify any activity that appears to be unusual, the review is not documented.	The Assistant Superintendent for Business will document the review of audit trail reports by printing and maintaining on file the last page of the audit trail report. Any discrepancies noted during the review will be documented.	Assistant Superintendent for Business

INFORMATION TECHNOLOGY – PERMISSIONS

<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District currently has thirty-three individuals who have two active user accounts within <i>Finance Manager</i> and two individuals who have three active user accounts. Additionally, the District has four active user accounts that appear to be generic templates such as purchasing clerical, supervisor user, system administrator and tech.	The Assistant Superintendent for Business and the Administrator of Technology will review all Finance Manager permissions during the 2012-2013 fiscal year. Some District employees have more than one active user account due to the established pathway(s) for particular purchase requisitions. For example, all instructional equipment purchases are approved by the principal as well as the Assistant Superintendent for Instruction. Due to the fact that there is an additional approval, a separate user account is required. The District will contact Finance Manager to confirm that these additional user accounts are still necessary or if the system can accommodate separate pathways on one user ID.	Assistant Superintendent for Business Administrator of Technology
Although the District's controls surrounding the assignment and changes to	The Assistant Superintendent for Business and the Administrator of Technology will	Assistant Superintendent for Business Administrator of Technology

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permissions functions effectively, the District does not have procedures in place to periodically review existing user permissions to identify potential incompatible duties, help verify that users are assigned to permissions that are within their job responsibility and ensure that only those new user permissions or changes to existing permissions that were approved were made.	review all Finance Manager permissions during the 2012-2013 fiscal year. The Accounting and Purchasing Departments will be reviewed first. Any appropriate changes will be requested in writing by the Assistant Superintendent for Business to the Administrator of Technology.	
Our review of user permissions within the accounting information system noted permissions granted to various employees that are not consistent with their job responsibilities.	The Assistant Superintendent for Business and the Administrator of Technology will review the user permissions annually to confirm that permissions assigned to employees are consistent with their job responsibilities.	Assistant Superintendent for Business Administrator of Technology

TRANSPORATION SERVICES - TRANSPORTATION CONTRACTS

<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District does not have written policies and procedures concerning the decision to extend or rebid a transportation contract.	The District continues to update and add procedures to its manual. During the 2012-2013 fiscal year, the District will incorporate this item in its manual.	Assistant Superintendent for Business Supervisor of Transportation District Clerk

TRANSPORTATION SERVICES - TRANSPORTATION STATE AID

<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
The District does not have written policies and procedures for the eligibility of expenses for transportation aid.	The District continues to update and add procedures to its manual. During the 2012-2013 fiscal year, the District will incorporate this item in its manual.	Assistant Superintendent for Business Supervisor of Transportation District Clerk
Although the Assistant Superintendent for Business reviews the receipt of	The District continues to update and add procedures to its manual. During the	Assistant Superintendent for Business Supervisor of Transportation

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transportation aid, the District does not have written procedures to ensure that transportation state aid payments are effectively monitored.	2012-2013 fiscal year, the District will incorporate this item in its manual.	District Clerk
<u>STUDENT SERVICES – SYSTEM TO TRACK AND ACCOUNT FOR CHILDREN (“STAC”)</u>		
<u>FINDING</u>	<u>CORRECTIVE ACTION</u>	<u>RESPONSIBLE PARTIES</u>
An appropriate administrator does not review all the processed STACs to determine if the STAC was properly completed for reimbursement.	The Supervisor of Finance & Accounting will be responsible for reviewing all STAC forms processed by the Accountant. In addition, the Senior Account Clerk in the Accounting Department will be cross-trained to provide back-up to the Accountant. The Supervisor of Finance & Accounting has been approved for a log-on to the STAC system.	Supervisor of Finance & Accounting